Yunnan Baiyao Group Co., Ltd.

Annual Report 2023

March 2024

Section I Important Notes, Contents, and Definitions

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

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

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

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

The profit distribution plan considered and approved by the Board of Directors is as follows: Based on the total share capital of the Company of 1,796,862,549 shares as at the end of 2023 less 12,599,946 shares repurchased by the special securities account for share repurchase, i.e., on the basis of 1,784,262,603 shares, a cash dividend of RMB 20.77 (tax inclusive) for every 10 shares will be paid to all shareholders, 0 bonus shares (tax inclusive) will be distributed, and 0 shares will be issued to all shareholders for every 10 shares by way of conversion of capital reserve.

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

Section I Important Notes, Contents, and Definitions 1

Section II Company Profile and Key Financial Indicators 6

Section III Management Discussion and Analysis 11

Section IV Corporate Governance 59

Section V Environmental and Social Responsibilities 92

Section VI Significant Events 101

Section VII Changes in Shareholdings and Particulars about Shareholders .. 128

Section VIII Preference Shares 138

Section IX Bonds 139

Section X Financial Statements 140

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 accounting center;

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

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

(IV) Other related materials.

Definitions

Term	Definitions
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SASAC of Yunnan Province	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government
CSRC Yunnan Bureau	Yunnan Bureau of China Securities Regulatory Commission
The Company / Yunnan Baiyao	Yunnan Baiyao Group Co., Ltd.
New Huadu	New Huadu Industrial Group Co., Ltd.
Yunnan Investment Group	Yunnan Provincial Investment Holdings Group Co., Ltd.
Yunnan State-owned Equity Operation Management Company	Yunnan State-owned Equity Operation Management Co., Ltd.
Yunnan Hehe	Yunnan Hehe (Group) Co., Ltd.
Jiangsu Yuyue	Jiangsu Yuyue Science & Technology Development Co., Ltd.
Baiyao Holdings	Yunnan Baiyao Holdings Co., Ltd.
YNBY International / Ban Loong Holdings	YNBY International Limited (Formerly Ban Loong Holdings Limited)
Shanghai Pharma	Shanghai Pharmaceuticals Holding Co., Ltd.
Mixed ownership reform	Baiyao Holdings, former controlling shareholder of Yunnan Baiyao, introduced strategic investors New Huadu and Jiangsu Yuyue by capital increase
Merger and overall listing	A transaction that Yunan Baiyao merged with Baiyao Holdings by issuing shares to all shareholders of Baiyao Holdings, including SASAC of Yunnan Province, New Huadu and Jiangsu Yuyue
Incentive Plan	2020 Stock Option Incentive Plan
General tender offer	A mandatory general cash offer was made for all issued shares held by all shareholders of Ban Loong Holdings, except the offeror and its acting-in-concert parties
Yunnan Pharma	Yunnan Pharmaceutical Co., Ltd.
Teayield	Yunnan Baiyao Teayield Co., Ltd.
CEO	Chief Executive Officer
IP	Intellectual Property, ie value contentization
D to C	Direct to Customer, ie the marketing model that directly faces consumers
ESG	Environmental, Social and Governance

Term	Definitions
AI	Artificial Intelligence
VBP	Volume-based procurement
OTC	Over-the-counter drug
DTP pharmacies	The pharmacies that provide more valuable professional services directly to patients
Reporting period	The period from January 1, 2023 to December 31, 2023
RMB, RMB’0,000, RMB’00,000,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi, expressed in hundreds of millions of Renminbi

Section II Company Profile and Key Financial Indicators

I. Company Profile

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

II. Contact Person and Contact Information

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

III. Information Disclosure and Location

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

IV. Changes in Registration

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

V. Other Information

The accounting firm engaged by the Company

Name of the accounting firm	Mazars Certified Public Accountants (SGP)
Office address of the accounting firm	17-18/F, Changjiang Industrial Building, No. 166, Zhongbei Road, Shuiguohu Subdistrict, Wuchang District, Wuhan
Name of signing accountants	Yang Manhui, Yang Fan

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

□ Applicable ☑ Not applicable

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

□ Applicable ☑ Not applicable

VI. Key Accounting Data and Financial Indicators

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

□Yes ☑ No

	2023	2022	Increase/decrease compared to the previous year	2021
Operating revenue (RMB)	39,111,292,156.00	36,488,372,649.73	7.19%	36,373,919,016.03
Net profit attributable to shareholders of the listed company (RMB)	4,093,782,074.02	3,001,125,887.45	36.41%	2,804,916,715.84
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses (RMB)	3,763,605,361.07	3,232,024,514.64	16.45%	3,339,920,238.78
Net cash flows from operating activities (RMB)	3,502,742,348.02	3,209,410,032.57	9.14%	5,223,278,282.50
Basic earnings per share (RMB/share)	2.29	1.90	20.53%	2.21
Diluted earnings per share (RMB/share)	2.29	1.90	20.53%	2.18
Weighted average ROE	10.51%	7.87%	2.64%	7.58%

	End of 2023	End of 2022	Increase/decrease compared to the end of the previous year	End of 2021
Total assets (RMB)	53,784,293,183.93	53,320,943,868.74	0.87%	52,335,429,198.95
Net assets attributable to shareholders of the listed company (RMB)	39,879,122,031.51	38,503,673,731.86	3.57%	38,227,432,067.86

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

□Yes ☑ No

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

□Yes ☑ No

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

Total share capital of the Company as at the trading day prior to the disclosure (shares)	1,796,862,549.00

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)	2.2783

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

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

□Applicable ☑Not applicable

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

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

□Applicable ☑Not applicable

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

VIII. Key Financial Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	10,512,750,996.14	9,796,621,853.93	9,379,159,224.37	9,422,760,081.56
Net profit attributable to shareholders of the listed company	1,517,988,356.56	1,310,023,258.74	1,295,465,799.15	-29,695,340.43
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses	1,402,680,418.31	1,334,375,367.59	1,116,150,641.76	-89,601,066.59
Net cash flows from operating activities	733,744,202.46	1,518,207,167.64	337,635,107.01	913,155,870.91

Note: The Company reported operating revenue of RMB 9.423 billion in the fourth quarter of 2023. The gross margin was 23.77%, up 2.76 percentage points from the fourth quarter of 2022. In the fourth quarter of 2023, promotional activities and employee benefits payable were more concentrated than in the previous three quarters, and Yunnan Baiyao experienced a decline in investment income from Shanghai Pharmaceuticals Holding Co., Ltd ("Shanghai Pharma") and a decline in gains from changes in the fair value of financial assets held for trading after the completion of the disposal of secondary market securities investments.

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

□ Yes ☑No

IX. Non-recurring Profits and Losses and their Amounts

☑Applicable □Not applicable

Unit: RMB

Item	Amount in 2023	Amount in 2022	Amount in 2021	Remarks
Profits and losses from disposal of non-current assets (including the write-offs for the accrued impairment of assets)	110,477,911.97	-62,684,387.81	621,711,864.34	
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)	75,375,220.16	99,898,358.75	178,356,401.29	
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	199,779,795.08	-403,800,800.93	-1,346,093,999.30	
Profits and losses arising from entrusted investment or asset management	3,146,335.87			
Profits and losses arising from contingencies unrelated to regular businesses of the Company		4,190,474.35	606,039.83	
Non-operating revenue and expenses other than the above	-1,919,286.26	3,035,335.64	-3,394,986.29	
Other profits and losses satisfying the definition of non-recurring profits and losses	41,588,740.24	80,566,869.79	1,200,931.04	
Less: Amount affected by the income tax	69,955,013.92	-48,913,488.78	-13,530,812.00	
Amount affected by minority interests (after tax)	28,316,990.19	1,017,965.76	920,585.85	
Total	330,176,712.95	-230,898,627.19	-535,003,522.94	--

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

☑Applicable □Not applicable

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

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

□Applicable ☑Not applicable

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

Section III Management Discussion and Analysis

I. Industry Landscape of the Company during the Reporting Period

(I) Industry landscape and development trends

In 2023, amidst profound industry transformations and ongoing healthcare system reforms, the healthcare sector encountered a dynamic landscape of challenges and opportunities. On the industrial demand side, demand growth in the industry has been ascertained by population aging and a resurgence in consumer spending. Moreover, the evolving concept of national health management and the changing consumer demands pose new requirements for reshaping the industry's product categories. With the implementation of industry policies, including the new medical insurance mechanism, volume-based procurement (VBP), and drug purchase outside with a prescription, the out-of-hospital over-the-counter (OTC) market witnessed remarkable expansion, underscoring its substantial growth potential. The trends of chaining and centralization in offline retail pharmacies further heightened, while the direct-to-patient (DTP) pharmacy channel experienced more favorable conditions. The online channel embarked on a period of rapid development, with a trend to explore the innovation strategies of "patient-centered" omni-channel operation. On the industrial supply side, the healthcare industry epitomized the characteristic of supply creating demand, with innovation serving as the perpetual driving force for the pharmaceutical sector. Only products that truly align with consumer value demands can help businesses navigate through cycles and achieve sustainable development in the market.

The contribution of TCM to the national health service and the importance of TCM in promoting the implementation of the "Healthy China" strategy have become increasingly prominent. China should inherit the essence of TCM while pursuing innovation. The General Office of the State Council has issued the *Implementation Plan for Major Projects for the Revitalization and Development of Traditional Chinese Medicine*, which sets forth goals for the revitalization and development of TCM, covering areas such as the TCM service system, comprehensive service capacity, scientific and technological innovation capacity, talent pool development, TCM quality, and international presence. The plan also provides specific requirements to promote the revitalization and development of TCM. The National Medical Products Administration (NMPA) has issued the *Special Provisions on the Administration of Registration of Traditional Chinese Medicines*, which emphasize the dialectical approach needed to balance the inheritance and innovation of TCM, accelerate the establishment of an evidence-based system for TCM evaluation, define multiple indicators for assessing the therapeutic efficacy of TCM, and further drive the development of innovative TCM. The introduction of the "three-combination" evidence-based system for TCM evaluation (ie a TCM registration and approval evidence-based system that integrates TCM theory, human use experience, and clinical trials) has further clarified the guiding principles for the innovative R&D and approval of TCM. The system presents new opportunities for R&D of new TCM and re-exploration of well-known classic prescriptions, and improve the approval and marketing processes of TCM, providing the sector with additional avenues for growth. With the full implementation of VBP of TCM products, the management and marketing of these products have entered a new phase. Market leadership will be taken by high-quality, large-scale TCM enterprises that have established a comprehensive supply chain. In terms of market trends, the increasing influence

of the "Silver Economy" in China has led to golden opportunities in the field of "musculoskeletal care, healthcare and chronic disease management." Meanwhile, with the emergence of the "new Chinese healthcare" and other concepts, the consumer demand for TCM products and nourishing products has been expanding, and the retail market has witnessed continuous improvement.

Within the Big Health industry, aging population and stronger awareness of health management spurred medical demands, and the consumer demands and patterns tend to be more diversified. In terms of consumer demand, the consumers have gradually shifted to "rational consumption." Products with characteristics such as satisfying multi-level personalized needs, having more scientific ingredient formulations and segmented efficacy claims, and possessing strong social attributes become priorities of consumers. As for the product mix, consumer expectations have also evolved, with stricter requirements on cost-effectiveness while pursuing quality. As costs soar, many consumer products have entered a phase of balancing price reduction with quantity increase. Consumer classification is becoming increasingly evident. In terms of channel, driven by the "near-field" and "digitalization" trends of consumer goods channels, e-commerce channels experienced sustained growth, with content e-commerce and instant retail expanding rapidly. Against the backdrop of shrinking traditional large channels, the transformation and upgrading of traditional channels represented by smaller grocery stores accelerated the reshaping of offline business formats. Thanks to meeting diverse consumer demands such as immediate, urgent, and emerging needs, the online-to-offline (O2O) model has rapidly developed, bringing sales increments to most product categories. Within segments, the oral care market has witnessed channel fragmentation, intensifying competition and necessitating further exploration of oral cleansing and care needs. Personal care brands have gained market share, while national brands have made significant breakthroughs, presenting both opportunities and challenges for Chinese enterprises. The health industry is entering an era of "discerning" expenditure. To stay ahead in this fiercely competitive landscape, companies must adopt refined management and operations in channel and retail terminals, acquire precise insights into consumer characteristics and demands, and enhance the cost competitiveness of the supply side.

(II) Industry position

The CPC Central Committee 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 *Outline of 14th Five-Year Plan for Economic and Social Development and Long-Range Objectives through the Year 2035 of China* put forth measures to promote the inheritance and innovation of TCM, providing robust support and impetus for TCM's inheritance and innovation in the new era.

At the end of 2023, the Company celebrated its thirtieth anniversary of listing. Over the past three decades since its listing, Yunnan Baiyao has maintained continuous growth, with operating revenue growing from RMB 58 million in 1993 to RMB 39.111 billion in 2023, representing an increase of 673 times; the net profit attributable to the parent company growing from RMB 13 million in 1993 to RMB 4.094 billion in 2023, representing an increase of 314 times. While continuously improving its intrinsic quality, the Company has always adhered to its corporate social responsibility, continued to enhance its dividend distribution capacity, increased the level of dividend

distribution, and distributed the dividends to its shareholders for 30 consecutive years. As of 2022, the cumulative cash dividends exceeded RMB 20.7 billion. Through stable operation and continuous dividend distribution, the Company has shared the achievements of corporate development with all stakeholders, created lucrative value returns for long-term value investors, and further promoted the high-quality development of the enterprise.

Yunnan Baiyao has consistently focused on integrating TCM into modern life, explored the endogenous potential of traditional medical products, responded to the needs of modern life with product innovation and infused traditional brands and TCM products with renewed vitality. In the pharmaceutical products domain, the Company's roots lie in Yunnan Baiyao Powder with a century-long legacy. Through persistent exploration and innovation, Yunnan Baiyao has progressively developed a series of core pharmaceutical products encompassing diverse forms like aerosol, plaster, tincture, and woundplast. In terms of personal care products, the Company has successfully combined core ingredients of Yunnan Baiyao with oral care items and created a group of oral care products, notably exemplified by Yunnan Baiyao toothpaste. This achievement stands as a prominent case for TCM enterprises venturing into cross-border innovation and reshaping consumer preferences. Leveraging its successful development strategies in pharmaceutical and health product sectors, the Company has expanded its business footprint into various domains, including natural medicine, TCM decoction pieces, special medicines, medical devices, personal care products, and healthcare food. This move enables the Company's evolution from a TCM manufacturing enterprise to a modern, Big Health-oriented entity.

The Company has 567 drug approval numbers and 316 varieties, covering 222 varieties of Chinese patent medicines, including 43 exclusive varieties. The Company not only vigorously promotes the secondary development of TCM varieties, but also enhances the innovation of new TCM products through R&D investment and scientific and technological strength. In the secondary development of TCM products, the Company focuses on the R&D of Gongxuening Capsule for hemostasis and anti-inflammation, and Qixuekang Oral Liquid for improving Qi deficiency and blood stasis. To enrich the new TCMs, we have assigned superior R&D resources to incubate key R&D projects for three new TCMs under Category 1.1, including the *Panax notoginseng* Tablet for treatment of heart-pulse stasis syndrome related symptoms, the Fuqi Guben Ointment, the first new TCM approved for clinical syndrome for warming kidney and consolidating foundation, and Xianghuo Spray for patients during the recovery period of COVID-19 or with wind-cold related syndrome. In addition, we have carried out the development of Chinese herbal preparations for two classic prescriptions (PZ-018, PZ-019).

In 2023, Yunnan Baiyao continued to maintain its market leading position in several business areas. The Company's core product, Yunnan Baiyao (Powder) occupied a 14.5% retail market share of systemic Chinese patent medicines for orthopedic injuries in the musculoskeletal system, ranking No.1 in the market. Yunnan Baiyao Aerosol occupied a 91.0% retail market share of the topical Chinese patent medicine aerosol for pains in musculoskeletal joints and muscle, ranking No.1 in the market. Yunnan Baiyao Woundplast occupied a 66.5% retail market share of woundplasts (medicated) for external hemostasis, ranking No.1 in the market (source: CHIS System). Yunnan Baiyao Toothpaste gained a market share of 24.60% in the domestic market in 2023, maintaining its No.1 position in market share (source: Nielsen Retail Research Data (YTD2312)). In the pharmaceutical distribution segment, Yunnan Pharmaceutical Co., Ltd ("Yunnan Pharma") maintained a regional dominant market position in the public hospitals at or above the county level in Yunnan Province.

II. Principal Businesses of the Company during the Reporting Period

(I) Product and business

The Company has four business groups, namely Pharmaceutical Business Group, Health Products Business Group, Traditional Chinese Medicine (TCM) Resources Business Group and Yunnan Pharmaceutical Co., Ltd (pharmaceutical distribution). 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* botanical supplements, aiming to identify new avenues for growth.

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

TCM Resources Business Group capitalizes on Yunnan Province's unique medicinal plant resources. While ensuring the high-quality, efficient, and cost-effective supply of TCM raw materials across the Group, the BG strives to develop both B-end (including *Panax notoginseng* series, branded medicinal materials, raw material extracts) and C-end (including TCM decoction pieces and healthcare food) products. Moreover, the BG continues to advance the digitalization, platform-based operation, and integrated management of TCM resource cultivation, while exploring growth potential.

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.

(II) Business model

1. Transformation from a traditional manufacturing enterprise to a provider of comprehensive solutions

Driven by innovative biotechnology, artificial intelligence, and big data computing capabilities, the global healthcare industry is undergoing a transformation from evidence-based medicine to precision medicine, which has driven the global pharmaceutical industry's transition from large-scale industrial production to personalized approaches and from chemical drugs to biologics and therapies. The market demand has also shifted from a singular "product" to "comprehensive solutions." In this context, Yunnan Baiyao is gradually transitioning from a traditional manufacturing enterprise to a "globally leading provider of comprehensive solutions." We are embarking on a path of platformization and digitalization upgrade. The Company remains focused on our principal businesses while actively expanding the potential of key sectors such as pharmaceuticals, health products, TCM resources, and commercial logistics. This ensures the steady growth of the Company. Looking ahead in the medium to long term,

we are committed to our established strategic tracks. By leveraging a "dual-wheel drive" strategy of internal growth and external expansion, and introducing innovative products and establishing a commercial platform that facilitates the entry of innovative medicines into the Chinese market, we set to position Yunnan Baiyao as a globally leading provider of comprehensive healthcare solutions, with the capability to represent China's health industry in international competition.

2. Transformation from a regional enterprise to an international enterprise with cross-regional presence

Yunnan Baiyao has planned the establishment of regional strategic functional centers in regions such as Kunming, Beijing, and Shanghai. Among these, Kunming is the Group's headquarters, the production facility, and the hub for TCM R&D. It still serves as the focal point from which the Company expands its influence outward. Once completed, Kunming R&D Center will concentrate on TCMs and natural drugs research, capitalizing on the abundant local flora and fauna. This will complement the Company's traditional R&D strengths in natural plant extraction and further enhance its independent R&D capabilities. Shanghai Center establishes an open and innovative incubation industrial science park. Beijing Center utilizes the platform of the Peking University - Yunnan Baiyao International Medical Research Center (PKU-YBIMRC) to strengthen collaboration between enterprises, universities and research institutes. In addition, Beijing Center closely focuses on world cutting-edge technology researches, and explores new mechanisms for enterprise-university cooperation, with an aim to attract world-class scientists, accelerate transformation of academic and scientific research achievements, and create a competitive medical brand.

The Company is creating an industrial platform that leverages resource-rich highland regions with favorable policies. This involves cross-regional expansion to effectively harness resources and develop core competitive advantages.

3. Transformation from traditional endogenous growth to a model "driven by dual wheels"

The R&D and innovation model of global pharmaceutical companies has shifted from the traditional endogenous R&D to a new model characterized by patent collaborations and M&As. Against the backdrop of payment system reforms such as China's drug VBP and medical insurance fee control, Chinese pharmaceutical companies can no longer rely solely on domestic market-oriented business models and expansion strategies to meet their long-term development needs as they engage in the process of internationalization. On one hand, Yunnan Baiyao continues to cultivate and explore the potential of its existing business sectors, thus accumulating momentum for its significant leapfrog advancements. Also, the Company strives to achieve commercial collaboration, technological exchange, and data sharing across business sectors, and work together to create a moat for Yunnan Baiyao. On the other hand, the Company will continue to promote the introduction of innovative products at home and abroad through various business models such as M&As, patent authorization, and joint venture construction. Yunnan Baiyao is laying the foundation for its transformation into "a comprehensive solution provider" by constructing market-competitive products and services and focusing on developing comprehensive service capabilities around the medical sector.

4. Transformation from training internal talents to "training internal talents + introducing external talents"

The Company believes in the pivotal role of talent in driving its development. It has established a comprehensive training system and various avenues for employee growth, fostering both specialized knowledge and comprehensive skills, with the mutual development of talents and the Company as the objective. The Company will leverage its advantageous resources to actively recruit high-caliber specialists across various domains such as strategic investment, medical academia, drug R&D, and user operations. This aims to bolster independent R&D capabilities and global resource integration expertise, drive technological innovation in pharmaceuticals, particularly in the realm of biopharmaceuticals, and integrate emerging information technologies, for achieving a leapfrog development, and creating a comprehensive pharmaceutical solution that integrates multiple product forms. The Company is further strengthening its financial strategies to provide robust support for Yunnan Baiyao's strategic objectives. It will also enhance operational capabilities in such areas as revamping the management of working capital along the entire value chain and improving the effectiveness of enterprise investment and acquisition value management. By nurturing internal talents, welcoming external experts, and fully utilizing its organizational environment for talent development and market resources, the Company strives to build a high-quality talent pool aligned with its future growth requirements.

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

The Company is committed to building a digital driving force and actively seeking for transformation to digital operations with customers as the center, so as to bring new value propositions to customers, and improve their experience. Leveraging cutting-edge digital technologies such as cloud computing, big data, artificial intelligence, 5G, and the Internet of Things, the Company drives innovation and development. The Company also seeks for transformation from a function-oriented process to a process that connects customer scenarios to drive the Company's management change and organizational development. Also, the Company will establish a unified "data base" and governance strategy, and build an intelligent decision-making system "based on facts." In terms of talent management, Yunnan Baiyao has built the ONE-BY digital talent lifecycle management platform and formulated a digital transformation strategy for human resources. By adopting scenario-based, automated, group-oriented, role-based, and data-driven approaches, the Company has gradually digitized its human resources practices. Pharmaceutical BG has leveraged IP-driven activities and projects to create a synergy between online and offline channels, enabling targeted marketing based on user value. Health Products BG has achieved significant advancements in its toothpaste factory, implementing intelligent manufacturing and digital twinning with Industry 4.0 principles. TCM Resources BG has developed a digital *Panax notoginseng* industry platform, facilitating profound connections between users and participants in the *Panax notoginseng* industry. This platform enables automated production and fosters an industry ecosystem, ensuring that products and services can reach users more efficiently. Yunnan Pharma continues to expand its pharmaceutical distribution capabilities by establishing an intelligent drug logistics system that covers the entire province. Yunnan Baiyao Group Medicine E-commerce Co., Ltd has established an AI-based big data platform to support intelligent development, promoting the full-cycle upgrade of digital health from "medical + pharmaceutical + insurance" to "service + product + payment."

III. Analysis on Core Competitiveness

(I) Brand strength

Yunnan Baiyao is a well-established Chinese heritage brand with a history of over 120 years. The Company places the Yunnan Baiyao brand at its core, evolving from a pharmaceutical brand to cover a diverse range of sub-brands, including personal healthcare products, crude drugs, and Big Health products. We have built a diverse portfolio of brands and continuously expanded our reach to target audiences, enhancing our brand value over the long term. With the continuous enhancement of brand market value, brands have emerged as the focal point in the global economic arena. Throughout its more than a century of evolution, Yunnan Baiyao has consistently pursued innovation and transformation. Looking ahead, the Company is poised to increase investments in technological innovation and expedite the optimization and transformation of its product development processes, solidifying the Company's presence on the global stage. This highlighted the sustained market acknowledgment of Yunnan Baiyao's brand value during the reporting period. In July 2023, Brand Finance, a British brand evaluation agency, released the *Healthcare 2023 - The Annual Report on Ranking of the Most Valuable and Strongest Pharma, Medical Devices and Healthcare Services Brands by Value*. Yunnan Baiyao was included in the shortlist of the global top 25 most valuable pharmaceutical brands for the third time. In November 2023, Interbrand, a global brand strategy consulting and design firm, released its *2023 Best Chinese Brands Ranking*. Yunnan Baiyao was ranked 35th among Chinese brands and secured the No.1 position in the pharmaceutical industry.

(II) Talent team advantages

The Company has formed a professional management team with a market awareness across various business sectors. In the fierce industry competition, the Company has always maintained a sharp business acumen of market changes and profound insight into industry trends. We persistently delve into the essence and core values of our century-old brand, fostering innovation and incubating high-quality product portfolios to address the iterative upgrades in consumer demand. This drives the integration of TCM into modern life and achieves a long-term, sustainable, stable and sound development of the Company. Therefore, the Company has long been among the forefront in TCM industry in terms of operating revenue, net profit, market value, and other indicators.

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

At the beginning of 2024, the Board of Directors elected Mr. Zhang Wenxue as the Chairman of the Tenth Board of Directors. The Company embarked on a steady implementation of organizational transformation with the core principle of "strengthening the front-end, empowering the middle-end, and optimizing the back-end." This aims to shift the management and control model from financial control to strategic control, while building a more focused, streamlined, and efficient organizational structure. With such measures, the Company will enhance internal

connectivity and collaboration, and provide a robust foundation for the Company to focus on principal businesses, integrate advantageous resources, and reinforce vertical control and empowered management.

At present, the Company is trying to capitalize on emerging development opportunities with joint efforts of all its employees, with an aim to advance its stability, long-term prospects, and sustainability, enabling the Company to reach a new stage of development.

(III) Innovation capabilities and product portfolio strengths

Innovation is the fundamental path for enterprises to achieve high-quality development. The core essence of enterprise innovation lies in creating value. High-quality products serve as the driving force for value creation and sustainable development within an enterprise. They also serve as the medium through which users perceive the value of the enterprise. Yunnan Baiyao's enduring vitality over the span of two centuries can be attributed to its commitment to continuous business and product innovation, addressing the ever-evolving consumer demands. The Company's innovation strategy revolves around three key areas: customer-centric innovation, social innovation through collaborations, and digital innovation driven by advanced technologies like artificial intelligence, big data, and cloud computing. The Company is committed to integrating TCM into modern life. As such, the Company has evolved from a single hemostatic product manufacturer into a company with broad and diversified Yunnan Baiyao products encompassing various sectors within the Big Health industry. Among them, aerosol, plaster, capsule, toothpaste, woundplast, and Baoqi Panax notoginseng products rank among the top in the segmented market share, creating classic cases of TCM innovation such as "Yunnan Baiyao Woundplast" and "Yunnan Baiyao Toothpaste" and their use in daily scenarios.

The Company's commitment to continuously enhancing its R&D capabilities and driving digital transformation has constantly boosted its innovation capacity. To support its R&D team, the Company has established more than 10 national and provincial-level research platforms. It has also forged partnerships with various research institutions and universities to establish dedicated R&D centers focusing on the pharmaceutical field. These collaborations facilitate talent acquisition, scientific research, and knowledge exchange. By promoting close collaboration between basic research and clinical practices, the Company truly translates research findings into practical outcomes, encourages interdisciplinary integration, and fosters innovation. Furthermore, with a forward-thinking perspective, the Company drives its transformation into "digital and intelligent innovation" by leveraging advanced technologies such as artificial intelligence, big data and cloud computing, and continuously enhances operational efficiency in both management and R&D. As a model for cross-border presence of TCM enterprises, the Company has successfully expanded its business presence in pharmaceutical products and health products, and holds a leading position in various market segments.

In the new era, the Company's vitality lies in its product innovation capability. The coordinated development and mutual empowerment of pharmaceutical and consumer businesses can effectively mitigate market and policy risks across different economic cycles, achieving stable and sustainable overall business operations for the Company.

(IV) Full industry chain advantage

Yunnan Baiyao relies heavily on the biological resources in Yunnan Province and has always adhered to a long-term approach when establishing its presence in strategic areas, especially focusing on strategic TCM varieties like *Paris polyphylla* and *Panax notoginseng*. Over two decades of dedicated research on *Paris polyphylla*, a

strategic medicinal material for the Company, the Company has successfully addressed the challenges associated with its cultivation. The Company has transformed this once-wild and endangered plant into a cultivatable medicinal material suitable for industrialization. Additionally, the Company has embraced digital infrastructure and information-oriented approaches in the *Panax notoginseng* industry chain, driving the digital transformation across the entire supply chain. Through digital solutions, Yunnan Baiyao ensures stable quality and full traceability of *Panax notoginseng* raw materials, effectively mitigating the quality fluctuations often associated with traditional agricultural products due to extensive processing. This progress allows the Company to gradually establish a fair pricing mechanism and standardized industrial operations, thereby leading and advancing the development and upgrading of the *Panax notoginseng* industry. The Company is extending the experience gained from establishing the "Digital Sanqi Industrial Platform" to other TCM supply chains. It is gradually building a long-term, stable, and high-quality traceable supply chain system for authentic Yunnan medicinal herbs such as *Panax notoginseng*, *Paris polyphylla*, *Carthamus tinctorius*, and *Poria cocos*.

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

(V) Channel advantages

In terms of pharmaceuticals, the Company has built a marketing network covering medical institutions and retail pharmacies across various provinces, regions, counties, and towns in China. In the advantageous OTC channels, we have nationwide coverage, serving 5,000 top-tier chains and reaching over 400,000 retail stores. Especially in areas with well-developed chain pharmacies such as East China, Hunan Province, Hubei Province, and Yunnan Province, the Company has achieved the high coverage, the penetration rate, and strong market control capabilities, and implemented the special marketing cooperation under the principle of "One Province, One Strategy" or even "One Chain Store, One Strategy". The Company also has conducted extensive cooperation with major e-commerce platforms such as Alibaba, JD.com, and Douyin, for expansion of online OTC sales channels, and achieved efficient reach to modern consumers by virtue of customized digital marketing.

Regarding health products, Yunnan Baiyao has established a comprehensive nationwide sales team dedicated to Big Health products, covering all terminals. As of 2023, Yunnan Baiyao Toothpaste had maintained the largest toothpaste market share in omni-channels, encompassing hypermarkets, supermarkets, mini-stores, convenience stores, grocery stores and cosmetics store (source: Nielsen Retail Research Data YTD2312), with a high brand penetration in the oral product category. Through ongoing optimization of its full chain channels, the Company has not only strengthened its position in traditional offline channels but also experienced significant growth in emerging business models such as on-demand retail, community group purchases, and interest-based e-commerce. This demonstrates the Company's willingness to experiment and adapt, taking measured steps forward and learning from any mistakes along the way, all of which enhance its ability to quickly respond to evolving business trends. Such channel advantages have driven significantly enhancement to Yunnan Baiyao's market competitiveness, laying the foundation for the Company to continuously commercialize new products.

IV. Analysis on Principal Businesses

1. Overview

(1) Overview of business data

In 2023, despite the challenges posed by significant external environmental changes, the Company achieved a total operating revenue of RMB 39.111 billion, representing a net increase of RMB 2.623 billion from RMB 36.488 billion in the same period last year, with a growth rate of 7.19%. Industrial revenue grew at a rate of 7.58%. The Company also achieved a net profit attributable to the parent company of RMB 4.094 billion, an increase of RMB 1.093 billion from RMB 3.001 billion in the same period last year, with a growth rate of 36.41%. The weighted average return on equity was 10.51%, an increase of 2.64 percentage points compared to the previous year. The basic earnings per share were RMB 2.29 per share. At the end of the reporting period, the Company's total assets amounted to RMB 53.784 billion, representing a 0.87% year-on-year growth. The cash and bank balance recorded RMB 14.218 billion, while the balance of financial assets held for trading decreased significantly by 93.82% compared to the beginning of the year, amounting to RMB 149 million. The net assets attributable to the shareholders of the listed company amounted to RMB 39.879 billion, representing a 3.57% year-on-year increase.

(2) The four BGs focus on their principal businesses, driving quality and efficiency, and achieving steady and high-quality growth

1) Pharmaceutical Business Group

During the reporting period, Pharmaceutical Business Group achieved principal business revenue of RMB 6.481 billion, representing an 8.16% year-on-year growth. The core products of the Baiyao series maintained a strong growth momentum, with a gross profit margin of 70.6%. Among them, the sales revenue of Yunnan Baiyao Aerosol contributed over RMB 1.7 billion, with a 15.27% year-on-year growth. The sales revenue of Yunnan Baiyao Woundplast, Yunnan Baiyao Plaster, Yunnan Baiyao (Powder), and Yunnan Baiyao Capsule exceeded RMB 100 million. Specifically, the sales revenue of Yunnan Baiyao Plaster surpassed RMB 900 million, while the sales revenue of Yunnan Baiyao Capsule exceeded RMB 600 million, and the sales revenue of Yunnan Baiyao (Powder) and Yunnan Baiyao Woundplast exceeded RMB 300 million. Other branded TCM products showed impressive growth. The sales revenue of Pudilan Anti-inflammatory Tablet and Huoxiang Zhengqi Oral Liquid both surpassed RMB 100 million, with year-on-year growth of nearly 16% and 124% respectively. The sales revenue of Gongxuening Capsule, used for gynecological inflammation, saw a 47% year-on-year increase. Botanical supplements also achieved significant growth, with the sales revenue of Qixuekang Oral Liquid reaching RMB 231 million, representing a 15% year-on-year growth.

The pharmaceutical business is Yunnan Baiyao's core operation and a cornerstone of its vision to become a "comprehensive solution provider in the Big Health sector." With an aging population, growing health consciousness, rising demand for sports-related products, and the rapid expansion of retail pharmacies, particularly in the chain OTC segment, Yunnan Baiyao is well-positioned to leverage its brand resources, including 567 drug approval numbers and 316 varieties (including 222 Chinese patent medicines, of which 43 are exclusive), as well as its OTC channel advantages, encompassing 5,000 leading service chain stores and nationwide coverage of over 400,000 stores. These have presented significant opportunities for Yunnan Baiyao's branded TCM retail business.

During the reporting period, Pharmaceutical Business Group actively promoted self-reform, upholding inheritance and innovation. In terms of academic construction, the BG joined hands with professional organizations such as the National Trauma Center, Bai Qiu'en Foundation, and PKU-YBIMRC to carry out a number of clinical trials around Baiyao's core and growth varieties, exploring product characteristics, assessing efficacy and safety, extending the lifecycle of mature varieties, and unlocking the market potential of growth varieties. The BG had established an integrated ecosystem for Yunnan Baiyao that combined research and marketing to a high degree, and enhanced its core competitiveness. Marketing efforts involved large-scale operations, pilot promotions, and increased collaboration with drugstore chains, aiming for industry and chain growth with concentrated resource input. Organizational improvements included talent development initiatives like the "Xuanjia Action," enhanced management efficiency, continuously increased product quality and stability, and achieved significant breakthroughs in operational capacity. Product initiatives focused on core series of Yunnan Baiyao, shifting from a "scattered approach" to a "targeted strategy," concentrating resources on flagship products and national key accounts, and making breakthroughs in targeted products. In the field of branded TCM, an independent team was established to operate Yunnan Baiyao branded TCM series products, aiming for seizing the opportunities in the branded TCM market, and achieving sustained sales growth. In the *Panax notoginseng* market, a drug intelligent manufacturing center characterized by cost control, high-quality, traceable and consistent *Panax notoginseng* raw materials was established to enable rapid market penetration in the *Panax notoginseng* sector.

Moving forward, Pharmaceutical Business Group will focus on "leading in the field of orthopedics, expanding its reach to households with a diverse range of medicines, and becoming a prominent player in the *Panax notoginseng* industry." The BG will continue to strengthen and solidify its leading position in the OTC market for musculoskeletal disorders while actively driving growth for other branded TCM products. Furthermore, the BG will strive to establish an operational system throughout the entire *Panax notoginseng* industry chain and cultivate competitive advantages in various therapeutic areas. To achieve these objectives, Pharmaceutical Business Group will focus on two key strategies. Firstly, it will enhance academic research and deepen partnerships with National Trauma Center, Accelerated Rehabilitation Alliance, PKU-YBIMRC, and medical institutions at all levels, conducting in-depth research and secondary development on existing products, exploring potential products and creating new growth opportunities. Secondly, the BG will collaborate with upstream raw material supply and manufacturing departments to achieve coordinated development across production, quality control, and marketing. All these will enable intelligent manufacturing, cost reduction and enhanced efficiency, thus providing a strong impetus for future growth.

2) Health Products Business Group

During the reporting period, Health Products Business Group tapped into the potential of the existing customers, and maintained a steady growth in the principal business income, realizing an operating income of RMB 6.422 billion, up 6.50% year-on-year. In the field of oral care, Yunnan Baiyao Toothpaste occupied a domestic share of 24.60% (source: Nielsen Retail Research Data, YTD2312), maintaining its No.1 position in terms of market share. During the "Double 11" period in 2023, Health Products Business Group secured the first place in several lists: The official flagship store of Yunnan Baiyao Toothpaste at Tmall achieved a breakthrough, realizing sales performance per store of over RMB 100 million for the first time, becoming the first flagship store to achieve the sales of over RMB 100 million for a single toothpaste product. It also won the first place on the list of popular toothpastes and

the first place on the list of popular branded toothbrushes at Douyin. In the hair care and anti-hair loss segment, Yangyuanqing achieved an impressive growth throughout the year, recording a sales income of RMB 300 million, with an increase of 36% year on year. During the "Double 11" period, the online sales of Yangyuanqing achieved outstanding performance: ranking No.1 among domestic anti-hair loss shampoo brands at the Tmall platform, recording total sales of over RMB 100 million at Douyin in 2023. The flagship product of Yangyuanqing, the oil control and anti-hair loss kit, topped the list of popular anti-hair loss shampoo products at Douyin Mall, and ranked first in the list of best sellers for nourishing and anti-hair loss shampoo at the Pinduoduo platform.

During the reporting period, Health Products Business Group adhered to the core guiding principle of "stabilizing the basic segments, expanding the incremental segments, and embracing the innovative segments." We remained focused on oral health and personal care products, continuously driving high-quality development of the business. By leveraging "both online and offline channels" and enhancing brand exposure across multiple dimensions, we strengthened our existing segments and expanded the incremental segments. In the online realm, we collaborated with comprehensive e-commerce platforms like Tmall, JD.com, and Pinduoduo during major online shopping promotions such as "618, Double 11, Double 12." Through impactful and ongoing marketing efforts, we actively increased our online market share by engaging live broadcasts on content e-commerce platforms like Douyin. Additionally, we enhanced brand exposure through partnerships with Li Jian's online concert, Yunnan Baiyao Oral Health & "Divas Hit the Road - Silk Road Season" travel variety show IP content marketing, and collaborations with Yangyuanqing & "Fengshen Performing Arts Training Camp" variety show. In terms of offline realm, we unified the image of terminal activities through various promotional campaigns such as "Scientific Oral Care Season" and "Flying Loong Welcomes the New Year, Healthy and Happy Year" during Chinese New Year. During the reporting period, the offline promotional activities totaled more than 14,700 sessions, with activities and materials covering a total of 1,465 cities (provinces, cities and counties). Furthermore, we optimized our product mix, implemented iterative technological innovation, and drove category upgrades, resulting in the filing and packaging upgrade of 153 toothpaste products during the reporting period.

The strategic development goal of Health Products Business Group is to become a comprehensive solution provider for oral health, scalp care, and body care. This will be achieved by establishing a supply chain platform for effective care products, developing a refined commercial big data platform, and leading the industry in technological innovation while committing to sustainable development. Health Products Business Group will continue to explore growth opportunities in new channels, cater to consumption stratification by expanding into emerging channels, drive product upgrades through iterative technological innovation, and leverage the e-commerce interest conversion as an opportunity to contribute to the Company's long-term sales revenue and profit growth.

3) TCM Resources Business Group

During the reporting period, TCM Resources Business Group took customer value demands as its starting point and focus. It aimed to create a sustainable platform for TCM resources by upgrading its operations. While ensuring high-quality and efficient supply of internal resources, the BG had achieved external sales revenue of RMB 1.71 billion, representing a year-on-year growth of approximately 22%. Notably, the external sales revenue of *Panax notoginseng* medicinal materials had experienced a significant increase of 81% compared to the previous year. On the other hand, the BG ensured the stability of supply and prices for strategic varieties. Despite the general increase

in the price of TCM materials and a 17.3% year-on-year increase in the Kangmei TCM materials' price index (source: http://cnkmprice.kmzyw.com.cn/), the BG effectively suppressed the rise in the price of the Company's feeding herbs, with the Company's feeding herbs price increase significantly lower than the average level of the industry's price of TCM materials increase. The TCM Resources Business Group concentrated on Yunnan's local herbs and Baiyao's advantageous varieties, and pioneered in the *Panax notoginseng* sector. In the natural plant extracts business, we achieved refined operation from procurement to production and sales, contributing to a further increase in the market share of eucalyptus oil, and the sales of *Capsaicin* quadrupling, becoming a new growth driver for the business.

To ensure high-quality and efficient completion of business orders, TCM Resources Business Group established a linkage between procurement and production. Early deployment was made based on the annual demand of each business entity, and operating inventory and reserve inventory for strategic varieties were established. Through initiatives such as precise planting in the *Paris polyphylla* seedling factory and the "One Heart Program," we achieved high-quality, efficient, and low-cost supply. Supply chain upgrades, "agile planning," intelligent optimization strategies, and other measures ensured quick and accurate delivery. Leveraging the advantages of the digitized industrial platform, high-quality inventory, and brand value in the field of *Panax notoginseng*, we provided strong support to relevant business entities in systematically creating a new pattern of *Panax notoginseng* terminal products.

With a focus on consolidation, cultivation, and innovation, TCM Resources Business Group will rely on the rich resources of authentic raw materials and herbs in Yunnan Province and regional advantageous resources to build a sustainable and leading platform in the TCM resources industry. While ensuring the Company's supply, centering on the needs of users and focusing on the excavation, cultivation, development, and utilization of Yunnan's industry resources of TCM materials, we will gradually build a long-term stable, high-quality traceable supply chain system for Yunnan's authentic raw materials and herbs, create long-term value for the Company and its external customers. In the branded medicinal materials segment, we will leverage the success of the *Panax notoginseng* industry platform to develop other advantageous medicinal materials in Yunnan, creating a branded medicinal materials ecosystem through innovative planting models, improved processing capacity, access to R&D resources, and tailored user solutions. In the natural plant extracts segment, we will enhance the operation of eucalyptus oil and promote the healthy and sustainable development of the flavor and fragrance industry. By deploying production technology innovation, expanding product categories, and gaining in-depth insights into customer demand, we will transform from a raw material provider to a comprehensive solution provider in the food plant extract industry, particularly with *Capsaicin* products. The pharmaceutical service segment will, focusing on the extended services of decoction pieces products such as Internet medical treatment, TCM decoctions, and solution restoration, create a closed loop of the business of TCM decoction pieces, and provide comprehensive TCM solutions for medical institutions, so as to continuously increase market share, and form a significant scale advantage of decoction pieces.

4) Yunnan Pharmaceutical Co., Ltd (pharmaceutical distribution)

During the reporting period, against the background of slowdown in the growth rate of the pharmaceutical distribution industry and intensified competition in the market, Yunnan Pharma realized principal business revenue of RMB 24.49 billion, representing a growth of 5.63% compared with the previous year. As the Group's

pharmaceutical commercial distribution segment, Yunnan Pharma effectively improved its overall operational efficiency throughout the year, with an increase in the integrated order fulfillment rate of 7.4%, a significant increase in order response speed of 22%, and an increase in the speed of commodity delivery of 19%.

Yunnan Pharma was deeply committed to the Yunnan pharmaceutical distribution market, relying on end-to-end process construction to provide refined services for upstream and downstream customers. In terms of the construction of the customer service system, we further strengthened the ability of multi-warehouse synergy and launched "same-day delivery, next-day delivery, two-day delivery, and agreed delivery" offerings to effectively improve the quality and efficiency of service. With regard to the integrated construction of the pharmaceutical distribution supply chain operation, through the project co-construction, we explored the value points of the pharmaceutical distribution supply chain, strengthened the upstream and downstream synergy, and gradually promoted the improvement of the quality and efficiency of the whole supply chain operation. To properly cope with the risk of accounts receivable, Yunnan Pharma will adopt various approaches and take the initiative to adjust the strategy, and comprehensively enhance the collection efforts.

Focusing on the Yunnan pharmaceutical distribution market, Yunnan Pharma will continuously improve its core competitiveness, optimize the new regional circulation, and ensure the leading position in the regional distribution market. Insisting on stabilizing the scale, strengthening the service, improving the quality and controlling the risk, we will build a modern pharmaceutical supply chain distribution service platform and provide the most valuable distribution service solutions for upstream and downstream customers. We will integrate channel resources, enhance channel value, optimize business structure, explore value-added services and promote business model innovation. We will also strengthen budget management, risk control and cost awareness, enhance organizational vitality, and improve operational quality and efficiency to effectively support Yunnan Baiyao's high-quality, sustainable and sound development.

(3) Actively exploring and incubating new business units (BUs)

Based on the established development strategy, the Company upgraded its organizational capabilities and improved management effectiveness to align with actual business needs, resulting in the creation of an agile and efficient organizational structure. During the reporting period, the Company reorganized the emerging business segments, covering the Tonic Healthcare Products BU, Skin Beauty BU, Medical Devices BU and Teayield BU. Tonic Healthcare Products BU aims to capture the interest of consumers who prefer nourishment through oral paste and enter the field of tonic healthcare products by integrating and leveraging the advantages of TCM products such as *Panax otoginseng*. Skin Beauty BU strives to make a breakthrough in functional skincare products and introduce a unique beauty brand that embodies Baiyao's characteristics, using natural herbs and highlighting gentle, non-irritating, moisturizing, and caring product attributes. Medical Devices BU will concentrate on a specialized functional track focused on orthopedic and injury care. Teayield BU adheres to two core concepts: "Applying pharmaceutical principles to produce healthy teas" and "Enriching and nurturing the body and mind with healthy teas." With these concepts in mind, Teayield BU is committed to deepening the tea industry, exploring and innovating tea derivatives. The exploration and incubation within these new BUs focus on developing a novel business model of "comprehensive solutions," which is based on precise customization supported by a big data service backend, and create new avenues of growth for the Company.

(4) Increasing investment in R&D and innovation, and consolidating R&D strategic objectives with scientific and efficient R&D management system

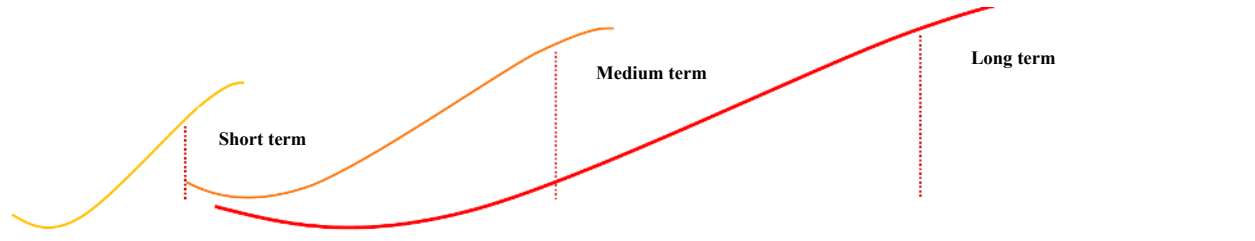
1) Continuously increasing R&D investment and optimizing R&D management system

The Company continued to increase its investment in R&D, maintaining the intensity of its R&D investment. Furthermore, the Company continued to strengthen the construction of R&D capabilities and set up a R&D Management Committee to coordinate and manage the overall R&D system, with the R&D ideas of inheriting the essence of Yunnan TCM, empowering the upgrading of health products, carefully deploying innovative medicines, and implementing AI-assisted drug design. These comprehensively promoted the scientific and integrated management of R&D projects, continuously strengthened the evaluation, supervision and management of R&D projects, and built a set of scientific, efficient and pragmatic R&D management systems.

2) Building cross-regional R&D centers with the Central Research Institute as the core

In terms of R&D, the Central Research Institute plays a crucial role in coordination and integration. It effectively integrates and coordinates cross-regional R&D resources, relying on its four major R&D centers to ensure smooth progress in R&D. Among them, the Kunming Center utilizes the Yunnan Institute of Materia Medica as its research platform. It leverages its advantages in TCM research and focuses on studying the resources, pharmacology, and toxicology of natural medicines, including TCM and ethnic medicines. The Beijing Center utilizes the PKU-YBIMRC as a platform for exploring collaborative innovation models between academia and enterprises. It undertakes the research and development of academic achievements and commercialization projects. The Shanghai Center utilizes the Innovation Drug Center, Yunhe Pharmaceutical (Tianjin) Co., Ltd, and Yunbaiyao Zhengwu Technology (Shanghai) Co., Ltd as research platforms. It focuses on the R&D of innovative radiopharmaceuticals (radioactive drugs) and actively builds the Company's product development capabilities while fostering emerging businesses. The Wuxi Center utilizes Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd as its platform for medical device R&D. It incubates medical device products that meet market demands, possess advanced technology, and undergo professional validation. The Wuxi Center specifically focuses on five major product categories: devices for TCM diagnosis and treatment of chronic diseases and pain, plaster series, eye health series, personal care and disinfection, as well as customized products for sports care.

3) Scientifically planning the short-, medium- and long-term R&D projects guided by the Group's strategy



To actively deploy secondary innovative development of marketed varieties and quicker development of medical devices	**To vigorously promote development of innovative TCM and achieve breakthroughs in Baiyao transdermal preparation**	**To commercialize innovative drug R&D results and improve sustainability**

Based on national policies, economic conditions and Yunnan Baiyao's distinctive characteristics, the Company adopts a market-driven approach and strategically plans short-, medium-, and long-term R&D projects. This involves comprehensively upgrading sci-tech empowerment, reinforcing evidence-based medicine, and conducting clinical trials to support drug development.

In the short term, we will dedicate our efforts to the secondary innovative development of existing products and expedite the development of drugs and medical devices, providing robust support for the Company's business growth. During the reporting period, milestone advancements were achieved in the "secondary development of Gongxuening Capsule, a prominent TCM variety," which was successfully declared as a major scientific and technological special project in Yunnan Province. The "Clinical Observation and Research on Gongxuening Capsule in the Treatment of Uterine Bleeding" has had 1,791 subjects enrolled, and clinical trial reports can be expected by the end of 2024. Three sub-projects focusing on the clinical research of Yunnan Baiyao Capsule for bone healing, wound healing, and the mechanism of bone healing, were progressing smoothly in cooperation with the domestic Grade A tertiary hospitals. The study on Qixuekang Oral Liquid, aimed at improving various symptoms related to *Qi* deficiency and blood stasis in patients, was completed, and the clinical trial assessing its efficacy in improving heart and vascular health enrolled 70% of the subjects. Initial statistical analysis of the test results indicated preliminary indications of the product's positive effect on vascular health. A clinical trial report is expected to be generated by the end of 2024. Regarding the research project on replacing aerosol projectiles for the classic drug of Yunnan Baiyao Aerosol, the initial phase of the projectile screening study has been completed, and a proposed projectile has been preliminarily identified. Further in-depth investigations will be conducted on the proposed projectile. Furthermore, vigorous promotion was made in the secondary development project of Shulie'an Capsule. The multi-center, open, randomized, placebo-controlled clinical pre-trial for the treatment of patients with type III chronic prostatitis has been actively carried out, and various pharmacodynamic studies are steadily advancing.

Short-term project progress and planning

Project name	Project progress during the reporting period	Next step
Secondary development of Gongxuening Capsule	A total of 1,791 subjects were enrolled for the Clinical Observation and Research on Gongxuening Capsule in the Treatment of Uterine Bleeding.	A clinical trial report is expected to be generated by the end of 2024
Secondary development of Qixuekang Oral Liquid	The study on Qixuekang Oral Liquid, aimed at improving various symptoms related to Qi deficiency and blood stasis in patients, was completed. The clinical trial assessing its efficacy in improving heart and vascular health enrolled 70% of the subjects. Initial statistical analysis of the test results indicated preliminary indications of the product's positive effect on vascular health.	A clinical trial report is expected to be generated by the end of 2024
Secondary development of Yunnan Baiyao Capsule	The clinical research on Yunnan Baiyao Capsule for bone healing is underway The clinical research on Yunnan Baiyao Capsule for wound healing is underway The research on the mechanism for Yunnan Baiyao Capsule to promote bone healing is underway	The clinical evidence of evidence-based medicine for Yunnan Baiyao Capsule in dentistry and gastroenterology will be collected to explore the safety and efficacy of Yunnan Baiyao for use in the full range of specialties
The research on the replacement of projectiles for Yunnan Baiyao Aerosol	The first phase of the projectile screening study has been completed and the proposed projectile has been preliminarily identified	An in-depth study will be carried out on the proposed projectile
Secondary development of Shulie'an Capsule	The multi-center, open, randomized, placebo-controlled clinical pre-trial for the treatment of patients with type III chronic prostatitis has been actively carried out, and various pharmacodynamic studies are steadily advancing.	The Company will determine the participating research centers, complete institutional project establishment, ethical review, and start clinical trial enrollment

In the medium term, we will actively promote the development of innovative TCMs, while enhancing our efforts in the field of Yunnan Baiyao's transdermal preparations, with an aim to create star products of Yunnan Baiyao's transdermal preparations, and deploy a comprehensive plan focusing on the country's important needs in the field of trauma. During the reporting period: *Panax notoginseng* Tablet, an innovative drug in TCM Category 1.1 for the prevention and treatment of symptoms such as chest tightness and heart pain caused by stagnation of the heart veins in middle-aged and elderly people, was undergoing clinical Phase II research. With a cumulative enrollment of 237 subjects and 211 discharges, a clinical summary report is expected in 2025. This project is the second new drug of TCM evidence category that Yunnan Baiyao owns independent intellectual property rights and has been approved. For the Fuqi Guben Ointment, the new Chinese medicine approved for clinical syndrome for warming kidney and consolidating foundation, the Phase II clinical trial has been completed, a clinical summary report has been obtained, the Phase II clinical trial program has passed acceptance, and the clinical trial design and preparation for the Phase III clinical trial is underway. For the development of two Chinese medicinal preparations with classic prescriptions (PZ-018 and PZ-019), the research on the pilot process and the quality standards of intermediate and finished products has been completed, and the preparation and testing of three batches of pilot samples, the transfer of the relevant GMP documents for the production transition batch, and the preparation and testing of three batches of the production transition batch have been accomplished. It is planned to submit the registration application for Category 3.1 new TCMs by the end of 2024. For the preparation approval project of Yunnan medical institutions for Xianghuo Spray for patients during the recovery period of COVID-19 or those with wind-cold related syndrome, the kick-off meeting for clinical studies in the recovery period of COVID-19 has been completed and subjects are being enrolled. In terms of transdermal preparations under R&D, significant progress has been made in the development of three plasters; the Yunnan Baiyao Gel Plaster, a new and improved TCM, is undergoing a small-scale pilot study; pilot studies and sample testing have been completed for the 2 generic plasters to determine the quality standards of the finished products, while stability studies, package compatibility studies and safety evaluations have been carried out. One of them has been notified of the acceptance of the clinical trial application.

Medium-term project progress and planning

Project name	Project progress during the reporting period	Next step
Panax notoginseng Tablet (PSQ project)	It is undergoing clinical Phase II research, with a cumulative enrollment of 237 subjects and 211 discharges	A clinical summary report is expected in 2025
Fuqi Guben Ointment	The Phase II clinical trial has been completed, clinical summary report has been obtained, the Phase II clinical trial program has passed acceptance	The clinical trial design and preparation for the Phase III clinical trial is underway
Development of two Chinese medicinal preparations with classic prescriptions (PZ-018 and PZ-019)	The research on the pilot process and the quality standards of intermediate and finished products has been completed, and the preparation and testing of three batches of pilot samples, the transfer of the relevant GMP documents for the production transition batch, and the preparation and testing of three batches of the production transition batch have been accomplished	It is planned to apply for marketing approval (registration application for Category 3.1 new TCMs) in 2024
The preparation approval project of Yunnan medical institutions for Xianghuo Spray	To carry out pharmaceutical studies that need to be supplemented in the approval documents, and carry out clinical studies in the recovery period of COVID-19 as required. The kick-off meeting has been completed and subjects are being enrolled	Clinical studies in the recovery period of COVID-19
Development of three plasters	Pilot studies and sample testing have been completed for the 2 generic plasters to determine the quality standards of the finished products, while stability studies, package compatibility studies and safety evaluations have been carried out. One of them has been notified of the acceptance of the clinical trial application	For the gel plaster project, it is planned to carry out pilot and quality studies in the next step, and declare clinical trials

In the long term, we will focus on the transformation of innovative drug R&D results. On one hand, we will focus on the advantages of exclusive varieties of TCM, as well as the needs of the community, science and technology empowerment, to create high-demand TCM products. On the other hand, with the development of radiopharmaceuticals as the center, we will deploy a number of innovative drug development, to enhance the momentum of sustainable development for Yunnan Baiyao. The radiopharmaceuticals pipeline was fully deployed and milestones were achieved during the reporting period. For the INR101 project, an innovative radiopharmaceutical for prostate cancer diagnosis, the precursor pilot study and GMP production, labeling process confirmation, quality study, analytical method validation and stability study have been completed, and in February 2024, we received the Notice of Acceptance of Clinical Trial for INR01 Injection for in-country production of drug registration from the National Medical Products Administration (NMPA). For the INR102 project, an innovative radiopharmaceutical for prostate cancer treatment, the evaluation of drug efficacy, tissue distribution studies in model animals, the small-scale pilot study for the precursor non-GMP production and the process of radioactive formulation have been completed. The pharmacological studies have been initiated. For the INR202 and INR203 projects, nanobody candidate molecule screening studies have been initiated. Moreover, Yunhe Pharmaceutical (Tianjin) Co., Ltd obtained the approval for the Environmental Impact Assessment Report of the Tianjin Project for the R&D Center of Radiopharmaceuticals (newly established for use and sale of radiopharmaceuticals) in early January 2024. The Company has officially initiated the project construction, which will effectively support the development of the Company's innovative pipeline for radiopharmaceuticals. Building upon the research achievements of experts in radiopharmaceuticals from Peking University, the Company has engaged in in-depth communication and established strategic partnerships with relevant departments, enterprises, and hospitals in the radiopharmaceutical industry cluster. This further enhances the Company's positioning in the upstream, midstream, and downstream segments of the radiopharmaceutical industry chain.

Radiopharmaceutical project progress and planning

Project name	Project progress during the reporting period
INR101 Project	The precursor pilot study and GMP production, labeling process confirmation, quality study, analytical method validation and stability study have been completed, and in February 2024, we received the Notice of Acceptance of Clinical Trial for INR01 Injection for in-country production of drug registration from the National Medical Products Administration (NMPA).
INR102 Project	The evaluation of drug efficacy, tissue distribution studies in model animals, the small-scale pilot study for the precursor non-GMP production and the process of radioactive formulation have been completed. The pharmacological studies have been initiated.
INR202 Project and INR203 Project	Nanobody candidate molecule screening studies have been initiated.

(5) Fully integrating digital intelligence into the Company's operations, enabling end-to-end process management and innovative R&D, and enhancing the Company's quality and efficiency

1) Launching digital change from top-level design, with the Digital Intelligence Center promoting the Company's digital transformation

During the reporting period, the Company published the *White Paper on Digitalization of Yunnan Baiyao*, which provides clear guidance for the future digitalization efforts, including three major strategic projects, two major protection projects, and the establishment of a unified cultural system. This included actively pursuing digital innovation in strategic principal businesses, strengthening the foundation, and building digital capabilities, covering

integrated business and finance systems, data governance, and company security system development. We remain attentive to future industry digitalization platforms and continue to develop Yunnan Baiyao's digital workforce and artificial intelligence capabilities.

In August 2023, the Company officially launched the Digital Intelligence Center (formerly the Smart Technology Business Unit). Aligned with the Company's strategic development direction, this Center focuses on further enhancing the Company's digitalization and intelligence. It seizes opportunities in the digital economy both internally and externally, constructing technological application scenarios and industrial ecosystems through intelligent digital operations and in-depth digital applications. This facilitates the creation of comprehensive digital solutions, enhancing enterprise efficiency and fostering business innovation.

2) Promoting the integration of digital technology with physical business to help the Company improve quality and efficiency

During the reporting period, with the purpose of improving corporate efficiency, the Company accelerated its digital intelligence transformation, extending from the top-level design to the daily operations of various industrial sectors, R&D modules, functional departments, integrating digital technology with real business, and thus enabling the continuous transformation and upgrading of the industry, and enhancing its competitiveness.

The Company established a master data system in the field of data governance by integrating the data of the its functional departments and business units. For the data lake platform system, we have realized the entry of important data of the Company into the lake and initiated the construction of applications in various fields, thus laying a good foundation for enhancing the Company's industry-finance integration, data decision-making effectiveness and accuracy. Meanwhile, with regard to the Company's financial and business analysis system, the criteria of more than 100 assessment indicators had been unified, with the closed loop of the Company's budget. In 2023, we launched the Accounting RPA Robot, and realized the automation of several standard business processes and dramatically improved efficiency, completing the accounting tasks which required 2 person-days for completion in 1.5 hours, with an automation rate of 93.7%. The Treasury Invoicing RPA Robot dramatically improved invoicing efficiency and customer satisfaction in the retail e-commerce business, with a capacity of 3,500 invoices per day and an automation rate of 95.3%. In terms of talent management digitization, the Company built the ONE-BY digital talent full-lifecycle management platform, formulated HR digital transformation strategy, and gradually achieved HR digitization through scenario-based, automation, grouping, role-defined and data-driven operations.

With regard to the construction of full digitalization of the production chain, the Company iteratively applied the successful experience of the digital *Panax notoginseng* industry platform to the digital TCM industry platform. In November 2023, the Lijiang Digital TCM Industry Platform jointly built by the People's Government of Yulong County, Lijiang City and Yunnan Baiyao was officially put into operation. The platform will build a long-term stable, high-quality and traceable supply system of Yunnan TCM materials such as *Panax notoginseng*, *Paris polyphylla*, *Carthamus tinctorius*, *Poria cocos*, *Angelica sinensis*, and *Saussurea lappa*, upgrade the ecological resource system of TCM materials, and promote Yunnan Baiyao's branded TCM materials project to enter a new stage.

3) Actively exploring application scenarios of AI in TCM industry

During the reporting period, the Company actively explored and experimented with artificial intelligence, and actively utilized artificial intelligence within the Company to create a digitally intelligent service experience for employees. In October 2023, based on an AI model, the Company launched its first digital employee, Baixiaoqi, to improve the office efficiency and access to internal information of the employees. In the future, the Company will also actively develop the ability of AI digital employees to serve consumers to enable the users of Yunnan Baiyao products to experience the technological services powered by digitalization and intelligence, and realize the "user-centered" concept. On February 27, 2024, the Company signed a strategic cooperation agreement with Huawei Cloud Computing Technologies Co., Ltd, under which the two parties will work together on the R&D and innovative application of artificial intelligence technologies in the TCM industry, to create a large model of the TCM industry and carry out ecological cooperation. Leveraging the Company's rich industry data and industry chain resources accumulated in the field of TCM, the two sides will jointly explore the data mining and reconstruction of various links in the TCM industry chain, to give the TCM materials industry strong momentum and vitality source for sustainable development and innovation.

(6) Vigorously advancing holistic quality control, implementing targeted quality technology endeavors, and fortifying a robust quality-centric culture

During the reporting period, the Company intensively advanced total quality management, continually refining its essence and extending its reach. Guided by the principle of "strict quality control, expert services, and customer approval," the Company integrated quality across all production and operational stages. Persisting in innovation and universal involvement, the Company bolstered its quality management system, cultivated a robust quality culture, and executed diverse quality initiatives. These endeavors led to elevated quality efficiency and the realization of substantial quality value.

During the reporting period, the Company reinforced its commitment to supporting and enhancing Company-wide production and operations, solidifying its technical prowess by conducting specialized quality and technical initiatives across its four business units. Pharmaceutical Business Group engaged in the national drug standard enhancement project, formulating two TCM varieties as part of quality upgrade efforts, providing technical backing for medicine quality improvements. Meanwhile, with the rubber ointment quality improvement initiative, it pushed for extensive development and application of whole-process control technology, achieving meticulous control and systematic quality upgrades in rubber ointments, yielding products with consistent performance, eco-friendliness, and reduced allergenic potential. Health Products Business Group proactively advanced process quality control measures, pioneering the use of Process Analytical Technologies (PAT) within the toothpaste industry to shrink quality control cycles and promptly mitigate defective or rework instances via real-time, on-site, and near-line monitoring, coupled with mid-process controls. Within the branded medicinal materials project, TCM Resources Business Group utilized product imaging to digitize lifecycle data, from sourcing to production, storage, sales, and beyond, standardizing acceptance procedures and creating an acceptance manual to ensure proactive quality control, enhance efficiency, and enable full product traceability. Yunnan Pharma expedited and streamlined product recall management through the development of a digital recall/recovery platform, enabling swift and precise transmission of recall details and effectively supporting licensors and clients in executing drug recalls.

To deepen quality risk awareness and strengthen quality management prowess among all personnel, the Company consistently reinforced quality culture. During the reporting period, it introduced the *Quality Culture Framework of Yunnan Baiyao* for the first time, embedding a tri-dimensional quality ethos, ie quality control, expert services, and customer approval, while upholding its "Quality First, Customer Foremost" policy, emphasizing superior products, services, and a commitment to safeguarding life and health with premium offerings. Throughout the period, the Company conducted quality culture training and promotion campaigns to solidify quality management foundations. The four business groups achieved synergy in co-building, sharing, integrating, and communicating quality culture across the upstream and downstream supply chain through proactive organization of quality culture publicity and training programs, covering drug quality, quality grades of key varieties of Chinese material medicines, and comprehensive quality risk control in warehousing and logistics processes.

2. Revenue and cost

(1) Operating revenue structure

Unit: RMB

	2023		2022		Year-on-year increase/decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	39,111,292,156.00	100%	36,488,372,649.73	100%	7.19%
By industries					
Income from industrial sales	13,740,557,061.12	35.13%	12,772,673,480.04	35.00%	7.58%
Income from commercial sales	25,295,257,277.35	64.68%	23,645,421,616.92	64.80%	6.98%
Technical service	10,743,024.62	0.03%	6,634,420.10	0.02%	61.93%
Hospitality industry	14,426,628.18	0.04%	13,241,078.81	0.04%	8.95%
Income from plantation sales	1,436,078.20	0.00%	1,591,729.90	0.00%	-9.78%
Income from other businesses	48,872,086.53	0.12%	48,810,323.96	0.13%	0.13%
By products					
Industrial products (Self-made)	13,740,557,061.12	35.13%	12,772,673,480.04	35.00%	7.58%
Wholesale and retail	25,295,257,277.35	64.68%	23,645,421,616.92	64.80%	6.98%
Agricultural products	1,436,078.20	0.00%	1,591,729.90	0.00%	-9.78%
Other services	25,169,652.80	0.06%	19,875,498.91	0.05%	26.64%
Others	48,872,086.53	0.12%	48,810,323.96	0.13%	0.13%
By regions					
Domestic	38,477,107,385.74	98.38%	36,069,070,384.37	98.85%	6.68%
Overseas	634,184,770.26	1.62%	419,302,265.36	1.15%	51.25%
By sales model					
Industrial model	13,740,557,061.12	35.13%	12,772,673,480.04	35.00%	7.58%
Commercial model	25,295,257,277.35	64.68%	23,645,421,616.92	64.80%	6.98%
Others	75,477,817.53	0.19%	70,277,552.77	0.19%	7.40%

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

☑Applicable □Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross margin	Increase/decrease 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	13,740,557,061.12	4,913,752,718.23	64.24%	7.58%	5.30%	0.77%
Income from commercial sales	25,295,257,277.35	23,769,165,686.54	6.03%	6.98%	7.20%	-0.19%
By products						
Industrial products (Self-made)	13,740,557,061.12	4,913,752,718.23	64.24%	7.58%	5.30%	0.77%
Wholesale and retail	25,295,257,277.35	23,769,165,686.54	6.03%	6.98%	7.20%	-0.19%
By regions						
Domestic	38,477,107,385.74	28,153,694,975.15	26.83%	6.68%	6.33%	0.24%
By sales model						
Industrial model	13,740,557,061.12	4,913,752,718.23	64.24%	7.58%	5.30%	0.77%
Commercial model	25,295,257,277.35	23,769,165,686.54	6.03%	6.98%	7.20%	-0.19%

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

□Applicable ☑Not applicable

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

☑Yes □ No

Industry Classification	Item	Unit	2023	2022	Year-on-year increase/decrease
Revenue from industrial sales	Sales	RMB	13,740,557,061.12	12,772,673,480.04	7.58%
Revenue from commercial sales	Sales	RMB	25,295,257,277.35	23,645,421,616.92	6.98%

Explanations on reasons for year-on-year changes of above 30% in the relevant data

□Applicable ☑Not applicable

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

□Applicable ☑Not applicable

(5) Operating cost structure

Industry classification

Unit: RMB

Industry Classification	Item	2023		2022		Year-on-year increase/decrease
		Amount	Percentage in operating cost	Amount	Percentage in operating cost	
Industrial sales	Direct Materials	4,225,537,847.00	14.70%	3,961,550,491.26	14.74%	6.66%
Industrial sales	Direct salary	133,775,797.05	0.47%	148,549,942.78	0.55%	-9.95%
Industrial sales	Other direct expenses	7,079,064.15	0.02%	8,924,648.61	0.03%	-20.68%
Industrial sales	Manufacturing costs	547,360,010.03	1.90%	547,468,513.40	2.04%	-0.02%
Commercial sales	Purchase cost	23,769,165,686.54	82.69%	22,172,833,447.57	82.48%	7.20%
Technical services	Technology development	7,388,761.76	0.03%	2,380,051.71	0.01%	210.45%
Planting	Planting cost	848,028.41	0.00%	7,431,315.90	0.03%	-88.59%
Others	Others	53,362,445.35	0.19%	34,346,894.23	0.13%	55.36%

Notes: None.

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

☑Yes □No

For details, please refer to Section 10 - IX Changes in the Consolidation Scope.

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

□Applicable ☑Not applicable

(8) Major customers and major suppliers

Major customers

Total sales amount of top 5 customers (RMB)	5,976,344,016.91
Percentage of total sales amount of top 5 customers in annual total sales amount	15.29%
Among the sales amount of top 5 customers, percentage of the sales to the related parties in the annual sales amount	0.00%

Information of top 5 customers

No.	Customer name	Sales amount (RMB)	Percentage in annual total sales amount
1	Customer A	2,070,036,579.60	5.29%
2	Customer B	1,607,151,400.95	4.11%
3	Customer C	1,030,977,639.65	2.64%
4	Customer D	636,238,262.68	1.63%
5	Customer E	631,940,134.03	1.62%
Total	--	5,976,344,016.91	15.29%

Other information of the major customers

□Applicable ☑Not applicable

Major suppliers

Total purchase amount of top 5 suppliers (RMB)	2,482,562,943.72
Percentage of total purchase amount of top 5 suppliers in annual total purchase amount	8.25%
Among the purchase amount of top 5 suppliers, percentage of the purchase from the related parties in the annual purchase amount	0.00%

Information of top 5 suppliers

No.	Supplier name	Purchase amount (RMB)	Percentage in annual total purchase amount
1	Supplier A	788,323,382.18	2.62%
2	Supplier B	527,826,736.60	1.75%
3	Supplier C	406,363,041.72	1.35%
4	Supplier D	384,796,902.06	1.28%
5	Supplier E	375,252,881.16	1.25%
Total	--	2,482,562,943.72	8.25%

Other information of major suppliers

□Applicable ☑Not applicable

3. Expenses

Unit: RMB

	2023	2022	Year-on-year increase/decrease	Explanations on significant changes
Sales expenses	4,992,157,591.11	4,165,563,900.91	19.84%	The sales volume for the current period has increased, accompanied by an increase in sales expenses.
Administrative expenses	1,058,503,523.90	833,784,263.46	26.95%	The amount of employee compensation for the current period has increased by RMB 243 million compared to the previous year.
Financial expenses	-259,243,744.88	-342,878,381.80	24.39%	The interest income for the current period has decreased by RMB 58,551,300 compared to the previous year, while the interest expenses have decreased by RMB 18,248,300. Moreover, the net foreign exchange loss has increased by RMB 58,556,400 compared to the previous year.
R&D expenses	336,013,434.83	336,723,690.26	-0.21%	No significant changes.

4. R&D investment

☑Applicable □Not applicable

R&D Project name	Objective of the project	Project progress	Goals to be achieved	Expected impact on the future development of the Company
Fuqi Guben Ointment	To explore and validate the clinical research methodology and marketing registration pathway for the development of a new TCM for warming the kidneys and consolidating the fundamentals, which is designed to treat the symptoms of frequent nocturnal urination in middle-aged and elderly people due to kidney yang deficiency, and improve the quality of life of middle-aged and elderly people.	The Phase II clinical trial was completed, clinical summary report was obtained, the Phase II clinical trial program passed acceptance in 2023. The clinical trial design and preparation for the Phase III clinical trial is underway.	To complete Phase III clinical study on Fuqi Guben Ointment, clarify its clinical therapeutic characteristics, diagnostic criteria for treatment of disease, effective dosage for treatment, drug administration program and course of treatment, and register and market it as new TCM of Category 1.1.	This project is the first new TCM of the evidence-based class approved for clinical use in China, and this R&D project is a strong proof of the Company's ability to develop and industrialize innovative drugs of the TCM of evidence-based class. In the future, it is expected to add a new TCM drug of evidence-based class in line with the overall healing characteristics of TCM, and enrich the Company's TCM innovative drug product matrix.
Panax notoginseng Tablet (PSQ project)	To tap into the characteristics of *Panax notoginseng* in disease prevention and treatment, and develop Category 1 innovative TCM for the prevention and treatment of chest tightness, heart pain, palpitation and dizziness in middle-aged and elderly people due to the evidence of stasis in the heart veins, and reducing the incidence of cardiovascular events.	It is undergoing clinical Phase II research, with a cumulative enrollment of 237 subjects and 211 discharges. A clinical summary report is expected in 2025.	To comprehensively utilize the resources of the whole *Panax notoginseng* plant and further explore the synergistic mechanism of saponins, flavonoids, polysaccharides and other components, and market the product as innovative TCM of Category 1.1	This product is the first innovative drug R&D project for cardiovascular diseases under the Company's "Big Health" strategy, which is conducive to the treatment of symptoms related to cardiovascular stasis. In the future, it is expected to add a new TCM drug of evidence class in line with the overall healing characteristics of TCM, and enrich the Company's TCM innovative drug product matrix.
INR102 Project	To develop innovative radiopharmaceuticals for prostate cancer treatment	The evaluation of drug efficacy and tissue distribution studies in model animals have been completed and the pharmacological studies have been initiated. The small-scale pilot study for the precursor non-GMP production and the process of radioactive formulation has been completed.	To obtain the approval for marketing from NMPA	It will drive the development of the Company's innovative drug segment and improve the Company's deployment in cutting-edge technology.
INR101 Project	To develop innovative radiopharmaceuticals for prostate cancer diagnosis	We have received the notice from NMPA for the acceptance of the clinical trial application.	To obtain the approval for marketing from NMPA	It will drive the development of the Company's innovative drug segment and improve the Company's deployment in cutting-edge technology.

R&D Project name	Objective of the project	Project progress	Goals to be achieved	Expected impact on the future development of the Company
Development of three plasters	To expand the clinical choice of plaster products It is planned to develop 1 improved TCM (Yunnan Baiyao Gel Plaster) and 2 generic plasters.	Pilot studies and sample testing have been completed for the 2 generic plasters to determine the quality standards of the finished products, while stability studies, package compatibility studies and safety evaluations have been carried out. One of them has been notified of the acceptance of the clinical trial application.	To obtain the drug registration certificate	To expand the clinical choice of plaster products, maintain Yunnan Baiyao's industry advantage in the field of topical preparations through formulation deployment, new product selection and dosage form improvement, and help the Company explore new growth drivers
Secondary development of large varieties of TCM	To carry out in-depth research on existing large varieties in the areas of pharmacology, non-clinical, clinical and economics to improve the efficacy and safety evaluation system of the products, expand and clarify the indications of the products and the applicable population, guide the clinical medication, and introduce new technologies for the improvement of the existing products	At present, 11 large varieties of TCM are involved in secondary development. Taking 2 projects as an example: A total of 1,791 subjects were enrolled for the Clinical Observation and Research on Gongxuening Capsule in the Treatment of Uterine Bleeding. A clinical trial report is expected to be generated by the end of 2024. The clinical trial on Qixuekang Oral Liquid assessing its efficacy in improving heart and vascular health enrolled 70% of the subjects. Initial statistical analysis of the test results indicated preliminary indications of the product's positive effect on vascular health. A clinical trial report is expected to be generated by the end of 2024.	Taking 2 projects as an example: To further indicate the safety and efficacy of Gongxuening Capsule for gynecological hemostasis and collect extensive clinical evidence; To explore the therapeutic effects of Qixuekang Oral Liquid in cardiovascular system diseases	This will expand or refine the clinical application of the product in a disease area, guide clinical medication, tap into growth potential, and facilitate the product's entry into guidelines, pathways and consensus.
Development of two Chinese medicinal preparations with classic prescriptions (PZ-018 and PZ-019)	To develop and market two classic famous prescriptions (PZ-018 and PZ-019) with clinical value and market prospect through regulated and standardized research, with the help of modern science and technology.	The research on the pilot process and the quality standards of intermediate and finished products has been completed, and the preparation and testing of three batches of pilot samples, the transfer of the relevant GMP documents for the production transition batch, and the preparation and testing of three batches of the production transition batch have been accomplished. It is planned to apply for marketing approval in 2024.	According to the registration and market approval requirements for new TCMs of Category 3.1	This will practice the Company's strategy of deep cultivation in the field of TCM, contribute to maintaining integrity and promoting innovation in the field of TCM, enrich the Company's TCM product echelon, and help the Company explore new growth drivers, and enhance market competitiveness. In addition, it will accumulate technology and project management experience for the development of new TCMs for the Company, and continuously improve the core competitiveness of TCM in Yunnan Province.

R&D Project name	Objective of the project	Project progress	Goals to be achieved	Expected impact on the future development of the Company
Nutritional Formula for Special Medical Purposes	To develop 1 medical nutritional support supplement for people with limited eating, digestive and absorption disorders, and metabolic disorders (over 10 years of age)	Filing information has been submitted and notification of acceptance has been obtained. We are preparing for onsite inspection.	To complete the registration of a nutritional formula for special medical purposes and obtain the production permit; To construct a knowledge and technology system and industrial platform for R&D and registration of special medical food.	In line with the Company's strategic objectives, this project is an effective complement to the echelon of Big Health products. It can greatly enrich the Company's product groups, and help the Company explore new growth drivers and enhance market competitiveness.
The preparation approval project of Yunnan medical institutions for Xianghuo Spray	To develop a healthcare organization formulation for people recovering from COVID-19 and with wind-cold type cold related symptoms	To carry out pharmaceutical studies that need to be supplemented in the approval documents, and carry out clinical studies in the recovery period of COVID-19 as required. The initiation meeting has been completed and subjects are being enrolled.	To obtain the official approval for medical institution preparation in Yunnan Province	This will practice the Company's strategy of deep cultivation in the field of TCM, contribute to maintaining integrity and promoting innovation in the field of TCM, and provide the Company with alternative innovative TCMs in the field of respiratory medicine.
Productivity Improvement Project (Technology Reform Project)	To carry out product power enhancement studies on the Company's marketed varieties to improve the quality and qualification of the existing varieties.	The following tasks are underway: 1. Study on replacement of environmentally friendly projectile for Yunnan Baiyao Aerosol: The first phase of the projectile screening study has been completed and the proposed projectile has been preliminarily identified. An in-depth study will be carried out on the proposed projectile; 2. Study on sugar-free dosage forms of three granule preparations, including Bupleurum Hamiltonii Granule, Xiangsha Stomach Harmonizing Granule, and Ginseng and Tuckahoe Spleen and Stomach Strengthening Granule.	To complete the declaration of supplemental registration of drugs and obtain the approval of supplemental application.	1. This will practice the Company's strategy of focusing on the field of TCM, promote inheritance and innovation in the field of TCM development, and further stabilize and enhance our competitiveness in the target product market. 2. It will help to explore the market of sugar-free granules, provide a new direction to solve the medication limitations of diabetes and other patients with prohibited sugar medication, expand the scope of application of the product to meet the health needs of more patient populations, and enhance the quality and competitiveness of the product.

R&D team member

	2023	2022	Change rate
Number of R&D team members (persons)	527	435	21.15%
Percentage of R&D team members in total head counts	5.97%	4.95%	1.02%
Educational background structure of R&D team members			
Below bachelor	71	80	-11.25%
Bachelor	287	194	47.94%
Master	157	151	3.97%
Above master	12	10	20%
Age structure of R&D team members			
Below 30	135	116	16.38%
30-40	300	237	26.58%
Above 40	92	82	12.2%

Note: The Company's R&D team members refer to individuals directly involved in R&D activities, as well as management personnel and direct service personnel closely related to R&D activities. During the reporting period, adjustments had been made to the statistical scope of R&D team members to align with the statistical scope of R&D expenses. In previous years, the Company's R&D team members were calculated based on the scope of technical personnel (including power equipment, technical quality, information management, and R&D management).

R&D investment

	2023	2022	Change rate
R&D investment amount (RMB)	344,441,461.28	342,748,138.38	0.49%
Percentage of R&D investment in operating revenue	0.88%	0.94%	-0.06%
Capitalized R&D investment amount (RMB)	8,428,026.45	6,024,448.12	39.90%
Percentage of capitalized R&D investment in total R&D investment	2.45%	1.76%	0.69%

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

□Applicable ☑Not applicable

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

□Applicable ☑Not applicable

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

□Applicable ☑Not applicable

5. Cash flow

Unit: RMB

Item	2023	2022	Year-on-year increase/decrease
Subtotal of cash inflows from operating activities	41,332,606,952.24	39,117,632,071.50	5.66%
Subtotal of cash outflows from operating activities	37,829,864,604.22	35,908,222,038.93	5.35%
Net cash flows from operating activities	3,502,742,348.02	3,209,410,032.57	9.14%
Subtotal of cash inflows from investment activities	4,973,097,122.26	6,842,996,254.88	-27.33%
Subtotal of cash outflows from investment activities	4,454,516,459.62	13,159,079,055.92	-66.15%
Net cash flows from investment activities	518,580,662.64	-6,316,082,801.04	108.21%
Subtotal of cash inflows from financing activities	1,378,858,273.49	2,448,169,506.95	-43.68%
Subtotal of cash outflows from financing activities	4,296,900,513.08	5,181,473,239.42	-17.07%
Net cash flow from financing activities	-2,918,042,239.59	-2,733,303,732.47	-6.76%
Net increase in cash and cash equivalents	1,105,605,456.02	-5,823,704,829.85	118.98%

Explanation of the main factors behind the significant changes in the relevant data compared to the previous year

☑Applicable □Not applicable

1. Net cash flows from operating activities increased by 9.14%, with an increase of RMB 293 million. The main reason was an increase of RMB 2.422 billion in cash receipts from sales of goods and services compared to the same period last year, and an increase of RMB 1.117 billion in cash payments for the purchase of goods and labor services compared to the same period last year.

2. Net cash flows from investment activities increased by 108.21%, with an increase of RMB 6.835 billion. The main reason was a decrease of RMB 2.522 billion in cash receipts from the recovery of investments compared to the same period last year, a decrease of RMB 11.581 billion in cash payments for investments compared to the same period last year, and an increase of RMB 3.317 billion in cash payments related to other investment activities compared to the same period last year.

3. Net cash flows from financing activities decreased by 6.76%, with a decrease of RMB 185 million. The main reason was a decrease of RMB 927 million in cash receipts from borrowing compared to the same period last year, a decrease of RMB 814 million in cash payments for debt repayment compared to the same period last year, an increase of RMB 646 million in cash payments for the distribution of dividends, profits, or payment of interest compared to the same period last year, and a decrease of RMB 716 million in cash payments related to other financing activities compared to the same period last year.

Explanation of the significant difference between the net cash flows from operating activities of the Company and the net profit for the year during the reporting period

□Applicable ☑Not applicable

V. Analysis of Non-principal Businesses

☑Applicable □Not applicable

Unit: RMB

	Amount	Percentage in total profit	Reasons	Sustainable or not
Investment income	779,010,728.82	16.17%	It consisted mainly of the gains on investment in Shanghai Pharma and gains on disposal of equity interests in a subsidiary, Ban Loong Xing Ye Commercial Trading (Shenzhen) Limited.	No
Profits and losses from changes in fair value	123,566,330.46	2.56%	It consisted mainly of the change in the net value of securities and mutual fund units held by the Company.	No
Asset impairment	-58,127,562.23	-1.21%	It consisted mainly of the provision for impairment of goodwill and the provision for impairment of intangible assets.	No
Non-operating revenue	12,234,049.26	0.25%	It consisted mainly of the income unrelated to the Company's day-to-day operating activities.	No
Non-operating expenses	24,728,403.02	0.51%	It consisted mainly of the expenses unrelated to the Company's day-to-day operating activities.	No
Credit impairment losses (loss is indicated with "-")	-136,455,204.36	-2.83%	It consisted mainly of the provision for bad debt related to accounts receivable in the commercial sector.	No
Other income	83,315,147.32	1.73%	It consisted mainly of government subsidies.	No
Gains from disposal of assets	10,654,438.38	0.22%	It consisted mainly of gains from the disposal of non-current assets and gains from the disposal of rights to use assets.	No

VI. Analysis on Assets and Liabilities

1. Significant changes in assets composition

Unit: RMB

	End of 2023		Beginning of 2023		Increase/ decrease in proportion	Statement on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Cash and bank balance	14,218,343,076.67	26.44%	13,056,113,712.47	24.49%	1.95%	No significant changes.
Accounts receivable	9,966,170,447.21	18.53%	9,089,822,151.93	17.05%	1.48%	Increase in accounts receivable from Yunnan Pharma during the period.
Inventories	6,442,194,823.67	11.98%	7,993,207,044.26	14.99%	-3.01%	Inventory management efficiency was improved and turnover was accelerated.
Investment property	44,104,145.97	0.08%	55,823,776.49	0.10%	-0.02%	No significant changes.
Long-term equity investments	11,536,660,992.93	21.45%	11,318,749,947.10	21.23%	0.22%	No significant changes.
Fixed assets	2,662,900,014.03	4.95%	2,723,302,365.65	5.11%	-0.16%	No significant changes.
Construction in progress	529,708,553.58	0.98%	193,993,194.93	0.36%	0.62%	Increased investment in construction in progress during the reporting period.

Right-of-use assets	258,319,485.58	0.48%	389,975,390.73	0.73%	-0.25%	Partial lease termination during the reporting period.
Short-term loans	1,747,303,700.34	3.25%	1,850,867,886.59	3.47%	-0.22%	No significant changes.
Contractual liabilities	1,739,865,228.75	3.23%	2,578,264,621.13	4.84%	-1.61%	Decrease in contractual payments received in advance at the end of the period.
Long-term loans	2,100,000.00	0.00%	2,100,000.00	0.00%	0.00%	No significant changes.
Leasing liabilities	172,347,309.72	0.32%	285,783,728.73	0.54%	-0.22%	Partial lease termination during the reporting period.
Financial assets held for trading	149,366,687.56	0.28%	2,415,722,075.60	4.53%	-4.25%	The investment in shares of Xiaomi Group-W (HK.01810) and all fund investments were disposed of during the period.
Notes receivables	227,542,572.56	0.42%	789,465,084.93	1.48%	-1.06%	Reclassification according to the business management mode of notes receivable during the period.
Receivables financing	1,590,749,810.74	2.96%	834,668,231.58	1.57%	1.39%	Reclassification according to the business management mode of notes receivable during the period.
Prepayments	312,298,727.01	0.58%	542,948,440.85	1.02%	-0.44%	Decrease in prepayments to suppliers during the period.
Other current assets	2,862,076,217.20	5.32%	474,340,107.76	0.89%	4.43%	Increase in fixed deposits during the period.
Development expenses	14,452,474.57	0.03%	6,024,448.12	0.01%	0.02%	Continued investment in the original capitalization project during the reporting period.
Other non-current assets	541,475,331.17	1.01%	965,218,407.14	1.81%	-0.80%	Decrease in time deposits with maturity dates greater than one year from the balance sheet date.
Receipts in advance	486,612.12	0.00%	1,569,799.63	0.00%	0.00%	Decrease in rent in advance during the reporting period.
Payroll payable	1,067,190,665.08	1.98%	468,450,348.52	0.88%	1.10%	Increase in outstanding employee compensation payable at the end of the period.
Taxes and duties payable	339,670,850.02	0.63%	509,286,922.32	0.96%	-0.33%	Decrease in unpaid income tax and VAT due at the end of the period
Other current liabilities	532,943,904.40	0.99%	381,185,773.19	0.71%	0.28%	Increase in pending output VAT at the end of the period.
Deferred income	238,811,111.04	0.44%	178,621,813.00	0.33%	0.11%	Increase in balance of government grants related to income.

The proportion of overseas assets was relatively high

☐ Applicable ☑ Not applicable

2. Assets and liabilities at fair value

☑ Applicable ☐ Not applicable

Unit: RMB

Item	Opening balance	Profits or losses on changes in fair value during the 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								
Financial assets held for trading (derivative financial assets excluded)	2,415,722,075.60	179,678,085.07			75,131,442.00	2,514,689,915.11	-6,475,000.00	149,366,687.56
Other equity instrument investments	71,745,000.00							71,745,000.00
Other non-current financial assets	380,786,134.24	-56,111,754.61						324,674,379.63
Subtotal of financial assets	2,868,253,209.84	123,566,330.46			75,131,442.00	2,514,689,915.11	-6,475,000.00	545,786,067.19
Total	2,868,253,209.84	123,566,330.46			75,131,442.00	2,514,689,915.11	-6,475,000.00	545,786,067.19
Financial liabilities	0.00							0.00

Other variations: None

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

□ Yes ☑ No

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

Item	Closing book value (RMB)	Reason for restriction
Cash and bank balance	48,618,045.43	Banker’s acceptance deposit, foreign exchange performance bond and banker’s letter of guarantee
Cash and bank balance	2,643,393.65	Special funds for housing reform and housing maintenance
Cash and bank balance	500,000.00	The matters involved in the litigation have been successfully resolved, and efforts are underway to lift the freeze and address related issues
Assets in special account for system reform	627,116,169.10	Special fund for paying the cost of employee status conversion in state-owned enterprises
Long-term equity investments	11,536,646,559.56	The holdings shall not be transferred within 36 months since the ending date of the private placement in 2021
Total	12,215,524,167.74	--

VII. Investment Analysis

1. Overview

☑ Applicable ☐ Not applicable

Investment during the reporting period (RMB)	Investment during the same period of the previous year (RMB)	Percentage of change
4,454,516,459.62	13,159,079,055.92	-66.15%

2. Significant equity investments made during the reporting period

☐ Applicable ☑ Not applicable

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

☑Applicable ☐Not applicable

Unit: RMB

Project	Investment method	Investment in fixed assets or not	Involved industry in investment projects	Amount invested in the reporting period	Cumulative actual investment as of the end of reporting period	Source of funding	Progress of project	Estimated income	Cumulative income as of the end of the reporting period	Reasons for unmet progress and estimated income	Disclosure date (if any)	Disclosure index (if any)
Yunnan Baiyao Shanghai International Center	Self-established	Yes	Pharmaceuticals, daily chemical products	273,545,193.38	567,425,102.99	Self-raised funds	50.89%			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	66,903,374.73	87,196,805.90	Self-raised funds	11.04%			N/A		
Total	--	--	--	340,448,568.11	654,621,908.89	--	--	0.00	0.00	--	--	--

4. Financial assets investment

(1) Securities investment

☑Applicable □Not applicable

Unit: RMB

Type of securities	Stock code	Stock abbreviation	Initial investment cost	Accounting measurement model	Opening book value	Profits or losses on changes in fair value during the reporting period	Cumulative changes in fair value included in equity	Purchase amount during the reporting period	Sales amount during the reporting period	Profits and losses during the reporting period	Closing book value	Accounting items	Source of funding
Domestic and overseas stocks	HK.02633	Jacobson Pharma	238,699,200.00	Fair value	164,361,680.00	-48,365,520.00				14,978,562.00	115,996,160.00	Other non-current financial assets	Self-raised
Domestic and overseas stocks	HK.03681	SinoMab BioScience	354,119,828.19	Fair value	81,419,271.05	9,535,032.83			18,408,819.22	-5,330,367.76	72,545,484.66	Financial assets held for trading	Self-raised
Domestic and overseas stocks	HK.02161	JBM (Healthcare)	25,039,800.00	Fair value	21,215,162.50	-3,425,401.60		54,431,442.00		-458,253.79	72,221,202.90	Financial assets held for trading	Self-raised
Domestic and overseas stocks	HK.01810	Xiaomi Corporation	1,631,800,843.40	Fair value	1,078,456,867.31	146,146,733.66			1,224,603,600.97	157,681,844.16		Financial assets held for trading	Self-raised
Fund	162712	Guangfa Juli Bonds Class A	400,000,000.00	Fair value	398,257,744.66	9,224,385.79			407,482,130.45	10,013,185.79		Financial assets held for trading	Self-raised
Fund	004736	Fullgoal Dingli Net Debt	1,700,000,000.00	Fair value	289,725,481.89	6,196,610.89			295,922,092.78	6,807,225.83		Financial assets held for trading	Self-raised
Fund	SJS623	CICC Wealth Management Exclusive No. 516	129,850,746.27	Fair value	136,804,621.97	3,616,530.57			140,421,152.54	3,663,717.05		Financial assets held for trading	Self-raised

Fund	002925	Guangfa Juyuan Class A	100,999,000.00	Fair value	123,309,198.09				123,309,198.09	668,616.43		Financial assets held for trading	Self-raised
Fund	SW8334	Le Rui Enhanced Bonds No.20	88,000,000.00	Fair value	116,958,548.41				116,958,548.41	-1,208,297.97		Financial assets held for trading	Self-raised
Fund	SEG067	Boshi Robust Preferred FOF2	25,000,000.00	Fair value	61,815,384.62	1,527,692.31			63,343,076.93	1,479,692.31		Financial assets held for trading	Self-raised
Other securities investments held at the end of the reporting period			50,000,000.00	--	45,118,354.68	170,741.17			45,289,095.85	357,596.05		--	--
Total			4,743,509,417.86	--	2,517,442,315.18	124,626,805.62	0.00	54,431,442.00	2,435,737,715.24	188,653,520.10	260,762,847.56	--	--
Disclosure date of the Board's announcement on review and approval of securities investment			December 31, 2022										

Note: In 2023, Jacobson Pharma distributed a special dividend by way of distribution in specie, whereby the Company, as a shareholder of Jacobson, was distributed 509 shares of JBM (Healthcare) for every 2,000 shares of Jacobson, resulting in a total of 50.9 million shares valued at RMB 54,431,442.00 being distributed.

(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.

VIII. Significant Assets and Equity Sales

1. Significant assets sales

□Applicable ☑Not applicable

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

2. Significant equity sales

□Applicable ☑Not applicable

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

☑Applicable □Not applicable

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

Unit: RMB

Company name	Company type	Principal businesses	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Yunnan Pharmaceutical, Co., Ltd	Subsidiary	Wholesale and retail of pharmaceuticals	1,000,000,000.00	15,200,346,760.92	5,878,586,996.71	24,490,415,618.28	489,491,253.02	412,985,984.59
Yunnan Baiyao Group Health Products Co., Ltd.	Subsidiary	Production and sales of oral hygiene products	84,500,000.00	8,653,605,571.01	6,537,279,297.85	6,422,334,217.30	2,420,484,806.39	2,022,491,803.68
Shanghai Pharmaceuticals Holding Co., Ltd.	Joint-stock company	R&D, manufacturing, and sales of API, pharmaceutical products (including but not limited to chemical Active Pharmaceutical Ingredients (APIs), chemical preparations, TCM materials, Chinese patent medicines, TCM decoction pieces, biochemical drugs, biological products, narcotics, psychotropic drugs, and toxic drugs for medical use [Adapted to the scope of business], vaccines) of various dosage forms (including but not limited to tablets, capsules, aerosols, immune preparations, granules, plasters, pills, oral liquids, inhalants, injections, liniments, tinctures, suppositories) health products, medical devices, and related products, manufacturing and sales of pharmaceutical equipment, engineering installation and maintenance, warehousing and logistics, sea, land, and air freight forwarding business, industrial investment, asset management, provision of international economic and trade information and consulting services, self-owned house leasing, import and export business of various self-operated and agent drugs and related goods and technologies.	3,696,414,318.00	211,972,533,766.80	80,326,092,964.93	260,295,088,943.53	7,667,234,704.32	5,166,570,284.26

Acquisition and disposal of subsidiaries during the reporting period

□Applicable ☑Not applicable

See Section X "IX. Changes in Consolidation."

X. Structured Entities Controlled by the Company

☑Applicable □Not applicable

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

XI. Outlook of the Company

(I) Future development strategy

1. Strategic positioning

(1) Leader of China's pharmaceutical industry

Committed to maintaining a leading position in China's pharmaceutical industry and in the field of orthopedics, we leverage innovative methods and our competitive strength across the entire industry chain. We actively explore diversification, accelerate internationalization of our business and brands, and continuously expand the boundaries of the pharmaceutical industry. Deepening reform practices in the pharmaceutical enterprise system, we strive to become a model for the transformation and upgrading of traditional pharmaceutical companies.

(2) Promoter of TCM inheritance and innovation

Guarding and inheriting Yunnan Baiyao, a crown jewel of ethnic medicines, we tell the story of TCM brands entering modern life in China. By deeply cultivating innovation and development of TCM resources, we promote TCM to enter every household and various life scenarios through R&D and product innovation. We also focus on the protection, development, and utilization of authentic TCM resources, accelerating the process of industrialization, modernization, and scientific development of TCM.

(3) Guardian of people's healthy life

In the health sector, we drive supply-side reforms, focusing on public health demands to deliver better healthcare products and services. We dutifully shoulder social responsibilities in guarding life and health, enhancing healthcare equity, accessibility, and efficacy through optimized regional distribution and sustained investments in manufacturing and R&D. Moreover, we consistently focus on addressing major health issues that concern society, such as oncology, cardiovascular and cerebrovascular care, pain management, and maternal-child health, aiming for groundbreaking outcomes.

2. Terminal goals of "14th Five-Year Plan"

By 2025, Yunnan Baiyao will have optimized its business structure, substantially boosting corporate vigor and effectively enhancing financial performance. The priorities entail: strengthening and expanding the quality influence of "Big TCM" products along the comprehensive TCM industry chain; enhancing and refining the health and wellness offerings through a focus on efficacious products and services in personal healthcare; stabilizing and improving the new regional distribution channels via market-specific commercial circulation.

(II) Business plan for 2024

In 2024, the Company will thoroughly study and fully implement the key principles outlined in the Central Economic Work Conference and the Yunnan Provincial Economic Work Conference. It will also align our actions with the Yunnan Province's 3815 Strategy, embrace the new development concept, and strive to establish a new development pattern. We will continue to adhere to a long-term oriented development philosophy, and develop new quality productive forces. Upholding an entrepreneurial and craftsmanship spirit, we will reinforce strategic management and concentrate on our principal businesses. We will construct a lean operation value management system around the entire process of value creation, value enablement, value support, value supervision, and value distribution to accelerate the strategic transformation and organizational change. Bolstered by R&D, powered by digital intelligence, and streamlined by operational efficiency, we will deepen transformative reforms to effectively elevate our development quality and efficiency, thereby striving to propel our high-quality development.

In 2024, the Company will adhere to its strategies, further concentrating on its principal businesses, and safeguarding the basic segments: Pharmaceuticals BG, Health Products BG, TCM Resources BG, and Yunnan Pharma. With the main work tone of synergizing "growth" and "efficiency," we will focus on the goal of healthy and sustainable growth with efficiency and quality. In terms of scale, we will promote the core industry to realize growth by focusing on products related to our principal businesses and with competitive strengths. Structurally, focusing on the core products, we will promote the secondary development of key varieties, integrate all the resources of the Group, and promote the continuous optimization of the industrial structure and product mix to create new growth drivers. In terms of quality, we will promote internal lean operation through the competitiveness enhancement of the entire industry chain, realize cost reduction and efficiency enhancement, continuously consolidate the basic segments, and achieve a new pattern of coordinated development of scale, structure and quality.

The aforementioned business plan should not constitute a performance commitment to investors. Investors are advised to pay attention to investment risks.

(III) Key Measures

1. Strengthening the leadership in Party building and gathering momentum for development

Leadership in high-quality Party building is always an important basic guarantee for Yunnan Baiyao to cope with external complexities and risk challenges and realize high-quality development of the Company. We will continue to study and implement General Secretary Xi Jinping's important expositions on Party building, and promote the development of the Company to a new stage by strengthening the Party building, gathering strength, increasing momentum, and improving the effectiveness, with the goal of "leading and ensuring the high-quality development of Yunnan Baiyao by high-quality Party building." We will constantly deepen the construction of modern enterprise system with Chinese characteristics, promote the integration of the Party's leadership into the entire process and all aspects of corporate governance, focus on "integration and inclusion," identify the key areas and focus points of Party building efforts, and lead reform and development to a higher level of quality through high-quality Party building.

2. Enhancing strategic governance and concentrating on principal businesses

The Company upholds its mission of "to guard life and health," consistently striving to inherit tradition while fostering innovation. We consider the "integration of TCM into modern life" as the driving force for our development. We continuously inject new vitality into traditional brands and the development of TCM, aligning closely with the national strategy of "focusing on the inheritance and innovation of TCM."

Looking ahead, the Company will firmly focus on its strategic positioning as a "provider of comprehensive solutions in the Big Health sector," steadfastly deepening its roots in the "pharmaceutical" industry. The Company will drive all business operations to focus on the advantageous areas of Yunnan Baiyao in the Big Health sector, continuously strengthening its leading position in the sector. Meanwhile, the Company will scientifically, prudently and effectively foster new business growth drivers while continuously enhancing its core competencies. The Company will focus on its three principal businesses: pharmaceuticals, health, and pharmaceutical distribution, and further fortify its dominant position in the field of TCM, strengthen and expand the quality influence of "Big TCM" products to secure its status as an industry leader. By extending advantages, it will develop a premier medicine brand in Yunnan Province. The Company will also innovate and refine the health and wellness offerings to maintain its pioneering status in this domain, and stabilize and improve the new regional distribution channels to sustain its leadership in regional markets. While maintaining a focus on the principal businesses, the Company will adhere to its overall strategic deployment, leverage its business characteristics and capabilities to expand the business presence in related fields through scientific and prudent approaches. Following the principle of "doing what we do best", the Company will continuously and effectively create new business growth opportunities. To ensure the healthy and efficient development of both core and innovative businesses, the Company is actively building a strategic investment capability system and risk management system that cover the entire investment process. This will drive the Company's industrial layout and investment management to new heights, effectively promoting the Company's healthy development.

3. Enhancing lean efficiency to catalyze high-quality development

The Company will further reinforce budget management, risk control, and cost consciousness, driving transformational reforms through whole-chain quality and efficiency enhancements to attain high-quality growth and mutual benefits for all stakeholders. Comprehensive budget management serves as a pivotal tool for translating the corporate strategy into action and enhancing management practices. Thus, the Company will synchronize strategic management and overall budget planning by developing a strategy-centric comprehensive budget system to facilitate strategic and organic growth and orderly performance improvement. Cultivating a strong cost consciousness is an important means of achieving cost reduction and efficiency improvement, which itself is a sustained, systemic endeavor. The Company will adopt a holistic approach to build end-to-end value chain capabilities, aiming to reduce costs and increase efficiency across the entire value chain. Through effective coordination, comprehensive consideration, and step-by-step resolution, the Company will ultimately achieve the optimal cost and strongest competitiveness throughout the entire chain. Moreover, the Company will consistently reinforce the regulation of its own professional behavior in various management processes, prevent and resolve operational risks, and continuously enhance employees' awareness of bottom lines and risks to ensure the steady and far-reaching development of the Company.

In 2024, the Company will steadily implement organizational reforms centered around "strengthening the front-end, consolidating the middle-end, and optimizing the back-end," and drive the shift in management control from financial control to strategic control, leading to a more focused, streamlined, and efficient organizational structure. The Company will enhance internal coherence and collaboration, providing stronger organizational support for its focus on principal businesses, integration of advantageous resources, and reinforcement of vertical and empowerment controls. Looking ahead, the Company will continually reinforce its talent pool, emphasizing the cultivation of a proficient, specialized, and market-driven cadre and workforce. Deepening market-oriented mechanisms, the Company will continuously enhance resource allocation precision, and collective coordination, and further unleash the power of "breakthrough" and "perseverance." This aims to ignite the passion and drive for innovation among its cadre and staff, motivating them to work tirelessly and energetically.

4. Propelling enterprise development through sci-tech innovation

Yunnan Baiyao's enduring vitality over its 120-year legacy stems from its unwavering commitment to tradition, ceaseless innovation, and adaptability to progress. The Company embraces the digital and intelligent transformation, and relentlessly pursues excellence through self-renewal via innovation in raw materials, product development, and technological advancements. The Company establishes mechanisms, creates platforms, and fosters a culture to further develop a scientific, efficient, and pragmatic R&D management system. Through rigorous verification and efficient management, the Company continuously strengthens the full-process management of R&D projects.

Looking ahead, Yunnan Baiyao will persist in its three pillars of scientific and technological innovation: customer-focused innovation centered on consumer needs, collaborative "socialized innovation" facilitated by partnerships among government, industry, academic, research, and medical sectors, and "digital and intelligent innovation" propelled by AI, big data, and cloud computing technologies. The Company will thus construct an innovation system aligned with national strategies, market demands, and corporate realities, thereby enhancing the Company's intrinsic value. On one hand, Yunnan Baiyao will skillfully play the dual cards of TCM and innovative medicine. For TCM R&D, innovation, safety, and effectiveness should be the guiding principles. The Company will allocate resources reasonably to promote the innovation and inheritance of TCM theories, advancing the development of innovative Chinese medicines and the secondary development of TCM. Regarding R&D of innovative drugs, the Company benchmarks against technological frontiers, clinical demands, and its unique resource capabilities to provide momentum for long-term growth. On the other hand, the Company will adeptly balance short-term and mid-to-long-term R&D programs. In the near term, the Company will vigorously explore Yunnan Baiyao's resource variety, hastening the conversion of products with competitive market appeal. In the medium term, the Company will develop a repertoire of scalable and replicable generic technologies. In the long term, the Company will nurture a cohort of leading experts in their respective fields to ensure that the Company's high-quality development is underpinned by its sci-tech R&D and innovations.

5. Focusing on investor returns to achieve mutual benefits for all stakeholders

Yunnan Baiyao has consistently emphasized delivering steady and reasonable returns to its investors, sharing corporate achievements with shareholders. Since its listing, the Company has distributed dividends for consecutive 30 years, with a cumulative total exceeding RMB 20.7 billion. The Company will diligently implement the guiding principles of "activating capital markets and boosting investor confidence" outlined at the meetings of Political

Bureau of CPC Central Committee, and "further enhancing the quality and investment value of listed companies, and taking stronger, more effective measures to stabilize the market and improve confidence" proposed at the Executive Meeting of the State Council. The Company will continue to actively respond to regulatory authorities' calls to increase corporate value and prioritize investor returns, focusing on its principal businesses, fostering innovation, continuously creating value for shareholders, and thus contributing to the growth of social wealth and increased consumer spending. Moreover, the Company will strictly abide by legal statutes and corporate guidelines, ensuring transparent, accurate, comprehensive, timely, and equitable disclosure of information. By disclosing information related to environmental, social, and governance (ESG) issues, the Company will deepen the concept of sustainable development and implement the new development philosophy. The Company will also accelerate its green transformation, provide investors with a more comprehensive view of its corporate value, and build an excellent corporate value communication system, striving tirelessly to achieve long-term, high-quality mutual benefits for all stakeholders.

XII. Surveys, Communications, Interviews and Other Activities during the Reporting Period

☑Applicable □Not applicable

Time of reception	Place of reception	Model of reception	Type of guests	Guests	Discussions and information provided	Index of basic information of the survey
February 3, 2023	Office building at the headquarters	Field research	Institution	2 persons from CITIC Securities	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1215788816&orgId=gssz0000538&announcementTime=2023-02-07
February 9, 2023	Office building at the headquarters	Field research	Institution	2 persons from Western Securities, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1215852957&orgId=gssz0000538&announcementTime=2023-02-13
February 13, 2023	Office building at the headquarters	Field research	Institution	7 persons from Pharmaceutical Division of Hua Chuang Securities, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1215870293&orgId=gssz0000538&announcementTime=2023-02-15
February 14, 2023	Office building at the headquarters	Field research	Institution	4 persons from Guoyuan Securities, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1215881542&orgId=gssz0000538&announcementTime=2023-02-16
February 15, 2023	Office building at the headquarters	Field research	Institution	8 persons from Guosheng Securities, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1215889941&orgId=gssz0000538&announcementTime=2023-02-17
April 1, 2023	Office building at the headquarters	Telephone communication	Others	140 persons from investors	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1216327171&orgId=gssz0000538&announcementTime=2023-04-04
April 6, 2023	Office building at the headquarters	Field research	Institution	3 persons from CICC, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1216364465&orgId=gssz0000538&announcementTime=2023-04-10
April 11, 2023	Office building at the headquarters	Field research	Institution	1 person from Broad Peak	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1216389978&orgId=gssz0000538&announcementTime=2023-04-12
April 13, 2023	Office building at the headquarters	Field research	Institution	1 person from Rheos Capital	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1216411350&orgId=gssz0000538&announcementTime=2023-04-14
April 14, 2023	Office building at the headquarters	Field research	Institution	60 persons from investors	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1216453402&orgId=gssz0000538&announcementTime=2023-04-18

April 18, 2023	Investor Relations Interactive Platform of Quanjing.com	Online exchange through Internet platform	Others	140 persons from investors	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1216489678&orgId=gssz0000538&announcementTime=2023-04-20
May 18, 2023	Office building at the headquarters	Field research	Institution	2 persons from Topsperity Securities, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1216861152&orgId=gssz0000538&announcementTime=2023-05-19
May 17, 2023	Office building at the headquarters	Field research	Institution	14 persons from Industrial Securities, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1216861154&orgId=gssz0000538&announcementTime=2023-05-19
June 9, 2023	"Baiyao Park" Building of the Company	Field research	Institution	65 persons from the institutional investors	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1217051686&orgId=gssz0000538&announcementTime=2023-06-13
July 14, 2023	"Baiyao Park" Building of the Company	Field research	Others	102 persons from investors	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1217318930&orgId=gssz0000538&announcementTime=2023-07-18
July 25, 2023	"Baiyao Park" Building of the Company	Field research	Institution	20 persons from Ningbo Zhiyuan, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1217393068&orgId=gssz0000538&announcementTime=2023-07-26
August 31, 2023	Office building at the headquarters	Telephone communication	Others	168 persons from institutional and individual investors	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1217771510&orgId=gssz0000538&announcementTime=2023-09-04
September 1, 2023	Office building at the headquarters	Field research	Institution	5 persons from Ronnie Millennium Capital Management (Hong Kong) Limited, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1217782348&orgId=gssz0000538&announcementTime=2023-09-05
September 26, 2023	"Baiyao Park" Building of the Company	Field research	Institution	9 persons from Fullgoal Fund, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1217968299&orgId=gssz0000538&announcementTime=2023-09-27
October 13, 2023	Office building at the headquarters	Telephone communication	Institution	2 persons from UBS Assets Management	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1218062501&orgId=gssz0000538&announcementTime=2023-10-17
October 31, 2023	Office building at the headquarters	Field research	Institution	2 persons from JunHe	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1218241015&orgId=gssz0000538&announcementTime=2023-11-02
November 9, 2023	Office building at the headquarters	Field research	Institution	3 persons from Essence Securities, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1218324669&orgId=gssz0000538&announcementTime=2023-11-13

November 13, 2023	Office building at the headquarters	Field research	Institution	4 persons from Topsperity Securities, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1218350021&orgId=gssz0000538&announcementTime=2023-11-15
November 14, 2023	Office building at the headquarters	Field research	Institution	3 persons from China Post Securities, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1218361773&orgId=gssz0000538&announcementTime=2023-11-16
December 13, 2023	Office building at the headquarters	Field research	Institution	1 person from Hazel Investment	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1218634851&orgId=gssz0000538&announcementTime=2023-12-15
December 25, 2023	Office building at the headquarters	Telephone communication	Institution	5 persons from China Merchants Fund, etc.	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1218743778&orgId=gssz0000538&announcementTime=2023-12-27
December 26, 2023	Office building at the headquarters	Telephone communication	Institution	4 persons from Tianhong Asset Management	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1218749256&orgId=gssz0000538&announcementTime=2023-12-28
December 26, 2023	Office building at the headquarters	Telephone communication	Institution	1 person from DH Fund Management	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1218749350&orgId=gssz0000538&announcementTime=2023-12-28
December 29, 2023	Office building at the headquarters	Telephone communication	Institution	1 person from Zhong Ou AMC	To understand the business situation of the Company and other related issues	http://www.szcninfo.com/new/disclosure/detail?stockCode=000538&announcementId=1218768046&orgId=gssz0000538&announcementTime=2023-12-29

XIII. Implementation of the "Enhancement of Quality and Returns" Initiative

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

☑Yes □No

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

In 2023, the Company achieved operating revenue of RMB 39.111 billion, an increase of 7.19% year-on-year. The net profit attributable to shareholders of the listed company was RMB 4.094 billion, a growth of 36.41% year-on-year. The net profit attributable to shareholders of the listed company, excluding non-recurring profits and losses, reached RMB 3.764 billion, an increase of 16.45% year-on-year. Overall, the Company maintained a stable and progressive performance. At the same time, the Company maintained a sound financial structure, with good profitability and ample cash reserves. By the end of 2023, the Company's asset-liability ratio was 25.80%, and its cash and bank balance at the end of the period amounted to RMB 14.218 billion. The net cash flows from operating activities for the year was RMB 3.503 billion. The Company's dividend plan for 2023 is to distribute RMB 20.77 per 10 shares, with a total dividend amount of RMB 3.706 billion, accounting for 90.53% of the 2023 net profit attributable to the parent company.

On February 23, 2024, the Company held the general meeting, which considered and approved the cancellation of the repurchased 12,599,946 shares and the reduction of the Company's registered capital accordingly. Through this share repurchase cancellation arrangement, the Company demonstrates its confidence in its development and enhances investors' sense of achievement with concrete actions. This fully safeguards the interests of investors and stakeholders and further enhances investors' recognition of the Company's value. Currently, the matter is under the period for creditors to declare their claims, and the Company's management will proceed with the share cancellation procedures in accordance with the authorization granted by the general meeting.

Looking ahead, the Company will firmly focus on its strategic positioning as a "provider of comprehensive solutions in the Big Health sector," steadfastly deepening its roots in the "pharmaceutical" industry. The Company will drive all business operations to focus on the advantageous areas of Yunnan Baiyao in the Big Health sector, continuously strengthening its leading position in the sector. Meanwhile, the Company will scientifically, prudently and effectively foster new business growth drivers while continuously enhancing its core competencies. The Company will focus on its three principal businesses: pharmaceuticals, health, and pharmaceutical distribution, and further fortify its dominant position in the field of TCM, strengthen the quality influence of "Big TCM" products to secure its status as an industry leader. By extending advantages, it will develop a premier medicine brand in Yunnan Province. The Company will also refine the health and wellness offerings to maintain its pioneering status in this domain, and improve the new regional distribution channels to sustain its leadership in regional markets. While maintaining a focus on the principal businesses, the Company will adhere to its overall strategic deployment, leverage its business characteristics and capabilities to expand the business presence in related fields through scientific and prudent approaches. Following the principle of "doing what we do best", the Company will continuously and effectively create new business growth opportunities. To ensure the healthy and efficient development of both core and innovative businesses, the Company is actively building a strategic investment

capability system and risk management system that cover the entire investment process. This will drive the Company's industrial layout and investment management to new heights, effectively promoting the Company's healthy development.

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. 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

I. Basic Information of Corporate Governance

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

1. Shareholders and General Meetings

The Company protects the rights of shareholders in accordance with the law, paying special attention to protecting the legitimate rights and interests of minority shareholders, and protects the rights of shareholders to know and participate in decision-making and supervision of significant events of the Company. The Company held the 2022 annual general meeting on May 9, 2023, and the first extraordinary general meeting for 2023 on September 19, 2023, respectively. The convening of the meetings, the convening procedures, the qualifications of the participants, the qualifications of the convenor, the voting procedures and the voting results of the meetings complied with the provisions of laws and regulations and the *Articles of Association* of the Company, and all the motions were voted on and approved.

2. Directors and Board of Directors

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

The Board of Directors earnestly performs the duties prescribed by the relevant laws and regulations and the *Articles of Association*, and operates in strict accordance with the *Rules of Procedure for the Board of Directors* to ensure the standardized and efficient operation of the Board and prudent and scientific decision-making. The Board of Directors consists of four special committees on audit, strategy, nomination, remuneration and appraisal, which

are responsible to the Board of Directors and perform their duties in accordance with the *Articles of Association* and the implementation rules of the special committees. During the reporting period, the tenth Board of Directors of the Company held a total of 7 sessions, and all the motions were voted on and approved. All the sessions were convened and held in strict accordance with the *Rules of Procedure for the Board of Directors*, all the directors were notified in advance as required, and sufficient meeting materials were provided. The meeting minutes were true, accurate and complete.

3. Supervisors and Supervisory Committee

The supervisors strictly abide by the relevant laws, regulations and norms, independently and effectively perform the supervision function, and urge the Board of Directors and the management to operate in a standardized manner and make scientific decisions, thus effectively safeguarding the interests of the Company, shareholders and employees. During the reporting period, the tenth Supervisory Committee of the Company held a total of 4 sessions, and all the motions were voted on and approved. The Supervisory Committee obtained a full understanding of the Company's production and operation situation, comprehensively inspected the Company's finance, supervised the directors and senior management to perform their duties in a standardized manner, reviewed the Company's periodic reports and put forward written review opinions, and expressed clear opinions on the cancellation of some stock options of the 2020 stock option incentive plan.

4. Senior management and operation team

During the reporting period, the tenth Board of Directors appointed Mr. Zhao Yingming as Chief Commercial Officer and Senior Vice President. The Company appointed senior management in strict accordance with the relevant laws and regulations and the *Articles of Association*, performed legal procedures and made timely disclosure.

The operation team has clear responsibilities and strictly implements the resolutions of the general meeting of shareholders, resolutions of the Board of Directors and other relevant resolutions. The senior management members abide by the relevant laws and regulations and the *Articles of Association*, and perform their duties faithfully, diligently and prudently.

5. Revision of corporate governance related systems

During the reporting period, in accordance with the latest provisions of the *Securities Law of the People's Republic of China*, the *Measures for the Administration of Independent Directors of Listed Companies*, the *Self-regulatory Guidelines for Listed Companies No.1 of Shenzhen Stock Exchange - Standardized Operation of Listed Companies on the Main Board*, the *Guidelines on Investor Relations Management for Listed Companies*, the *Rules on the Management of the Shares Held by Directors, Supervisors and Senior Management of Listed Companies and Their Changes* and other laws and regulations and normative documents, and based on the actual situations of the Company, the Company systematically revised the *Implementation Rules of the Audit Committee of the Board of Directors*, the *Implementation Rules of the Nomination Committee of the Board of Directors*, and the *Implementation Rules of the Remuneration and Appraisal Committee of the Board of Directors* after consideration and approval by the Board of Directors, to further improve the governance structure of the Board of Directors of the Company. In addition, during the reporting period, the Company also revised such basic management systems as the *Investor Relation Management System*, the *Management Measures on Shareholdings and Changes by*

Directors, Supervisors and Senior Management, the *Working System for Independent Directors*, the *Investment and Financial Management System*, the *Management Measures on Securities Investment Risks*, and formulated such basic management systems as the *Comprehensive Risk Management System*, the *Management System for Information Disclosure of Debt Financing Instruments in the Inter-Bank Bond Market*, and the *Public Welfare Donation Management Measures*.

6. Largest shareholders of equal ranking and listed company

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

7. Information disclosure and transparency

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

8. Internal control and regulation system

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

The Company has, according to the actual situation and management needs, established and improved internal control to reasonably ensure the legal compliance of operation and management, asset safety, the truth and integrity of financial reports and related information, improve the operation efficiency and effect, promote the realization of development strategies, and meet the objectives of internal control. The Company has established a series of internal control systems for the business and matters included in the scope of internal control evaluation, which have been implemented in the operation and management activities, effectively preventing and controlling the Company's

internal business risks in major aspects, and ensuring the safety and integrity of the Company's assets and the orderly development of operation and management activities. The internal control systems are reasonable, complete and effective, and conducive to achieving the strategic objectives of operation and development of the Company. The Company has introduced a third-party consulting agency to assist in the construction of a comprehensive risk management system, and promoted the integration of risk management into each business management link through risk identification, risk assessment, clarification of risk early warning indicators, development of risk reporting and response mechanisms, and the construction of a corporate responsibility and assessment system. The Company will constantly improve the internal control system and standardize the implementation of the internal control system according to the changes of internal and external environment and management requirements, and based on the guidelines of comprehensive risk management. Through the operation, analysis and evaluation of the internal control system, we will provide guarantee for the Company's legal and compliant operation and asset safety, effectively prevent risks in operation and management, and promote the steady implementation of the Company's strategy.

9. Stakeholders and social responsibilities

The Company fully respects and safeguards the legitimate rights and interests of stakeholders, with an aim to realize the coordination and balance of the interests of society, shareholders, the Company, employees and other parties. Yunnan Baiyao actively fulfills its social responsibilities in terms of environmental protection, disaster relief and relief assistance, and public welfare, while maintaining the Company's sustainable development, improving its operating results and protecting the interests of its shareholders. In 2023, Yunnan Baiyao was again awarded an A rating in the MSCI-ESG rating. Based on the corporate attributes of inheritance and innovation, excellent quality, technology empowerment, co-construction and sharing, social responsibility and sustainable development, the Company will continue to optimize the governance system and governance level, constantly upgrade the industrial deployment, adhere to the environmentally friendly development path, and create long-term sustainable value for the society, the environment and various stakeholders.

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

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

□ Yes ☑No

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

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

Yunnan State-owned Equity Operation Management Company and New Huadu with its acting-in-concert parties, were equally the largest shareholders of the Company, and the Company has no de facto controller and no controlling shareholders. In strict accordance with the requirements of the *Company Law*, the *Articles of Association* and other laws, regulations and rules, the Company and the largest shareholders of equal ranking are completely separated in terms of business, personnel, assets, institutions, finance and other aspects. The Company has an independent and complete business system and the ability to operate independently in the market. The Company will continue to ensure the separation between the Company and the aforesaid largest shareholders in terms of personnel, assets, finance, institutions and business operations according to the requirements of the relevant laws and regulations.

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

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

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

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

5. In terms of business: The Company has a completely independent business operation system, business deployment and the ability to operate independently for the market, with independent procurement system, production system and sales system. There is no dependence on majority shareholders to obtain profits, and there is no competition with aforesaid largest shareholders and their subsidiaries.

III. Horizontal Competition

□Applicable ☑Not applicable

IV. Annual General Meeting and Extraordinary General Meeting Held during the Reporting Period

1. Shareholders' meetings held during the reporting period

Sessions	Meeting type	Proportion of attendance of the investors	Meeting date	Disclosure date	Resolutions
2022 Annual General Meeting	Annual General Meeting	62.74%	May 9, 2023	May 10, 2023	The following proposals had been considered and approved: 1. *Proposal on the 2022 Annual Work Report of the Board of Directors*; 2. *Proposal on the 2022 Annual Work Report of the Supervisory Committee*; 3. *Proposal on the 2022 Final Financial Report*; 4. *Proposal on the 2022 Annual Report and its Summary*; 5. *Proposal on the 2022 Profit Distribution Plan*; 6. *Proposal on the 2023 Financial Budget Report*; 7. *Proposal on the Re-appointment of the Company's 2023 Auditor (including internal control audit).*
First Extraordinary General Meeting for 2023	Extraordinary General Meeting	61.36%	September 19, 2023	September 20, 2023	The following proposals had been considered and approved: 1. *Resolution on Applying for Registration and Issuance of Ultra Short-term Financing Bonds*

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

□Applicable ☑Not applicable

V. Directors, Supervisors and Senior Management

1. Basic information

Name	Gender	Age	Title	Service status	Date of commencement of service term	Date of end of service term	Number of shares held at the beginning of the period (shares)	Increase in number of shares held in the current period (shares)	Decrease in number of shares held in the current period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)	Reasons for changes in shares
Zhang Wenxue	Male	61	Secretary of the Company's Party Committee, Chairman	Incumbent	February 23, 2024	November 7, 2025	0	0	0	0	0	N/A
Chen Fashu	Male	64	Director	Incumbent	August 21, 2019	November 7, 2025	12,527,495	0	0	0	12,527,495	N/A
Dong Ming	Male	48	Director, CEO and President	Incumbent	March 3, 2021	November 7, 2025	13,280	0	0	0	13,280	N/A
Lu Hongdong	Male	57	Deputy Secretary of the Company's Party Committee, Director	Incumbent	November 7, 2022	November 7, 2025	0	0	0	0	0	N/A
Xie Yunshan	Male	49	Director	Incumbent	November 7, 2022	November 7, 2025	0	0	0	0	0	N/A
Li Hongshen	Male	45	Director	Incumbent	November 7, 2022	November 7, 2025	0	0	0	0	0	N/A
Chen Yanhui	Male	38	Director	Incumbent	August 21, 2019	November 7, 2025	177,345	0	0	0	177,345	N/A
Dai Yang	Male	55	Independent Director	Incumbent	August 21, 2019	November 7, 2025	0	0	0	0	0	N/A
Zhang Yongliang	Male	56	Independent Director	Incumbent	August 21, 2019	November 7, 2025	0	0	0	0	0	N/A
Liu Guo'en	Male	67	Independent Director	Incumbent	May 25, 2021	November 7, 2025	0	0	0	0	0	N/A
He Yong	Male	54	Independent Director	Incumbent	November 7, 2022	November 7, 2025	0	0	0	0	0	N/A

Zhu Zhaoyun	Female	70	TCM Strategy Scientist	Incumbent	August 21, 2019	November 7, 2025	56,000	0	0	0	56,000	N/A
Qin Wanmin	Male	60	Chief Innovation Officer, Senior Vice President, President of Health Products BG	Incumbent	August 21, 2019	November 7, 2025	504,000	0	0	0	504,000	N/A
Yang Yong	Male	60	Chief Compliance Officer, Senior Vice President, Executive Director of Yunnan Pharma	Incumbent	August 21, 2019	November 7, 2025	101,024	0	0	0	101,024	N/A
Zhao Yingming	Male	52	Chief Commercial Officer, Senior Vice President	Incumbent	March 13, 2023	November 7, 2025	0	0	0	0	0	N/A
Zhang Ning	Male	53	Chief Scientist	Incumbent	January 24, 2022	November 7, 2025	0	0	0	0	0	N/A
Ma Jia	Male	47	Chief Financial Officer	Incumbent	June 1, 2022	November 7, 2025	0	0	0	0	0	N/A
Li Jin	Male	59	Secretary of the Disciplinary Committee, Chief Quality and Process Officer	Incumbent	August 21, 2019	November 7, 2025	56,000	0	0	0	56,000	N/A
Qian Yinghui	Male	40	Secretary of Board of Directors	Incumbent	January 17, 2022	November 7, 2025	0	0	0	0	0	N/A
You Guanghui	Male	53	Chairman of Supervisory Committee	Incumbent	August 21, 2019	November 7, 2025	0	0	0	0	0	N/A
Zhong Jie	Male	60	Vice Chairman of Supervisory Committee	Incumbent	August 21, 2019	November 7, 2025	0	0	0	0	0	N/A
Qu Huaxi	Male	58	Supervisor, Chairman of Trade Union	Incumbent	August 21, 2019	November 7, 2025	0	0	0	0	0	N/A
He Yingxia	Female	52	Supervisor, Vice Chairman of Trade Union	Incumbent	August 21, 2019	November 7, 2025	0	0	0	0	0	N/A
Wang Minghui	Male	62	Former Chairman	Resigned	August 21, 2019	March 5, 2023	1,008,000	0	0	0	1,008,000	N/A

Yin Pinyao	Male	55	Former Chief Operation Officer, Senior Vice President, President of TCM Resources BG	Resigned	August 21, 2019	February 7, 2024	336,000	0	0	0	336,000	N/A
Wang Jin	Female	54	Former Chief Sales Officer, Senior Vice President, President of Pharmaceutical BG	Resigned	August 21, 2019	March 13, 2023	504,000	0	0	0	504,000	N/A
Yu Juan	Female	52	Former Chief Human Resources Officer	Resigned	August 21, 2019	February 7, 2024	140,000	0	0	0	140,000	N/A
Total	--	--	--	--	--	--	15,423,144	0	0	0	15,423,144	--

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

☑Yes □No

On March 7, 2023, the Company disclosed the Announcement on the Resignation of the Chairman (Announcement number: 2023-03), stating that Mr. Wang Minghui resigned from the chairman of the tenth Board of Directors of the Company, director, member of the Strategic Committee and all the positions in the Company and its controlling subsidiaries due to personal reasons.

On March 15, 2023, the Company disclosed the Announcement on the Resignation of Senior Management (Announcement number: 2023-06), stating that Ms. Wang Jin resigned from the Company's Chief Sales Officer, Senior Vice President and all the positions in the Company and its controlling subsidiaries due to personal reasons.

On February 7, 2024, the Company disclosed the Announcement on the Resignation of Senior Management (Announcement number: 2024-06), stating that Mr. Yin Pinyao resigned from the Chief Operating Officer and Senior Vice President of the Company and all positions in the Company and its controlling subsidiaries due to personal reasons; and Ms. Yu Juan resigned from the Company's Chief Human Resources Officer and all the positions in the Company and its controlling subsidiaries due to personal reasons.

Changes of directors, supervisors and senior management of the Company

☑Applicable □Not applicable

Name	Position held	Type	Date	Reason
Zhang Wenxue	Chairman	Elected	February 23, 2024	For improving the governance structure of the Company's Board of Directors further, he was elected as chairman
Zhao Yingming	Chief Commercial Officer and Senior Vice President	Appointed	March 13, 2023	For improving the Company's management structure further
Wang Minghui	Former Chairman	Resigned	March 6, 2023	Resigned as Chairman and Director due to personal reasons
Wang Jin	Former Chief Sales Officer and Senior Vice President	Dismissed	March 15, 2023	Resigned as Chief Sales Officer and Senior Vice President due to personal reasons
Yin Pinyao	Former Chief Operation Officer and Senior Vice President	Dismissed	February 7, 2024	Resigned as Chief Operation Officer and Senior Vice President due to personal reasons
Yu Juan	Former Chief Human Resources Officer	Dismissed	February 7, 2024	Resigned as Chief Human Resources Officer due to personal reasons

2. Appointment

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

Zhang Wenxue, male, Han nationality, born in June 1963, a member of the Communist Party of China, holding an on-the-job master's degree, is a Senior Economist. He was a member of the Tenth Yunnan Provincial Committee of the Communist Party of China and the 12th Yunnan Provincial Committee of the CPPCC. He served as Deputy General Manager of Yunnan Phosphorus Chemical Industry (Group) Company, General Manager and Deputy Secretary of the Party Committee of Yunnan Phosphate Group Co., Ltd, Secretary of the Party Committee and

General Manager of Yunnan Phosphate Group Co., Ltd, Director, Deputy General Manager and Standing Committee Member of the Party Committee of Yuntianhua Group Co., Ltd, General Manager, Deputy Secretary of the Party Committee and Deputy Chairman of Yuntianhua Group Co., Ltd, Secretary of the Party Committee and Chairman of Yuntianhua Group Co., Ltd. He is currently Secretary of the Party Committee and Chairman of Yunnan Baiyao (and Chairman of Chongqing Polycomp International Corporation).

Chen Fashu, male, born in October 1960, was a member of All-China Youth Federation, a member of the Executive Committee of the Ninth All-China Federation of Industry and Commerce, a member of the Ninth and Tenth Fujian Provincial Committee of the CPPCC, Chairman of the Committee of Fujian Provincial Federation of Industry and Commerce, Chairman of Baiyao Holdings, and Co-chairman of Yunnan Baiyao. He currently serves as Chairman of Fujian Fashu Charity Foundation, Legal Representative and Chairman of New Huadu, and Director of Yunnan Baiyao.

Dong Ming, male, born in October 1976, is a doctoral candidate in management, holding a bachelor's degree. He served as Vice President of the CIS Regional Department, Director of VIP System Department, General Manager of Beijing Branch, Director of Mobile System Department, and Vice President for China of Huawei Technologies Co., Ltd. He is currently Legal Representative, Director, CEO and President of Yunnan Baiyao.

Lu Hongdong, male, born in December 1966, holds a master's degree. He served as a lecturer, political counselor and director of Administrative Teaching and Research Department of Yunnan University of Finance and Economics; Principal Staff Member of the Cadre Examination Office and the Cadre Supervision Office of the Organization Department of Yunnan Provincial Party Committee; Deputy Director of Enterprise Cadres Office, Deputy Director and Director of the Fifth Cadres Division, Member of the Party Committee and Deputy Secretary of Baiyao Holdings, Director of Yunnan Baiyao. He is currently Deputy Secretary of the Party Committee and Director of Yunnan Baiyao.

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

Li Hongshen, male, born in August 1978, is a doctor of economics, and engineer. He served as Vice President (presiding over work) of Chuncheng Road Sub-branch, General Manager of International Business Department of Kunming Branch of China Merchants Bank, Manager Assistant, Deputy Manager and Manager of Qujing Cigarette Factory of Hongyun Honghe Tobacco (Group) Co., Ltd, Manager of Kunming Cigarette Factory of Hongyun Honghe Tobacco (Group) Co., Ltd, Vice President and Deputy General Manager of Hongyun Honghe Tobacco (Group) Co., Ltd. He is currently General Manager of Yunnan Hehe, and Director of Yunnan Baiyao, KPC Pharmaceuticals, Inc, Yunnan Hongta Bank Co., Ltd, and Zhongwei Capital Holdings Co., Ltd.

Chen Yanhui, male, born in April 1986, holding a bachelor's degree, used to work in Essence Securities, and served as Supervisor of Baiyao Holdings, and Director of Yunnan Baiyao Qingyitang Industrial Co., Ltd. He is currently Director of Yunnan Baiyao, Director and General Manager of New Huadu, Legal Representative and Executive Director of New Huadu Industrial Group (Shanghai) Investment Co., Ltd, Legal Representative and Chairman of Teh-Ho Canned Food Company, Legal Representative and Executive Director of Fujian New Huadu Enterprise Management Co., Ltd.

Resume of Independent Directors:

Dai Yang, male, born in January 1969, holding a bachelor's degree, served as Deputy Principal Staff, Principal Staff, Deputy Director of General Affairs Department, Deputy Director of General Office (Party Office), Director and Head of Listed Company Supervision Department of Tibet Securities Regulatory Bureau of China Securities Regulatory Commission, Deputy Secretary of Party Committee, General Manager, Secretary of the Party Committee and Chairman of Tibet Mineral Development Co., Ltd, Vice President of Yongtai Group Co., Ltd, Chairman and Vice Chairman of Hainan Haide Industrial Co., Ltd, and Independent Director of Tibet Water Resources Limited. He is currently an Independent Director of KSEC Intelligent Technology Co., Ltd, Wondershare, and Yunnan Baiyao.

Zhang Yongliang, male, born in March 1968, holding a master of law, is a practicing lawyer. He was a member of the fourth and fifth Review Committees of Listed Companies M&A and Reorganization of China Securities Regulatory Commission. He is currently an Independent Director of Yunnan Baiyao, and a Partner of King & Wood Law Firm. His main practice areas are corporate mergers and acquisitions, securities, debt restructuring, etc.

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

He Yong, male, born in October 1970, holding a bachelor's degree, is a partner of ShineWing Certified Public Accountants, Deputy Director of Chengdu Branch, Chinese Certified Public Accountant (senior member of CICPA), Chinese Certified Asset Appraiser, Leading Accounting Talent of the Ministry of Finance, and Member of the First Listing Committee of ChiNext of Shenzhen Stock Exchange. He is currently an Independent Director of Yunnan Baiyao.

Resume of Shareholder Supervisors:

You Guanghui, male, born in December 1971, holding a bachelor's degree, is a Certified Management Accountant (CMA), Senior Corporate Culture Engineer, and Senior Corporate Compliance Engineer. He was Chief Accountant of Fujian Industrial Bank Wuyishan Sub-branch, Chief Accountant and Head of the Finance Section of New Huadu Engineering Co., Ltd, Supervisor, Deputy Manager and Manager of the Planning and Finance

Department of Fujian Wuyishan Tourism Development Company Limited, Director and Chief Financial Officer of Fujian Wuyishan Tourism Development Company Limited, Supervisor of Kanas Xinjiang Tourism Development Limited By Share Ltd, and Chief Financial Officer of Baiyao Holdings. He is currently Chairman of the Supervisory Committee of Yunnan Baiyao.

Zhong Jie, male, born in March 1964, holding a master's degree, is an economist and engineer. He served as Assistant Engineer of Yunnan Textile Research Institute, Director of Infrastructure Technical Reform Department of Yunnan Textile Industry Bureau, Principal Staff of Technical Reform Division, Deputy Director of the Second Industrial Division of Yunnan Economic and Trade Commission, Chief Supervisor of the sixth Supervisory Committee of Yunnan State-owned Enterprise Supervisory Committee Working Office, Deputy General Manager (Temporary) of Yunnan Jiehua Group Co., Ltd, Chairman of the Supervisory Committee of Yunnan Industrial Investment Holding Group Company, Director of Property Rights Management Department of Yunnan SASAC, General Liaison Officer of Bankruptcy Administrator of Yunnan Coal Chemical Industry Group Co., Ltd, Chairman of the Supervisory Committee of Baiyao Holdings. He is currently Vice Chairman of the Supervisory Committee of Yunnan Baiyao.

Resume of Employee Supervisors:

Qu Huaxi, male, born in June 1966, holding a university degree of the provincial Party School, is a member of the Communist Party of China and a lecturer. He served as a cadre in the Office of Menglian County Party Committee of Simao City, Deputy Secretary of the Party Committee of Labei Township of Menglian County of Simao City, Principal Staff (Director) of the Comprehensive Division of the Yunnan Provincial Poverty Alleviation Office, Deputy Researcher of the Micro-credit Division of the Yunnan Provincial Poverty Alleviation Office, Deputy Director of the Yunnan Provincial Poverty Alleviation Office's Project Management Office, Director of the Yunnan Provincial Poverty Alleviation Office's Program and Financial Affairs Division (during which time he served as Head of the General Team of the New Rural Workers of Wuding County of Chuxiong Prefecture, and as Deputy Secretary of the County Party Committee), Director of Non-local Poverty Alleviation and Development Division of the Yunnan Provincial Office of Poverty Alleviation, Director of the Discipline Inspection Group and Member of the Party Group of the Yunnan Provincial Federation of Supply and Marketing Cooperatives. In August 2016, he was transferred to Baiyao Holdings. He is currently Chairman of Trade Union and Supervisor of Yunnan Baiyao.

He Yingxia, female, born in March 1972, holding an on-the-job master's degree, is a Party member and political engineer. She was a workshop worker of Yunnan Baiyao, Deputy Sales Manager of Southwest region, Deputy Secretary of the Group Youth League Committee, Vice Chairman of the Trade Union, Director of Organization and Publicity Department, Deputy Secretary of the Discipline Commission, Chairman of the Trade Union and Secretary of the first Party branch of the Group headquarters. Currently, she is a Member of the Party Committee of Yunnan Baiyao, Vice Chairman of the Trade Union, Supervisor, and Director of the Party and Mass Work Department. She is a Member of the Seventh Women Workers Committee of the All-China Federation of Trade Unions, Member of the Twelfth Committee of the Provincial Federation of Trade Unions, Member of the Standing Committee of the Sixth Women Workers Committee, Member of the Standing Committee of the Third- and Fourth-People's Congresses of Chenggong District, Kunming.

Resume of Senior Management:

Zhu Zhaoyun, female, born in March 1954, is a Senior Engineer and Academician of the Chinese Academy of Engineering. She served as Secretary of the Party Committee and Director of Yunnan Institute of Materia Medica, Party Committee Member, R&D Director, Director of TCM R&D of Yunnan Baiyao. She is currently Member of the Party Committee and TCM Strategy Scientist of Yunnan Baiyao.

Qin Wanmin, male, born in December 1964, is a master of medicine. He served as Marketing Manager and Deputy General Manager of Yunnan Baiyao Medicine E-commerce Co., Ltd, Assistant to President of Yunnan Baiyao, Deputy General Manager and General Manager of Health Products BG of Yunnan Baiyao. He is currently Member of the Party Committee, Chief Innovation Officer and Senior Vice President of Yunnan Baiyao.

Yang Yong, male, born in December 1964, holding a master's degree, served as Deputy General Manager of Yunnan Pharma, Director and Deputy General Manager of Yunnan Baiyao, General Manager and President of Yunnan Pharma. He is currently Member of the Party Committee, Chief Compliance Officer and Senior Vice President of Yunnan Baiyao, and Executive Director of Yunnan Pharma.

Zhao Yingming, Male, born in November 1972, is a CPC member, holding a doctoral degree. He served in Wangfujing Department Store Group, Maoye Group, and JD.com as Assistant President of Wangfujing Department Store Group, General Manager of Maoye Commercial, Vice President of JD.com, and President of Retail Fashion & Home Business Group of JD.com. He is currently Chief Commercial Officer and Senior Vice President of Yunnan Baiyao Group Co., Ltd, an independent director of Zhejiang Red Dragonfly Shoes Co., Ltd, and an independent director of Aimer.

Zhang Ning, male, born in November 1970, is a professor at Peking University and a doctor of biochemistry, cell and molecular biology at School of Medicine, Johns Hopkins University. He served as Deputy Director of Peking University Health Science Center, Director of Research Department of Peking University, Vice President of Tianjin Medical University, Professor of Affiliated Cancer Hospital of Tianjin Medical University, Deputy Director of Tianjin Cancer Research Institute, and Deputy Director of Department of Chemical Biology of School of Chemistry of Peking University. He is currently Deputy Director of Peking University-Yunnan Baiyao International Medical Research Center, Deputy Director of Peking University International Cancer Institute, Executive Deputy Director of the Center for Translational Tumor Research at Peking University First Hospital, Deputy Director of Peking University International Research Institute for Big Data in Health, and Chief Scientist of Yunnan Baiyao.

Ma Jia, male, born in March 1977, is a master and Party member. He served as Director of Financial Management Department of Beijing Panasonic Lighting Co., Ltd, Financial Director of CIS Regional subsidiary of Huawei Technologies, IFS Transformation Project Manager (China), Chief Financial Officer of Shandong Representative Office, Chief Financial Officer of China Operator BG, Chief Financial Officer of China Region/Member of China Region Administrative Management Team, responsible for operation management, risk control, sales and financing, taxation, subsidiaries and other financial business of Huawei China (excluding Hong Kong, Macao and Taiwan) ICT, as well as financial organization construction. He is currently Chief Financial Officer of Yunnan Baiyao.

Li Jin, male, born in August 1965, a master of business administration, licensed pharmacist, and senior engineer. He served as Deputy Chief Engineer and Director of Technology Department of Yunnan Baiyao, general manager of Yunnan Baiyao Tianzihong Pharmaceutical Co., Ltd, and Technical Quality Director of Yunnan Baiyao. He is currently

Secretary of Discipline Inspection Committee and Chief Quality and Process Officer of Yunnan Baiyao.

Qian Yinghui, male, born in September 1983, is a master of law in international trade law and commercial law from Durham University in the UK, and a bachelor of law from China Youth University of Political Studies. He served as Project Manager of the Strategy Committee Office of Yunnan Baiyao and Project Director of the Strategy Development Center of Yunnan Baiyao, and obtained the Qualification Certificate of Board Secretary in May 2021. He is currently Secretary of the Board of Directors of Yunnan Baiyao.

Engagement in shareholding companies

☑Applicable □Not applicable

Name of person	Name of shareholding company	Position held in shareholding company	Date of commencement of service term	Date of end of service term	Whether to receive remuneration and allowances from the shareholding company
Chen Fashu	New Huadu Industrial Group Co., Ltd.	Legal Representative, Chairman	November 16, 2019		Yes
Chen Yanhui	New Huadu Industrial Group Co., Ltd.	Director and President	November 16, 2019		Yes
Li Hongshen	Yunnan Hehe (Group) Co., Ltd.	Deputy Secretary of the Company's Party Committee, General Manager	May 25, 2022		Yes

Position at other entities

☑Applicable □Not applicable

Name of person	Name of other entity	Position held in other entity	Date of commencement of service term	Date of end of service term	Whether to receive remuneration and allowances from the other entity
Zhang Wenxue	Chongqing Polycomp International Corporation	Chairman	November 27, 2020		No
Chen Fashu	New Huadu Group (HK) Investment Limited	Director	August 1, 2006		No
Chen Fashu	Shanghai Pharmaceuticals Holding Co., Ltd.	Director	June 29, 2023		No
Chen Fashu	Fujian New Huadu Property Development Co., Ltd.	Legal Representative, Chairman	June 27, 2003		No
Chen Fashu	Xiamen New Huadu Investment Management Consulting Co., Ltd.	Legal Representative, Executive Director and General Manager	November 4, 1997		No
Chen Fashu	Fuzhou Haiyue Hotel Property Management Co., Ltd.	Supervisor	September 27, 2018		No
Chen Yanhui	New Huadu Industrial Group (Shanghai) Investment Co., Ltd.	Legal Representative and Executive Director	October 1, 2018		Yes

Chen Yanhui	Teh-Ho Canned Food Company	Legal Representative and Chairman	September 9, 2016		No
Chen Yanhui	Kunming Teh-Ho Canned Food Factory of Teh-Ho Canned Food Company	Person in Charge	October 21, 2016		No
Chen Yanhui	Fujian New Huadu Enterprise Management Co., Ltd.	Legal Representative and Executive Director	April 19, 2022		No
Chen Yanhui	Baoting Banshan Bandao Rainforest Property Co., Ltd.	Legal Representative and Executive Director	September 16, 2019		No
Chen Yanhui	Fujian New Huadu Property Development Co., Ltd.	Supervisor	August 17, 2016		No
Chen Yanhui	Qujing Dexuan Agriculture and Animal Husbandry Technology Co., Ltd.	Supervisor	May 7, 2020		No
Chen Yanhui	Xuanwei Brothers Food Technology Co., Ltd.	Supervisor	June 1, 2020		No
Dong Ming	Shanghai Pharmaceuticals Holding Co., Ltd.	Director	June 29, 2023		No
Li Hongshen	Yunnan Hongta Bank Co., Ltd	Director	October 20, 2022		No
Li Hongshen	Zhongwei Capital Holdings Co., Ltd.	Director	June 28, 2023		No
Li Hongshen	KPC Pharmaceuticals, Inc.	Director	February 2, 2024	December 08, 2024	No
Xie Yunshan	Yunnan Yunqin Service Group Co., Ltd.	External Director	March 1, 2022	February 28, 2023	Yes
Xie Yunshan	Yunnan Aviation Industry Investment Group Co., Ltd.	External Director	July 1, 2022	February 28, 2023	Yes
Dai Yang	KSEC Intelligent Technology Co., Ltd	Independent Director	March 22, 2021	March 21, 2024	Yes
Dai Yang	Wondershare	Independent Director	May 7, 2021	May 16, 2025	Yes
Liu Guo'en	Peking University	Professor	January 1, 2006		Yes
Zhang Yongliang	Beijing King & Wood Mallesons	Partner	October 20, 1997		Yes
He Yong	ShineWing Certified Public Accountants (SGP)	Partner	July 1, 2009		Yes
He Yong	Chengdu Branch of ShineWing Certified Public Accountants (SGP)	Deputy Chief Accountant	August 4, 2022		Yes
Zhao Yingming	Zhejiang Red Dragonfly Shoes Co., Ltd.	Independent director	September 13, 2022	September 12, 2025	Yes
Zhao Yingming	Aimer Co., Ltd.	Independent director	May 22, 2023	May 21, 2026	Yes
Zhang Ning	Peking University	Professor	October 9, 2017		Yes
Zhang Ning	Affiliated Cancer Hospital of Tianjin Medical University	Part-time Professor	October 9, 2017		Yes
Ma Jia	Shanghai Pharmaceuticals Holding Co., Ltd.	Supervisor	June 29, 2023		

Penalties to the current directors, supervisors and senior management of the Company and those leaving office during the reporting

period by securities regulatory agencies in the latest three years

□Applicable ☑Not applicable

3. Remuneration of Directors, Supervisors and Senior Management

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

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

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

Unit: RMB0'000

Name	Gender	Age	Title	Service status	Total pre-tax remunerations received from the Company	Whether remuneration was received from related parties of the Company
Chen Fashu	Male	64	Director	Incumbent	0.00	Yes
Dong Ming	Male	48	Director, CEO, and President	Incumbent	425.10	No
Lu Hongdong	Male	57	Deputy Secretary of the Company's Party Committee and Director	Incumbent	116.79	No
Xie Yunshan	Male	49	Director	Incumbent	100.69	No
Li Hongshen	Male	45	Director	Incumbent	0	Yes
Chen Yanhui	Male	38	Director	Incumbent	113.09	Yes
Dai Yang	Male	55	Independent Director	Incumbent	25.71	No
Zhang Yongliang	Male	56	Independent Director	Incumbent	25.60	No
Liu Guo'en	Male	67	Independent Director	Incumbent	25.71	No
He Yong	Male	54	Independent Director	Incumbent	25.71	No
Zhu Zhaoyun	Female	70	TCM Strategic Scientist	Incumbent	170.70	No
Qin Wanmin	Male	60	Chief Innovation Officer, Senior Vice President, and President of the Health Products Business Group	Incumbent	363.68	No
Zhao Yingming	Male	52	Chief Commercial Officer & Senior Vice President	Incumbent	363.68	No
Yang Yong	Male	60	Chief Compliance Officer, Senior Vice President, and Executive Director of Yunnan Pharma	Incumbent	275.84	No
Zhang Ning	Male	53	Chief Scientist	Incumbent	360.69	No
Ma Jia	Male	47	Chief Financial Officer	Incumbent	183.68	No
Li Jin	Male	59	Secretary of the Discipline Inspection	Incumbent	123.68	No

			Committee, and Chief Quality and Process Officer			
Qian Yinghui	Male	40	Secretary of the Board of Directors	Incumbent	110.66	No
You Guanghui	Male	53	Chairman of the Supervisory Committee	Incumbent	105.95	No
Zhong Jie	Male	60	Deputy Chairman of the Supervisory Committee	Incumbent	105.95	No
Qu Huaxi	Male	58	Supervisor and Chairman of the Trade Union	Incumbent	105.95	No
He Yingxia	Female	52	Supervisor and Deputy Chairman of the Trade Union	Incumbent	56.20	No
Wang Minghui	Male	62	Former Chairman	Resigned	45.89	No
Yin Pinyao	Male	55	Former Chief Operation Officer, Senior Vice President, and President of the TCM Resources Business Group	Resigned	403.67	No
Wang Jin	Female	54	Former Chief Sales Officer, Senior Vice President, and President of Pharmaceutical Business Group	Resigned	90.92	No
Yu Juan	Female	52	Former Chief Human Resources Officer	Resigned	183.91	No
Total	--	--	--	--	3,909.45	--

Notes: 1. On March 7, 2023, the Company disclosed the *Announcement on the Resignation of the Chairman* (Announcement No.: 2023-03), stating that Mr. Wang Minghui has resigned from his position as Chairman of the Tenth Board of Directors, as well as from his roles as a director and a member of the Strategic Committee of the Board of Directors, and from all his positions in the Company and its holding subsidiaries for personal reasons.

On March 15, 2023, the Company disclosed the *Announcement on the Resignation of Senior Management* (Announcement No.: 2023-06), stating that Ms. Wang Jin has resigned from her position as the Company's Chief Sales Officer and Senior Vice President, as well as all her positions in the Company and its holding subsidiaries for personal reasons.

On February 7, 2024, the Company disclosed the *Announcement on the Resignation of Senior Management* (Announcement No.: 2024-06), stating that Mr. Yin Pinyao has resigned from his position as the Company's Chief Operating Officer and Senior Vice President, as well as all his positions in the Company and its holding subsidiaries for personal reasons; Ms. Yu Juan has resigned from her position as the Chief Human Resources Officer of the Company and all her positions in the Company and its holding subsidiaries for personal reasons.

The disclosed remuneration in this form represents the remuneration received by the aforementioned personnel during their service in 2023.

2. On February 23, 2024, the Company disclosed the *Announcement on Resolutions of the Second Session of the Tenth Board of Directors for 2024* (Announcement No.: 2024-09), stating that the tenth Board of Directors of the Company had elected Mr. Zhang Wenxue as Chairman of the Company, and he did not receive any pre-tax remuneration from the Company as a director, supervisor or senior management during the year 2023.

Explanation on other matters

□Applicable ☑Not applicable

VI. Duty Performance of Directors during the Reporting Period

1. Board meetings held during the reporting period

Sessions	Meeting date	Disclosure date	Resolutions
The first session of the Tenth Board of Directors for 2023	March 13, 2023	March 15, 2023	http://www.cninfo.com.cn/new/disclosure/detail?plate=sz se&orgId=gssz0000538&stockCode=000538&announce mentId=1216123120&announcementTime=2023-03-15%2011:46
The second session of the Tenth Board of Directors for 2023	March 29, 2023	March 31, 2023	http://www.cninfo.com.cn/new/disclosure/detail?plate=sz se&orgId=gssz0000538&stockCode=000538&announce mentId=1216280786&announcementTime=2023-03-31
The third session of the Tenth Board of Directors for 2023	April 25, 2023	April 27, 2023	http://www.cninfo.com.cn/new/disclosure/detail?plate=sz se&orgId=gssz0000538&stockCode=000538&announce mentId=1216610744&announcementTime=2023-04-27
The fourth session of the Tenth Board of Directors for 2023	July 5, 2023	July 7, 2023	http://www.cninfo.com.cn/new/disclosure/detail?plate=sz se&orgId=gssz0000538&stockCode=000538&announce mentId=1217227167&announcementTime=2023-07-07
The fifth session of the Tenth Board of Directors for 2023	August 28, 2023	August 30, 2023	http://www.cninfo.com.cn/new/disclosure/detail?plate=sz se&orgId=gssz0000538&stockCode=000538&announce mentId=1217699939&announcementTime=2023-08-30
The sixth session of the Tenth Board of Directors for 2023	October 27, 2023	October 31, 2023	http://www.cninfo.com.cn/new/disclosure/detail?plate=sz se&orgId=gssz0000538&stockCode=000538&announce mentId=1218200816&announcementTime=2023-10-31
The seventh session of the Tenth Board of Directors for 2023	December 27, 2023	December 29, 2023	http://www.cninfo.com.cn/new/disclosure/detail?plate=sz se&orgId=gssz0000538&stockCode=000538&announce mentId=1218750587&announcementTime=2023-12-29

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

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

Explanation on two consecutive absences from Board meetings: None.

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

Did directors object to relevant matters of the Company?

□ Yes ☑No

During the reporting period, no directors objected to relevant matters of the Company.

4. Other circumstances in the performance of duties by directors

Was advice to the Company from directors adopted?

☑Yes □ No

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

During the reporting period, in strict accordance with the *Company Law*, the *Securities Law*, the *Governance Guidelines for Listed Companies*, the *Several Provisions on Strengthening the Protection of the Rights and interests of Shareholders of Public Shares* and other laws, regulations and normative documents, as well as the *Articles of Association*, the *Rules of Procedure for the Board of Directors* and other relevant requirements, all the members of the Tenth Board of Directors of the Company, honoring the principles of integrity, faithfulness and diligence, and abiding by the code of conduct for the performance of duties as a director, attended the Board meetings and the general meetings in earnest, actively understanding the operation of the Company and fully expressing our opinions, and carefully, independently and objectively considering 40 motions, including the revision of the Company's corporate governance documents, organizational structure, related party transactions, misappropriation of funds, and the appointment of senior management personnel. They carefully understood the contents for consideration during the Board meetings and expressed corresponding opinions and suggestions, which have played a positive role in promoting the Board of Directors to make strategic decisions that are more in line with the development of the Company and more scientific and reasonable, and have effectively safeguarded the legitimate rights and interests of the Company and all the shareholders, in particular the minority shareholders.

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

Name of Committee	Members	Number of Meetings	Date of convention	Agenda of meeting	Important opinions and recommendations proposed	Other circumstances in the performance of duties	Particulars of objections (if any)
Strategy Committee	Chen Fashu, Lu Hongdong, Li Hongshen, Dong Ming, Liu Guo'en	3	March 20, 2023	(I) The first meeting of Strategy Committee of the Tenth Board of Directors for 2023 1. Proposal on the *2023 Organizational Structure Plan of Yunnan Baiyao*. 2. Proposal on Delegation of Power by the Board of Directors to the Group Office Meeting 3. Proposal Number of bonus shares for every 10 shares (share) on *Public Welfare Donation Management Measures of Yunnan Baiyao* Result: 5 voted in favor, 0 voted against, 0 abstained	None	None	None
Strategy Committee	Chen Fashu, Lu Hongdong, Li Hongshen, Dong Ming, Liu Guo'en	3	July 31, 2023	(II) The second meeting of Strategy Committee of the Tenth Board of Directors for 2023 1. Proposal on Revising the *Investment and Financial Management System* of the Company 2. Proposal on Applying for Registration and Issuance of Ultra Short-term Financing Bonds Result: 5 voted in favor, 0 voted against, 0 abstained	None	None	None
Strategy Committee	Chen Fashu, Lu Hongdong, Li Hongshen, Dong Ming, Liu Guo'en	3	December 18, 2023	(III) The third meeting of Strategy Committee of the Tenth Board of Directors for 2023 1. Proposal on the Use of Self-owned Idle Funds for Investment and Financial Management in 2024 Result: 5 voted in favor, 0 voted against, 0 abstained	None	None	None
Nomination Committee	Dai Yang, Zhang Yongliang, Chen Yanhui	1	February 28, 2023	(I) The first meeting of Nomination Committee of the Tenth Board of Directors for 2023 1. Proposal on Appointment of Senior Management Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Remuneration and Appraisal Committee	Zhang Yongliang, Dai Yang, Chen Fashu	6	February 14, 2023	(I) The first meeting of Remuneration and Appraisal Committee of the Tenth Board of Directors for 2023 1. Proposal on Adjustment of the Remuneration for the Secretary of the Board of Directors Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None

Remuneration and Appraisal Committee	Zhang Yongliang, Dai Yang, Chen Fashu	6	February 23, 2023	(II) The second meeting of Remuneration and Appraisal Committee of the Tenth Board of Directors for 2023 1. Proposal on Adjustment of the Remuneration for TCM Strategy Scientist Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Remuneration and Appraisal Committee	Zhang Yongliang, Dai Yang, Chen Fashu	6	February 28, 2023	(III) The third meeting of Remuneration and Appraisal Committee of the Tenth Board of Directors for 2023 1. Proposal on Adjustment of the Remuneration for Chief Commercial Officer and Senior Vice President Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Remuneration and Appraisal Committee	Zhang Yongliang, Dai Yang, Chen Fashu	6	March 23, 2023	(IV) The fourth meeting of Remuneration and Appraisal Committee of the Tenth Board of Directors for 2023 1. Proposals on the Implementation of the *Measures for the Remuneration and Appraisal of Core Personnel such as Directors, Supervisors and Senior Management* in 2022 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Remuneration and Appraisal Committee	Zhang Yongliang, Dai Yang, Chen Fashu	6	May 31, 2023	(V) The fifth meeting of Remuneration and Appraisal Committee of the Tenth Board of Directors for 2023 1. Proposal on the Implementation of Short-term Incentive Distribution for Directors, Supervisors and Senior Management in 2022 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Remuneration and Appraisal Committee	Zhang Yongliang, Dai Yang, Chen Fashu	6	July 17, 2023	(VI) The sixth meeting of Remuneration and Appraisal Committee of the Tenth Board of Directors for 2023 1. Proposal on Cancelling the Third Exercisable Period of the Initially Granted Part of the 2020 Stock Option Incentive Plan and the Second Exercisable Period of Its Reserved Granted Part Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	7	March 13, 2023	(I) The first meeting of Audit Committee of the Tenth Board of Directors for 2023 1. Preliminary Audit Opinion on the 2022 Annual Report Issued by the Certified Public Accountant Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	7	March 16, 2023	(II) The second meeting of Audit Committee of the Tenth Board of Directors for 2023 1. 2022 Summary Report on Internal Audit and 2023 Internal Audit Plan Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None

Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	7	March 27, 2023	(III) The third meeting of Audit Committee of the Tenth Board of Directors for 2023 1. 2022 Annual Report and its summary 2. Annual Final Account Report for 2022 3. Proposal on the special audit report of the accounting firm on the summary of the non-operational funds occupied by the related parties and the transactions of other related funds 4. 2022 Profit Distribution Plan 5. Proposal on Estimation of the Daily Related Party Transactions in 2023 6. Report on the Company's Financial Budget for 2023 7. Proposal on Provision for Asset Impairment in 2022 8. Proposal on Change of Accounting Policies 9. Self-evaluation Report on the Company's Internal Control for 2022 10. Proposal on paying the audit fees (including internal control audit) of Mazars Certified Public Accountants LLP in 2022 11. Proposal on Renewing the Engagement with the Company's Audit Organization (Including Internal Control Audit) for 2023 12. Proposal on Revising the Implementation Rules of the Audit Committee of the Board of Directors Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	7	April 24, 2023	(IV) The fourth meeting of Audit Committee of the Tenth Board of Directors for 2023 1. Proposal on the Report of the First Quarter in 2023 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	7	August 25, 2023	(V) The fifth meeting of Audit Committee of the Tenth Board of Directors for 2023 1. Proposal on Interim Report for 2023 and its summary Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	7	October 25, 2023	(VI) The sixth meeting of Audit Committee of the Tenth Board of Directors for 2023 1. Proposal on the Report of the Third Quarter in 2023 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	7	November 22, 2023	(VII) The seventh meeting of Audit Committee of the Tenth Board of Directors for 2023 1. Proposal on 2023 Annual Report Audit Plan Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None

VIII. Work of the Supervisory Committee

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

□Yes ☑No

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

IX. Employees of the Company

1. Number of employees, professional composition, and education

Number of in-service employees of the parent company at the end of the reporting period (person)	3,961
Number of in-service employees of major subsidiaries at the end of the reporting period (person)	4,873
Total number of in-service employees at the end of the reporting period (person)	8,834
Total number of salaried employees in the current period (person)	8,834
Number of retired pensioners whose expenses shall be borne by the parent company and its main subsidiaries (person)	1,872
Professional Composition	
Category of Professional Composition	Number of Professional Composition (Person)
Production staff	1,676
Sales staff	5,099
Technical staff	1,265
Including: R&D staff	527
Financial staff	308
Administrative staff	486
Total	8,834
Education	
Category of Education	Number (person)
Doctor	35
Master	532
Undergraduate	3,804
College	2,877
Technical secondary school and below	1,586
Total	8,834

2. Remuneration policy

In accordance with the *Social Insurance Law of the People's Republic of China*, Yunnan Baiyao has purchased pension, medical, unemployment, work-related injury, maternity, and other insurance for employees, as well as has provided housing provident fund and enterprise annuity to ensure that employees enjoy the rights stipulated by law. In addition, the Company has purchased commercial insurance to avoid

the risk of accidental injury and protect the health of employees. In 2023, the Company improved its compensation system, focusing on value creation, promoting labor efficiency, optimizing the personnel structure, as well as enhancing capacity. The Company assessed the reasonableness and effectiveness of human resource investment by analyzing the operation and allocation efficiency of human resources to enhance the value-creating ability of its employees. The Company also established a positive incentive culture, implemented an over-sharing mechanism for improving quality and efficiency, taken performance results as a part of the remuneration system, encouraged the complement of special tasks with project rewards, and rewarded quality and efficiency based on the incremental part of revenue and profit contribution.

3. Training program

Yunnan Baiyao adheres to the concept of "People-first, Talent-integrated," and establishes and improves the talent training system through scientific talent strategy planning. By offering employees diverse avenues for development and comprehensive training support, the Company fosters the personal growth of its workforce, enabling them to continuously enhance their skills and capabilities. This ensures a mutually beneficial relationship between the enterprise and its employees. To further empower the organization, its business operations, and its personnel, the Company has formulated and implemented special training programs for management and professional talents, and has conducted a dynamic talent inventory based on competency models and talent assessment, focusing on the identification and training of key talents to ensure that their competency enhancement matches the Company's future needs. By implementing effective cadre management mechanisms and talent pool management tools, we cultivate high-quality management talents who align with the Company's future development needs.

During the reporting period, the Company achieved end-to-end digitization of the training program by embracing digital transformation, and bestowed digital "wings" upon the entire process of "business strategy-talent planning-training program-talent growth" with digital capabilities. With the continuous enhancement of the "Blossoming Flowers" talent training system, the Company delivered tailor-made training programs that catered to the needs and development requirements of different employees, such as *Panax Notoginseng* Flower Training Program for Project Manager, *Paris Polyphylla* Flower Training Program for Middle-level Management, New Apprenticeship Project, and National Senior Workshop.

4. Labor outsourcing

□Applicable ☑Not applicable

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

Profit distribution policies during the reporting period, especially the formulation, implementation, or adjustment of the cash dividend policies

☑Applicable □Not applicable

The Company's ongoing commitment revolves around creating value and ensuring reasonable returns for investors. The Company extensively gathers and incorporates shareholders' perspectives regarding profit distribution. It follows sustainable, stable, compliant, and transparent distribution policies that prioritize the

protection of minority shareholders' legitimate rights and interests. The standards and ratios for dividend distribution are clearly defined. The profit distribution plan of the Company is submitted to the shareholders' general meeting for consideration, and the decision-making and implementation of profit distribution comply with the relevant provisions of the *Articles of Association* and the requirements of the resolutions of the shareholders' general meeting.

The Company's annual equity distribution plan for 2022 was as follows: Based on the total share capital of the Company of 1,796,862,549 shares as at the end of 2022 less 12,599,946 shares repurchased by the special securities account for share repurchase, i.e., on the basis of 1,784,262,603 shares, a cash dividend of RMB 15.2 (tax inclusive) for every 10 shares would be paid to all shareholders, 0 bonus shares (tax inclusive) would be distributed, and no share capital would be converted from capital reserve. In accordance with the distribution proportion of this plan, the total amount of distribution was finally determined based on the number of shares entitled to profit distribution on the equity registration date when the distribution plan was implemented in the future. The remaining undistributed profits were reserved for distribution in subsequent years.

On May 19, 2023, the Company completed the implementation of equity distribution for 2022, with a total cash dividend of RMB 2,712,079,156.56 distributed.

Special Description of Cash Dividend Policy	
Whether it complies with the provisions of the *Articles of Association* or the requirements of resolutions of shareholders' general meetings:	Yes
Whether the standards and ratios for dividend distribution are clearly defined:	Yes
Whether relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors perform their duties and play their due role:	Yes
If the Company does not pay cash dividends, it shall disclose the specific reasons and the next steps to be taken to enhance the return of investors:	No
Whether minority shareholders have sufficient opportunities to express their opinions and demands, and whether their legitimate rights and interests are fully protected:	Yes
Whether the conditions and procedures for adjusting or changing the cash dividend policies are compliant and transparent:	Yes

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

□Applicable ☑Not applicable

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

☑Applicable □Not applicable

Number of bonus shares for every 10 shares (share)	0
Number of dividends for every 10 shares (RMB) (tax included)	20.77
Number of shares transferred for every 10 shares (share)	0
Base of Share capital of the distribution plan (share)	1,784,262,603.00

Cash dividend amount (RMB) (tax included)	3,705,913,426.43
Cash dividend amount in other ways (such as repurchase of shares) (RMB)	0.00
Total cash dividend (including other methods) (RMB)	3,705,913,426.43
Distributable profits (RMB)	3,750,505,582.48
Proportion of total cash dividends (including other methods) to total profit distribution	100%
This Cash Dividend	
If the Company is in the mature phase and there is no significant capital expenditure arrangement, the cash dividend shall account for at least 80% of the profit distribution when profit distribution is made.	
Details of Plan on Profit Distribution and Conversion of Capital Reserve into Share Capital	
The profit distribution plan of the Company considered and approved by the Board of Directors is as follows: Based on the total share capital of the Company of 1,796,862,549 shares as at the end of 2023 less 12,599,946 shares repurchased by the special securities account for share repurchase, i.e., on the basis of 1,784,262,603 shares, a cash dividend of RMB 20.77 (tax inclusive) for every 10 shares will be paid to all shareholders, 0 bonus shares (tax inclusive) will be distributed, and 0 shares will be issued to all shareholders for every 10 shares by way of conversion of capital reserve.	

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

☑Applicable □Not applicable

1. Equity incentive

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

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

(3) On August 8, 2022, the *Proposal on Cancellation of Certain Stock Options Granted under the 2020 Stock Option Incentive Plan* had been considered and approved at the ninth session of the Ninth Board of Directors for 2022, canceling 947,054 stock options initially granted that had not been exercised upon expiration of the first exercisable period. As the Company's return on equity in 2021 was less than 10.5%, the exercise conditions for the second exercisable period had not been satisfied; therefore 7,086,240 stock options initially granted corresponding to the second exercisable period and 840,000 stock options under reserved grant corresponding to the first exercisable period could not be exercised and would thus be canceled by the Company accordingly. After cancellation, the number of stock options initially granted under the Company's 2020 Stock Option Incentive Plan was adjusted from 15,119,534 to 6,772,080, the number of options under reserved grant was adjusted from

1,680,000 to 840,000, and the number of incentive participants was adjusted from 671 to 653.

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

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

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

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

(5) On August 28, 2023, the *Proposal on Cancelling the Third Exercisable Period of the Initially Granted Part of the 2020 Stock Option Incentive Plan and the Second Exercisable Period of Its Reserved Granted Part* had been considered and approved at the fifth session of the Tenth Board of Directors for 2023 and the third session of the Tenth Supervisory Committee for 2023. As the Company's 2022 performance indicators failed to fully meet the performance assessment requirements set forth in the *2020 Stock Option Incentive Plan of Yunnan Baiyao Group*, 4,837,200 stock options initially granted corresponding to the third exercisable period would not be exercised for it was adjusted to 6,772,080 stock options and 840,000 stock options under reserved grant corresponding to the second exercisable period after the equity distribution adjustment for 2021 (A total of 1,200,000 stock options under reserved grant, for it was adjusted to 1,680,000 stock options after the equity distribution adjustment for 2021. Out of these, 840,000 stock options corresponding to the first exercisable period have been cancelled, and the remaining 840,000 stock options correspond to the second exercisable period). All of these stock options could not be exercised and would thus be canceled by the Company (the actual cancellation will be based on the records of the Shenzhen Branch of China Securities Depository and Clearing Corporation).

(6) On September 7, 2023, following the review and confirmation by the Shenzhen Branch of China Securities Depository and Clearing Corporation, the Company had completed the cancellation of the aforementioned 7,612,080 stock options. After the cancellation of all the aforementioned stock options, the Company's 2020 Stock

Option Incentive Plan had been completely terminated.

Equity incentives obtained by directors and senior management of the Company

□Applicable ☑Not applicable

Evaluation mechanism and incentives for senior management

The Company has formulated an objective, fair, motivation-oriented, economic, and legitimate performance appraisal system for senior management in accordance with the relevant national labor policies and in light of the actual operation of the industry and the Company. The senior management of the Company shall be appointed by the Board of Directors uniformly, and the Remuneration and Appraisal Committee under the Board is responsible for evaluating the working capability and performance of the senior management of the Company, formulating a scientific and reasonable remuneration incentive mechanism based on the industry landscape and the actual operation of the Company, and submitting it to the Board for approval. The remuneration of senior management includes basic salary, performance rewards, incentive funds, etc. The performance of senior management is appraised based on the completion rate of overall operation indicators to encourage them to complete the stage operation objectives. During the reporting period, to improve and perfect the incentive and restraint mechanism of the Company, enhance the sense of responsibility and mission of directors, supervisors, senior management, middle management, business backbones, and key technical backbones to achieve the sustainable and healthy development of the Company, and ensure the realization of strategic objectives, the Company complied with relevant national laws, adhered to the concept of creating and sharing value and launched a stock option incentive plan which integrated the interests of the Company, shareholders and key employees to promote the sustainable and healthy development of the Company, thereby creating greater value and rewarding investors.

2. Implementation of the ESOP

☑Applicable □Not applicable

All active ESOPs during the reporting period

Scope of employees	Number of employees	Number of shares held (share)	Status of change	Proportion in the total share capital of listed company	Source of funding to implement the Plan
1. Directors (excluding independent directors), supervisors, and senior management of the Company; 2. Employees of the Company and its holding subsidiaries. All participants are required to be employed by the Company (including its holding subsidiaries) and sign a labor contract/ service contract with the Company.	1,312	23,379,996	1. The sensitive period in the ESOP will be revised in accordance with the latest regulations. 2. The number of members in the ESOP Management Committee will be increased, and corresponding elections will be conducted to fill the vacancies.	1.30%	Employee's statutory compensation, self-raised funds, funds raised through financing under the Plan, incentive funds set aside by the Company, and funds obtained by any other means permitted by laws and regulations.

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

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

Changes in asset management institutions during the reporting period

□Applicable ☑Not applicable

Changes in equity caused by shares disposal by holders during the reporting period

□Applicable ☑Not applicable

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

Other relevant circumstances and statements of the ESOP during the reporting period

□Applicable ☑Not applicable

Changes in the membership of the management committee of the ESOP

□Applicable ☑Not applicable

The financial impact of the ESOP on the listed company during the reporting period and related accounting treatment

□Applicable ☑Not applicable

Termination of the ESOP during the reporting period

☑Applicable □Not applicable

On July 5, 2023, the Company convened the fourth session of the Tenth Board of Directors for 2023, at which the *Proposal on the Early Termination of the ESOP* was considered and approved. The lock-up period of the Company's 2021 ESOP expired on June 30, 2022. As of May 26, 2023, all 23,379,996 shares of the Company held under this ESOP had been reduced, and assets under the ESOP currently were all cash and bank balance. The *Proposal on the Early Termination of the ESOP* had been considered and approved at this Board meeting, agreeing to this early termination. Thereafter, the ESOP would be liquidated by its management committee and the proceeds would be distributed in proportion to the shares held by the participants. The above

information can be found in the *Announcement on the Resolution of the Fourth Session of the Tenth Board of Directors of Yunnan Baiyao Group Co., Ltd for 2023* (Announcement No.: 2023-26) and the *Announcement on the Early Termination of the 2021 ESOP of Yunnan Baiyao Group Co., Ltd* (Announcement No.: 2023-27), both disclosed by the Company at http://www.cninfo.com.cn on July 7, 2023.

3. Other employee incentive measures

□Applicable ☑Not applicable

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

1. Establishment and implementation of internal control

The Company has established a scientifically designed and effective internal control system in accordance with the *Company Law*, the *Basic Rules for Enterprise Internal Control,* and related laws and regulations, and has continuously improved the internal control system and working mechanism by reference to the industry characteristics and the practice of the Company. During the reporting period, the Company promoted comprehensive risk management of key business entities and key risk areas to improve its overall risk defense capability.

The form and content of the Company's internal control evaluation can truly and accurately reflect the current implementation of the Company's internal control work, without any false records, misleading statements, or material omissions. The internal control system has been fully established for businesses and matters included in the scope of internal control evaluation and has been fully implemented in the operation and management activities, which can effectively prevent and control the internal operation risks of the Company in major aspects, and ensure the legal and compliant operation of the Company and the safety and integrity of assets, achieving the expected objectives of internal control and safeguarding the interests of the Company and all shareholders.

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

□Yes ☑No

XIII. Management Control of Subsidiaries during the Reporting Period

None.

XIV. Internal Control Evaluation Report or Internal Control Audit Report

1. Internal control evaluation report

Full-Text Disclosure Date of Internal Control Evaluation Report		March 30, 2024
Full-Text Disclosure Index of Internal Control Evaluation Report		http://www.cninfo.com.cn/new/index
Total assets of units included in the evaluation scope as a percentage of total assets of the Company's consolidated financial statements		98.98%
Operating income of units included in the scope of evaluation as a percentage of operating income of the Company's consolidated financial statements		99.99%
Defect Identification Criteria		
Category	Financial Report	Non-Financial Report

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

2. Internal control audit report

☑Applicable □Not applicable

Considerations about Internal Control Audit Report	
We believe that Yunnan Baiyao has maintained effective internal control over financial reports in all material respects as of December 31, 2023, in accordance with *the Basic Rules for Enterprise Internal Control* and relevant regulations.	
Disclosure of Internal Control Audit Report	Disclosed
Full-Text Disclosure Date of Internal Control Audit Report	March 30, 2024
Full-Text Disclosure Index of Internal Control Audit Report	http://www.cninfo.com.cn/new/index
Opinion Type of Internal Control Audit Report	Unqualified opinion
Whether There are Major Defects in Non-Financial Reports	No

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

□Yes ☑No

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

☑Yes □No

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

Not applicable

Section V Environmental and Social Responsibilities

I. Significant Environmental Issues

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

☑Yes □No

Environmental protection related policies and industry standards

The Company has strictly complied with laws and regulations such as the *Law of the People's Republic of China on Environmental Protection*, the *Law of the People's Republic of China on Air Pollution Prevention and Control*, the *Law of the People's Republic of China on Water Pollution Prevention and Control*, the *Law of the People's Republic of China on Solid Waste Pollution Prevention and Control*, and the *Law of the People's Republic of China on Environmental Noise Pollution Prevention and Control*, and internally formulated and implemented environmental management policies such as the *Environmental Protection Management System*, *Environmental Protection Responsibility System*, *Environmental Protection Approval Management System*, and *Hazardous Waste Management System*.

Administrative permits for environmental protection

Yunnan Baiyao applied for the pollution discharge permit at June 30, 2022, which will be valid until June 29, 2027

Environmental Impact Assessment (EIA) Approvals for Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd: YHXZH (2008) No.55, YHSH (2009) No.261; Approval for Acceptance of Completed Environmental Protection Projects: Phase I YH Acceptance (2013) No. 1, Phase II YH Acceptance (2015) No. 30, and YH Acceptance (2014) No. 16

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

Name of Company or Subsidiary	Types of Main Pollutants and Characteristic Pollutants	Names of Main Pollutants and Characteristic Pollutants	Emission Method	Number of Discharge Outlets	Distribution of Discharge Outlets	Emission Concentration/Intensity	Pollutant Emission Standards Implemented	Total Emissions	Approved Total Emissions	Emissions Exceeding Standards
Yunnan Baiyao Group Co., Ltd.	Particulate matter	Particulate matter	Organized emissions	7	1.Main discharge outlet for boiler exhaust gas 2. Main discharge outlet for alcohol extraction exhaust gas	4t/h boiler (with an average particulate matter concentration of 5.9mg/m³); 10t/h boiler (with an average particulate matter concentration of 5.3mg/m³); 15t/h boiler (with an average particulate matter concentration of 5.3mg/m³); Alcohol extraction exhaust gas discharge outlet 1 (with an average particulate matter concentration of 4.3mg/m³); Alcohol extraction exhaust gas discharge outlet 2 (with an average particulate matter concentration of 4.1mg/m³); Alcohol extraction exhaust gas discharge outlet 3 (with an average particulate matter concentration of 4.7mg/m³); Alcohol extraction exhaust gas discharge outlet 4 (with an average particulate matter concentration of 3.85mg/m³).	*Standards for the Emission of Air Pollutants in the Pharmaceutical Industry GB37823-2019; Standards for the Emission of Air Pollutants from Boilers GB13271-2014*	Subject to simplified management, with no total emission indicator available	None	None
Yunnan Baiyao Group Co., Ltd.	Exhaust gas	SO2	Organized emissions	3	Main discharge outlet for boiler exhaust gas	4t/h boiler (with an average SO2 concentration of 0mg/m³); 10t/h boiler (with an average SO2 concentration of 0mg/m³); 15t/h boiler (with an average SO2 concentration of 0mg/m³).	*Standards for the Emission of Air Pollutants in the Pharmaceutical Industry GB37823-2019; Standards for the Emission of Air Pollutants from Boilers GB13271-2014*	Subject to simplified management, with no total emission indicator available	None	None
Yunnan Baiyao Group Co., Ltd.	Exhaust gas	NOX	Organized emissions	3	Main discharge outlet for boiler exhaust gas	4t/h boiler (with an average NOX concentration of 73.8mg/m³); 10t/h boiler (with an average NOX concentration of 94.8mg/m³); 15t/h boiler (with an average NOX concentration of 90.5mg/m³);	*Standards for the Emission of Air Pollutants in the Pharmaceutical Industry GB37823-2019; Standards for the Emission of Air Pollutants from Boilers GB13271-2014*	Subject to simplified management, with 3.182 tons of NOX emissions in 2023	11.0667 tons of approved total emissions	None

Yunnan Baiyao Group Co., Ltd.	Exhaust gas	Non-methane total hydrocarbons	Organized emissions	4	Alcohol extraction exhaust gas discharge outlet	Alcohol extraction exhaust gas discharge outlet 1 (with an average concentration of non-methane total hydrocarbons of 19.75mg/m³); Alcohol extraction exhaust gas discharge outlet 2 (with an average concentration of non-methane total hydrocarbons of 18.6mg/m³); Alcohol extraction exhaust gas discharge outlet 3 (with an average concentration of non-methane total hydrocarbons of 15.9mg/m³); Alcohol extraction exhaust gas discharge outlet 4 (with an average concentration of non-methane total hydrocarbons of 15.3mg/m³);	*Standards for the Emission of Air Pollutants in the Pharmaceutical Industry GB37823-2019*	Subject to simplified management, with no total emission indicator available	None	None
Yunnan Baiyao Group Co., Ltd.	Wastewater	COD, ammonia nitrogen	Drainage outlet	2	1. Main drainage outlet 2. Rainwater drainage outlet	Average concentration at main drainage outlet: COD 40.20mg/L, Ammonia nitrogen: 2.37mg/L; Average concentration at rainwater drainage outlet: COD 19.6mg/L	*Wastewater Quality Standard for Discharge to Municipal Sewers GB/T 31962-2015; Integrated Wastewater Discharge Standards GB8978-1996*	Subject to simplified management, with no total emission indicator available	None	None
Yunnan Baiyao Group TCM Resources Co., Ltd.	Combustion exhaust emissions outlet	Non-methane total hydrocarbons	Organized emissions	1	Pre-treatment roof	3.83mg/m³	Non-methane total hydrocarbons ＜ 100mg/Nm³	/	/	None
Yunnan Baiyao Group TCM Resources Co., Ltd.	Dust removal discharge outlet for crushing	Particulate matter	Unorganized emissions	5	Pre-treated crushing	＜ 20mg/m³	Particulate matter ＜ 30mg/Nm³	/	/	None
Yunnan Baiyao Group TCM Resources Co., Ltd.	Factory boundary	Hydrogen sulfide; ammonia; odor concentration; non-methane total hydrocarbons	Unorganized emissions	5	Factory area	Hydrogen sulfide: 0.006mg/m³ Ammonia: 0.2mg/m³ Odor concentration: 15 mg/m³ Non-methane total hydrocarbons: 1.4mg/m³	Hydrogen sulfide ＜ 0.06mg/Nm³ Ammonia ＜ 1.5mg/Nm³ Odor concentration 20 dimensionless Non-methane total hydrocarbons ＜ 4.0mg/Nm³	/	/	None
Yunnan Baiyao Group TCM Resources Co., Ltd.	Boiler discharge outlet	Sulfur dioxide; nitrogen oxide; particulate matter; Lingeman blackness	Organized emissions	3	Boiler room	/	Sulfur dioxide ＜ 50mg/Nm³ Nitrogen oxides ＜ 200mg/Nm³ Particles ＜ 20mg/Nm³	/	Nitrogen oxide: 32.18t/a	None

							Lingeman blackness level 1			
Yunnan Baiyao Group TCM Resources Co., Ltd.	Main drainage outlet	Total nitrogen	/	1	Sewage station drainage outlet	/	70mg/L	/	/	/
Yunnan Baiyao Group TCM Resources Co., Ltd.	Main drainage outlet	Chroma	/	1	Sewage station drainage outlet	30-60	64	/	/	/
Yunnan Baiyao Group TCM Resources Co.,Ltd.	Main drainage outlet	Total dissolved solids	/	1	Sewage station discharge outlet	1500-1800mg/L	2000mg/L	/	/	/
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	Main drainage outlet	Flows	/	1	Sewage station drainage outlet	/	mg/L	/	/	/
Yunnan Baiyao Group TCM Resources Co., Ltd.	Main drainage outlet	Ammonia nitrogen	/	1	Sewage station drainage outlet	0.30mg/L	45mg/L	/	/	/
Yunnan Baiyao Group TCM Resources Co., Ltd.	Main drainage outlet	Acute toxicity	/	1	Sewage station drainage outlet	0.04mg/L	mg/L	/	/	/
Yunnan Baiyao Group TCM Resources Co., Ltd.	Main drainage outlet	Animal and vegetable oils	/	1	Sewage station drainage outlet	0.06	100mg/L	/	/	/
Yunnan Baiyao Group TCM Resources Co., Ltd.	Main drainage outlet	PH value	/	1	Sewage station drainage outlet	7.8	6.5-9.5	/	/	/
Yunnan Baiyao Group TCM Resources Co., Ltd.	Main drainage outlet	Total organic carbon	/	1	Sewage station drainage outlet	12.4mg/L	mg/L	/	/	/
Yunnan Baiyao Group TCM Resources Co., Ltd.	Main drainage outlet	Total cyanide	/	1	Sewage station drainage outlet	0.004mg/L	0.5mg/L	/	/	/
Yunnan Baiyao Group TCM Resources Co., Ltd.	Main drainage outlet	Chemical oxygen demand	/	1	Sewage station drainage outlet	50-80mg/L	500mg/L	/	/	/

Yunnan Baiyao Group TCM Resources Co., Ltd.	Main drainage outlet	Suspended solids	/	1	Sewage station drainage outlet	18mg/L	400mg/L	/	/	/
Yunnan Baiyao Group TCM Resources Co., Ltd.	Main drainage outlet	Five-day biochemical oxygen demand	/	1	Sewage station drainage outlet	13mg/L	350mg/L	/	/	/
Yunnan Baiyao Group TCM Resources Co., Ltd.	Main drainage outlet	Total phosphorus	/	1	Sewage station drainage outlet	4.4mg/L	8mg/L	/	/	/
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	Exhaust gas	Particulate matter	Bag for dust removal	4	Direct emissions	/	GB16297-1996	/	/	/
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	Exhaust gas	Nitrogen oxide	Chimney	1	Direct emissions	48mg/m^3	GB16297-1996, GB13271-2014	0.247t	/	None
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	Wastewater	COD	Main drainage outlet	1	Discharged into a municipal sewage pipe network	45mg/L	GB14554-93, GB16297-1996, GB21908-2008	0.151t	/	None
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	Wastewater	BOD5	Main drainage outlet	1	Discharged into a municipal sewage pipe network	12.7mg/L	GB14554-93, GB16297-1996, GB21908-2008	0.043t	/	None
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	Wastewater	Ammonia nitrogen	Main drainage outlet	1	Discharged into a municipal sewage pipe network	0.91mg/L	GB14554-93, GB16297-1996, GB21908-2008	0.007t	/	None
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	Wastewater	Total nitrogen	Main drainage outlet	1	Discharged into a municipal sewage pipe network	7.12mg/L	GB14554-93 GB16297-1996, GB21908-2008	0.113t	/	None
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	Wastewater	Total phosphorus	Main drainage outlet	1	Discharged into a municipal sewage pipe network	0.12mg/L	GB14554-93 GB16297-1996, GB21908-2008	0.002t	/	None

Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	Exhaust gas	Sulfur dioxide; particle matter; nitrogen oxides	Organized emissions	2	Boiler main exhaust gas outlet	Boiler 2 (with a sulfur dioxide concentration of ＜ 3mg/m³, an average particulate matter concentration of 2.1mg/m³, an average nitrogen oxide concentration of 46.5mg/m³) has a smoke density of ≤ 1; Boiler 3 (with a sulfur dioxide concentration of ＜ 3mg/m³, an average particulate matter concentration of 2.1mg/m³, an average nitrogen oxide concentration of 49.75mg/m³) has a smoke density of ≤ 1.	Sulfur dioxide: ≤50mg/m³; particulate matter≤20mg/m³; nitrogen oxide≤200mg/m³; smoke density of ≤ 1	Subject to simplified management, with no total emission indicator available	None	None
Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	Wastewater	COD; BOD5, suspended solids; ammonia nitrogen	Organized emissions	1	Main sewage discharge outlet in the factory area	With an average COD concentration of 33.5mg/L, An average BOD5 concentration of 12.1mg/L, an average suspended solids concentration of 7mg/L, an average ammonia nitrogen concentration of 0.67mg/L	COD≤500mg/L; BOD5≤300mg/L; suspended solids≤400mg/L; ammonia nitrogen≤45mg/L	Subject to simplified management, with no total emission indicator available	None	None

Treatment of pollutants

The Company strictly follows the requirements of environmental impact assessment (EIA) in construction of pollution prevention and control facilities, and has obtained complete related environmental protection approvals. In 2023, the Company and its subsidiaries actively carried out third-party environmental testing, showing the emissions of various pollutants such as wastewater, waste gas, solid waste, and noise, were in strict line with the standards, with no excessive emissions.

Yunnan Baiyao Group Wenshan Qihua Co., Ltd:

I. This Company adopts a physical-biological contact oxidation process for sewage treatment (3,000m³/day), a closed treatment process, which can efficiently treat organic compounds in high-concentration wastewater from TCM pharmaceuticals and mainly has the following characteristics:

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

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

II. The 40t/h boiler burns clean energy natural gas, and the data of the produced flue gas emission are connected to an environmental protection platform through online monitoring devices, achieving real-time online monitoring of main indicators to meet emission standards.

III. For the auxiliary material crushing and other work sections in the production OU, bags for dust removal are used. The collected drugs, environmentally friendly and cost-effective, can be reused for production and extraction.

The wastewater and exhaust gas facilities are operating normally, and the discharges of various pollutant factors (wastewater, exhaust gas, noise) meet the standards.

Environmental self-monitoring plan

Yunnan Baiyao itself prepared an environmental self-monitoring plan in 2023 and filed it with the environmental protection department. In 2023, it carried out self-monitoring work in strict accordance with this plan, with all indicators of pollutants meeting the required emission standards.

In August 2017, Yunnan Baiyao Group Wenshan Qihua Co., Ltd completed the preparation of the EIA report for the Relocation and Expansion Project Phase I. On August 27, 2017, it received the Approval WHSH [2017] No. 53 from the Wenshan Branch of the Wenshan Prefecture Ecological Environment Bureau. In January 2021, it completed the environmental protection acceptance report for the construction project and obtained the pollutant discharge permit No. 91532600709893942X002R on August 3, 2021.

Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd strictly followed the requirements of the permit and discharged nitrogen oxides were monitored once a month and 12 times a year; particulate matter, sulfur dioxide, and smoke density monitored once a year; particulate matter, non-methane total hydrocarbons, odor concentration, ammonia, H2S, etc. monitored every six months and twice a year; pH, SS, BOD, COD, T-N, T-P, NH3-N, etc, monitored once a quarter and four times a year; and LAeq monitored once a quarter and four times a year.

Emergency plans for sudden environmental events

The Company has prepared relevant plans and submitted them to competent department of the Chenggong Branch of Kunming Ecological Environment Bureau for record keeping. In 2023, we conducted practical drills in collaboration with the Chenggong Branch of Kunming Ecological Environment Bureau.

As required by the approval of the EIA report for the Relocation and Expansion Project Phase I of Yunnan Baiyao Group Wenshan Qihua Co., Ltd, the emergency plan for sudden environmental events was prepared on December 25, 2020, and filed with the Wenshan Branch of the Wenshan Prefecture Ecological Environment Bureau on January 5, 2021, No. 532601-2021-002-L. Emergency drills were conducted annually according to the relevant content.

Investment in environmental governance and protection and payment of environmental protection taxes

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

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

☑Applicable Not applicable

In 2023, under China's "carbon peak and carbon neutrality" strategy, as a key unit under close regulation in terms of energy consumption, the Company further optimized its online energy monitoring system platform, completed the annual energy-saving goals and the action implementation plan for energy efficiency improvement, and ensured the achievement of energy-saving goals through the implementation of the energy-saving target responsibility system, the sound energy management system, the energy-saving technology transformation and application, energy-saving publicity and training, and other means.

Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd was gradually phasing out outdated and high energy consuming equipment, striving to achieve energy conservation and emission reduction.

Administrative punishments for environmental issues during the reporting period

None.

Other environmental information that should be disclosed

In accordance to the requirements as set out in the pollutant discharge permits, the Company has completed the preparation of its environmental self-monitoring plan and filed it with competent ecological environment bureau. The Company tests the pollutant discharge factors monthly/quarterly/annually.

Other environmental protection related information

None

II. Social Responsibility

Please refer to the *2023 Annual Corporate Social Responsibility and ESG (Environmental, Social, and Governance) Report* disclosed by the Company on the same day at www.cninfo.com.cn.

III. Consolidated and Expanded Achievements in Poverty Alleviation and Rural Revitalization

Yunnan Baiyao Group has always conscientiously implemented the relevant requirements from the Party Central Committee and The State Council. By leveraging its inherent strengths, the Company has dedicated itself

to a targeted approach towards multiple objectives and tasks. With well-defined work concepts, the Company has developed precise plans and fine-tuned work strategies, and consistently extended support to Weixi County. Eventually, the Company successfully accomplished its phase-specific tasks. In 2023, the Company's solid achievements in rural revitalization were recognized by various sectors of society. It received the "Best Practice Case among Listed Companies in Rural Revitalization" award and was also acknowledged for its efforts in poverty alleviation and rural revitalization in Weixi County, earning the title of "China's National Excellent Case in Rural Revitalization."

Yunnan Baiyao has always been committed to leveraging its corporate advantages. Relying on Yunnan's distinctive geographical advantages, the Company has been unwavering in its support for poverty alleviation and rural revitalization in areas like Weixi County and Fugong County in Yunnan. Through initiatives such as industry cultivation, physician training, medical donations, and educational assistance, the Company has achieved significant outcomes. Its continuous 8-year efforts in linked poverty alleviation in Weixi County and 16-year training of grassroots rural doctors in Fugong County have garnered increasing attention and recognition from all sectors of society.

In 2023, Yunnan Baiyao kept placing orders for medicinal materials from poverty-stricken counties and establishing a long-term benefit linkage mechanism for the development of the TCM industry. The Company entered into a strategic partnership with Weixi Weihong Agricultural Resources Development Co., Ltd, designating the enterprise for the acquisition and initial processing of TCM through a unified order-based procurement approach. During this period, the Company also provided technical support in various aspects, including conducting technical guidance on TCM cultivation and training on drug traceability. The village task force regularly carried out dynamic early warning monitoring and assistance work at the assistance sites to prevent them from falling back into poverty again, with "a monthly calculation, analysis and assessment" of the income of farmers there and a thorough investigation of farmers facing poverty-returning risks before including them in early warning monitoring according to the process. Also, targeted investigations and verifications were carried out for households with substandard income, and assistance plans were formulated on a per-household and per-person basis. Support policies were refined, and income-increasing measures were precisely implemented for each household.

Yunnan Baiyao remains committed to its mission of "To Guard Life and Health." It consistently and effectively contributes to the course of rural revitalization, bringing health and well-being to people of all ethnic groups in border areas.

Section VI Significant Events

I. Performance of Commitments

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

☑Applicable □Not applicable

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

			company/I will compensate for any and all of such direct or indirect losses so caused to the listed company. 3. Jiangsu Yuyue undertakes that: after the completion of this merger and overall listing, our company and any enterprises under our control will try the best to avoid related party transactions with the listed company. For inevitable related party transactions or those occurring for reasonable reasons, our company undertakes to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based on the reasonable prices recognized in the market. Our company and any enterprises under our control will strictly comply with the provisions of relevant laws, regulations, normative documents, and the articles of association of the listed company, perform the decision-making procedures and information disclosure obligations for related party transactions, and warrant not to harm any legitimate rights and interest of the listed company and any other shareholders through related party transactions. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company. Our company warrants the effective fulfillment of these commitments, and the listed company has the right to supervise the fulfillment of this commitment letter. If our company fails to effectively fulfill this commitment letter, leading to any actual losses to the listed company, our company will compensate for any and all of such direct or indirect losses so caused to the listed company.			
Commitments made during asset restructuring	Yunnan State-owned Equity Operation Management Company, New Huadu, Jiangsu Yuyue	Commitments to maintain the independence of the listed company	After the completion of this merger and overall listing, our company/institution will maintain independence from the listed company in terms of personnel, assets, business, institutions, and finance in accordance with relevant laws, regulations, and normative documents. We will not, by virtue of the identity as a related party of the listed company, engage in the acts that affect the independence of the listed company's personnel, assets, business, institutions, and finances, or harm any rights and interest of the listed company and any other shareholders. Instead, we will effectively ensure the independence of the listed company in terms of personnel, assets, business, institutions, finance, etc. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company/institution. Our company/institution warrants the effective fulfillment of these commitments, and the listed company has the right to supervise the fulfillment of this commitment letter. If our company/institution fails to effectively fulfill this commitment letter, leading to any actual losses to the listed company, our company/institution will compensate for any and all of such direct or indirect losses so caused to the listed company.	October 31, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress
Commitments made during asset restructuring	Jiangsu Yuyue	Commitments regarding lock-up shares	The shares of the listed company subscribed by our company through this transaction shall not be transferred during the period from the end of the issuance of these shares to June 26, 2023 (inclusive). After the expiration of the aforementioned lockup period, the transfer and trading of such shares shall be handled in accordance with the then effective laws and regulations, as well as the regulations and rules of the CSRC and Shenzhen Stock Exchange ("SZSE"). After the completion of this transaction, our company will also arrange a lockup period as described above for our any increased stake in the listed company after it issues bonus shares or convert public reserve funds into share capital.	October 31, 2018	June 26, 2023	Completed

Commitments made during asset restructuring	Baiyao Holdings, Yunnan State-owned Equity Operation Management Company, New Huadu, Jiangsu Yuyue	Commitments regarding real estate business	If Yunnan Baiyao and its subsidiaries within the scope of its consolidated financial statements, and, Baiyao Holdings and its subsidiaries within the scope of its consolidated financial statements engaged in any illegal activities in the domestic real estate development business during the reporting period, such as undisclosed land vacancy, speculation of land, property hoarding, and price gouging, which have caused any losses to Yunnan Baiyao and investors, our company/institution will bear any and all of corresponding compensation liabilities for such losses as required by relevant laws, regulations and securities regulatory authorities.	December 11, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	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 made during asset restructuring	Baiyao Holdings, Yunnan State-owned Equity Operation Management Company, New Huadu, Jiangsu Yuyue	Commitments regarding compensatory measures after dilution of immediate returns	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	December 11, 2018	Remain effective	In progress

			to bear any and all of the corresponding legal liabilities.			
Commitments made during asset restructuring	Yunnan State-owned Equity Operation Management Company, New Huadu	Commitments regarding horizontal competition	1. Yunnan State-owned Equity Operation Management Company has undertaken the previous commitments of SASAC of Yunnan Province: In order to avoid horizontal competition with the listed company and safeguard the legitimate rights and interest of the listed company and other shareholders, Yunnan State-owned Equity Operation Management Company solemnly makes the following statements and commitments: After the completion of this transaction, Yunnan State-owned Equity Operation Management Company will not directly engage in any businesses that are the same as or similar to, and constitute a competition with, the principal businesses of the listed company. 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 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	Yunnan State-owned Equity Operation Management Company	Commitments regarding the authenticity, accuracy, and completeness of the information provided	As of the date of the issuance of this commitment, our company has provided necessary, authentic, accurate, complete, and effective documents, materials, or oral statements and explanations for this transaction at this stage, without any concealments, false records, or significant omissions. The provided copy materials or photocopies are consistent and aligned with the original materials or originals. The signatures and seals on the provided documents and materials are authentic, with necessary legal procedures for such signatures and seals having been fulfilled, and legal authorizations having been obtained. All statements and explanations of facts are consistent with the facts that occurred. According to the progress of this transaction, our company will provide relevant information and documents in a timely manner in accordance with relevant laws, regulations, rules, and relevant provisions of the CSRC and the stock exchange, and ensure that the information and documents to be constantly provided still meet the requirements of authenticity, accuracy, completeness, and effectiveness. Our company undertakes and warrants the information provided or disclosed in this transaction is authentic, accurate, complete, and effective, without false records, misleading statements, or material omissions, and is willing to bear any and all of the corresponding individual and joint legal liabilities for that.	June 10, 2021	Remain effective	In progress
Commitments made during asset restructuring	New Huadu and its acting-in-concert parties	Commitments regarding the authenticity, accuracy, and completeness of the information provided	Our company and our acting-in-concert parties have provided necessary, authentic, accurate, complete, and effective documents, materials, or oral statements and explanations for this transaction at this stage, without any concealments, false records, or significant omissions. The provided copy materials or photocopies are consistent and aligned with the original materials or originals. The signatures and seals on the provided documents and materials are authentic, with necessary legal procedures for such signatures and seals having been fulfilled, and legal authorizations having been obtained. All statements and explanations of facts are consistent with the facts that occurred. According to the progress of this transaction, our company and our acting-in-concert parties will provide relevant information and documents in a timely manner in accordance with relevant laws, regulations, rules, and relevant provisions of the CSRC and the stock exchange, and ensure that the information and documents to be constantly provided still meet the requirements of authenticity, accuracy, completeness, and effectiveness. Our company and our acting-in-concert parties undertake and warrant the information provided or disclosed in this significant asset restructuring is authentic, accurate, complete, and effective, without false records, misleading statements, or material omissions, and are willing to bear any and all of the corresponding individual and joint legal liabilities for that.	June 10, 2021	Remain effective	In progress

Commitments made during asset restructuring	Directors, supervisors, and senior management of the listed company	Commitments regarding compensatory measures after diluting immediate returns by this restructuring	1. I undertake not to transfer benefits to any other units or individuals without compensations or under unfair conditions, nor to harm any interest of the listed company in any other way. 2. I undertake to restrain my official consumption behavior. 3. I undertake not to use the assets of the listed company to engage in investment or consumption activities unrelated to my duties. 4. I undertake that the compensation system to be formulated by the Board of Directors or Remuneration Committee in the future will be linked to the implementation of compensatory measures taken by the listed company. 5. If the listed company subsequently introduces equity incentive policies, I undertake that the exercise conditions of the listed company's equity incentives to be announced in the future will be linked to the implementation of the compensatory measures taken by the listed company. 6. If, during the period after the date of issuance of this commitment letter and before the completion of this transaction by the listed company, the CSRC makes other regulatory requirements regarding compensatory measures and related commitments, and the above commitments fail to meet such new regulatory regulations of the CSRC, I undertake to issue supplementary commitments in accordance with the then latest CSRC regulations. 7. If I violate any of the above commitments, leading to any losses to the listed company or investors, I'm willing to legally bear any and all of the corresponding compensation liabilities for such losses so caused to the listed company or investors.	June 10, 2021	Remain effective	In progress
Commitments made during asset restructuring	Yunnan State-owned Equity Operation Management Company	Commitments regarding compensatory measures after diluting immediate returns by this restructuring	1. Our company will not interfere with any operation and management activities of the listed company beyond authority, nor will it encroach on any interest of the listed company. 2. If, during the period after the date of issuance of this commitment letter and before the completion of this transaction by the listed company, the CSRC makes other regulatory requirements regarding compensatory measures and related commitments, and the above commitments fail to meet such new regulatory regulations of the CSRC, our company undertakes to issue supplementary commitments in accordance with the then latest CSRC regulations. 3. Our company will effectively fulfill this commitment letter. If our company violates any of these commitments and causes any losses to the listed company or investors, our company is willing to legally bear any and all of the corresponding compensation liabilities for such losses so caused to the listed company or investors.	June 10, 2021	Before the major assets purchases and related-party transactions are completed	In progress
Commitments made during asset restructuring	New Huadu and its acting-in-concert parties	Commitments regarding compensatory measures after diluting immediate returns by this restructuring	1. Our company and our acting-in-concert parties will not interfere with any operation and management activities of the listed company beyond authority, nor will they encroach on any interest of the listed company. 2. If, during the period after the date of issuance of this commitment letter and before the completion of this transaction by the listed company, the CSRC makes other regulatory requirements regarding compensatory measures and related commitments, and the above commitments fail to meet such new regulatory regulations of the CSRC, our company and our acting-in-concert parties undertake to issue supplementary commitments in accordance with the then latest CSRC regulations. 3. Our company and our acting-in-concert parties will effectively fulfill this commitment letter. If our company violates any of these commitments and causes any losses to the listed company or investors, our company and our acting-in-concert parties are willing to legally bear any and all of the corresponding compensation liabilities for such losses so caused to the listed company or investors.	June 10, 2021	Before the major assets purchases and related-party transactions are completed	In progress

Commitments made during asset restructuring	Yunnan State-owned Equity Operation Management Company	Commitments to maintain the independence of the listed company, reduce and regulate related party transactions, and avoid horizontal competition	1.On October 31, 2018, SASAC of Yunnan Province, as a shareholder of the listed company, issued the 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 Yunnan State-owned Equity Operation Management Company on Its Undertaking of the Relevant Commitments Made in the Process of Yunnan Baiyao's Merger Transaction by SASAC of Yunnan Province (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 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,	June 10, 2021	Remain effective	In progress

			and constitute a competition with, the principal businesses of the listed company. 4. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company and our acting-in-concert parties. Our company and our acting-in-concert parties warrant the effective fulfillment of these commitments, and the listed company has the right to supervise their fulfillment of this commitment letter. If our company and our acting-in-concert parties fail to effectively fulfill this commitment letter, leading to any actual losses to the listed company, our company and our acting-in-concert parties will compensate for any and all of such direct or indirect losses so caused to the listed company.			
Commitments made during asset restructuring	Listed company	Commitments to reduce and regulate related party transactions	During the period when our company is a related party of Shanghai Pharma, our company and any other companies or enterprises under our control will try the best to avoid and reduce related party transactions with Shanghai Pharma and its subsidiaries. For inevitable related party transactions or those occurring for reasonable reasons, the company undertakes to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based on the reasonable prices recognized in the market. Our company will strictly comply with the provisions of relevant laws, regulations, normative documents, and the 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
Commitments made during asset restructuring	Listed company	Commitments regarding lock-up shares	Shanghai Pharma's shares subscribed by our company through this transaction shall not be transferred within 36 months from the end of the issuance of these shares. After the expiration of the aforementioned lockup period, the transfer and trading of such shares shall be handled in accordance with the then effective laws and regulations, as well as the regulations and rules of the CSRC, SZSE, and SHSE. After the completion of this transaction, our company will also arrange a lockup period as described above for our any increased stake in Shanghai Pharma after it issues bonus shares or convert public reserve funds into share capital.	May 11, 2021	Thirty-six months from the end of the issuance of new shares by Shanghai Pharma	In progress
Whether the commitments are fulfilled as scheduled	Yes					

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

□Applicable ☑Not applicable

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

□Applicable ☑Not applicable

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

III. Non-compliant Provision of External Guarantees

□Applicable ☑Not applicable

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

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

□Applicable ☑Not applicable

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

□Applicable ☑Not applicable

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

☑Applicable □Not applicable

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

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

☑Applicable □Not applicable

For details, please refer to Section 10 - IX. Changes in the Consolidation Scope.

VIII. Appointment and Removal of Accounting Firm

Currently engaged accounting firm

Name of domestic accounting firm	Mazars Certified Public Accountants (SGP)
Remuneration of the domestic accounting firm (Unit: RMB'0,000)	229.80
Number of consecutive years of audit services of the domestic accounting firm	8
Names of certified public accountants of the domestic accounting firm	Yang Manhui, Yang Fan
Number of consecutive years of audit services of certified public accountants of the domestic accounting firm	1

Whether to change the accounting firm in the current period?

□Yes ☑No

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

☑Applicable □Not applicable

Thanks to its strong comprehensive strength, Mazars Certified Public Accountants (SGP) has ranked first in the comprehensive industry ranking of Yunnan Institute of Certified Public Accountants and the bidding ranking of Yunnan SASAC for many years, and fully possesses the experience and ability to provide audit services for listed companies. In order to ensure the smooth progress of the Company's auditing work, the Company engaged the services of Mazars Certified Public Accountants (SGP) for the Company's auditing for the year 2023 (including internal control audit).

IX. Delisting after Disclosure of Annual Report

□Applicable ☑Not applicable

X. Bankruptcy and Reorganization

□Applicable ☑Not applicable

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

XI. Significant lawsuits and arbitration

☑Applicable □Not applicable

Basic Information of Litigation (Arbitration)	Amount Involved (RMB'0,000)	Any Estimated Liability Caused or Not	Litigation (Arbitration) Progress	Litigation (Arbitration) Trial Results and Impacts	Enforcement of Litigation (Arbitration) Judgments	Disclosure date	Disclosure Index
Chuxiong Linxin Mushroom Developing Co., Ltd. vs Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd, one of the Company's subsidiaries, (Contract Dispute)	4,236.57	No	Yunnan Provincial Higher People's Court has disallowed the request for a retrial by both Chuxiong Linxin Mushroom Developing Co., Ltd and Yunnan Baiyao Group Chinese Medicine Resources Co., Ltd.	If payments of both parties payable to each other can be offset against each other, in accordance with the content of the civil judgments, Chuxiong Linxin Mushroom Developing Co., Ltd shall also need to pay Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd an outstanding payment loss of RMB 2,876,484.81, together with an interest calculated from the offsetting date based on the above outstanding payment loss and Loan Prime Rate (LPR) published by the National Interbank Funding Center. Meanwhile, Chuxiong Linxin Mushroom Developing Co., Ltd shall also need to compensate Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd for the prepaid litigation fee of RMB 34,332.00.	The claims were transmitted by means of communication, written reports and other forms through the liaison channel of the Kunming Intermediate Court of the rule of law business environment. The enforcement for debt offsetting was completed on October 24, 2023. The enforcement is completed and the case is closed.	March 31, 2023	Annual Report for 2022 and Interim Report for 2023 For details, please refer to http://www.cninfo.com.cn

Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd (one of the Company's subsidiaries) vs Chuxiong Linxin Mushroom Developing Co., Ltd. (Contract Dispute)	4,545.90	No	The Supreme People's Court's Court has disallowed the request for a retrial by Chuxiong Linxin Mushroom Developing Co., Ltd	Same as above	The claims were transmitted by means of communication, written reports and other forms through the liaison channel of the Kunming Intermediate Court of the rule of law business environment. The enforcement for debt offsetting was completed on October 24, 2023, with RMB 34.8934 million offset, and RMB 3.686 million subject to further enforcement after discovery of property clues in the future.	March 31, 2023	Annual Report for 2022 and Interim Report for 2023 For details, please refer to http://www.cninfo.com.cn
Summary of events not meeting the disclosure standards for being included in significant litigation (arbitration)	90,527.11	No	Some cases have been filed to be tried; some are being under trials to be adjudicated; some have been adjudicated; some have been closed.	Summary of litigation events has no significant impact on the Company	Some judgments have come into effect and have been enforced or are being enforced		/

Note: The above contract disputes, such as Chuxiong Linxin Mushroom Developing Co., Ltd. vs Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd, one of the Company's subsidiaries, (Contract Dispute) and Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd (one of the Company's subsidiaries) vs Chuxiong Linxin Mushroom Developing Co., Ltd. (Contract Dispute), did not reach the disclosure standards for significant litigation (arbitration). However, to maintain the continuity of information disclosure, they were disclosed separately in the table above.

XII. Punishments and Rectifications

□Applicable ☑Not applicable

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

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

□Applicable ☑Not applicable

XIV. Significant Related Party Transactions

1. Related party transactions related to daily operations

□Applicable ☑Not applicable

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

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

□Applicable ☑Not applicable

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

3. Related party transactions regarding joint investments in third parties

□Applicable ☑Not applicable

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

4. Amounts due to and from related parties

□Applicable ☑Not applicable

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

5. Transactions with related finance companies

□Applicable ☑Not applicable

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

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

□Applicable ☑Not applicable

There were no deposit, loan, credit or other financial business occurred between any finance companies

under the control of the Company and related parties.

7. Other significant related party transactions

☑Applicable □Not applicable

The Company has made reasonable estimates on various other related party transactions, including purchases and sales of goods, related to its daily operations, based on the needs of its daily operations in 2023. It is expected that the aggregate total amount of daily related party transactions between the Company and Shanghai Pharma, Tibet Jiushi Zhihe Marketing Co., Ltd and Yuyue Medical in 2023 will be RMB 1,911,000,000, accounting for 4.96% of the Company's audited net assets of RMB 38,508,245,600,000 as at the end of 2022, which do not need to be reported to the shareholders' meeting for consideration.

The matter had been considered and approved at the second session of the Tenth Board of Directors of the Company for 2023, details of which were set out in the *Announcement on the Estimation of Daily Related Party Transactions for 2023* (Announcement No. 2023-11) and the *Announcement on Resolutions of the Second Session of the Tenth Board of Directors of the Company for 2023* (Announcement No. 2023-07).

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

Name of interim announcement	Date of disclosure of interim announcement	Website on which interim announcement is disclosed
Announcement on the Estimation of Daily Related Party Transactions for 2023	March 31, 2023	http://www.cninfo.com.cn
Announcement on Resolutions of the Second Session of the Tenth Board of Directors	March 31, 2023	http://www.cninfo.com.cn

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

XV. Major Contracts and Their Performance

1. Entrustment, contracting and leases

(1) Entrustment

□Applicable ☑Not applicable

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

(2) Contracting

□Applicable ☑Not applicable

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

(3) Leases

□Applicable ☑Not applicable

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

2. Major guarantees

☑Applicable ☐Not applicable

Unit: RMB'0,000

Guarantees provided by the Company and its subsidiaries (excluding the guarantees to subsidiaries)										
Guaranteed party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Actual occurrence date	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Fulfilled or not	Guarantee for a related party or not
Yunnan Yuncheng Hospital Management Co., Ltd.	November 24, 2017			150,000	Joint and several liability guarantee			12 years	No	No
Total approved limit for guarantees for others during the reporting period (A1)				Total amount of guarantees for others incurred during the reporting period (A2)						
Total approved limit for guarantees for others at the end of the reporting period (A3)		150,000		Total actual balance of guarantees for others at the end of the reporting period (A4)						150,000
Total amount of guarantees by the Company (i.e., sum of the above 3 items)										
Total approved limit for guarantees at the end of the reporting period (A3+B3+C3)		150,000		Total actual balance of guarantees at the end of the reporting period (A4+B4+C4)						150,000
The proportion of actual total guarantee amount (i.e. A4+B4+C4) to the Company's net assets										3.76%
Including:										
Balance of guarantees for shareholders, de facto controllers and related parties (D)										0
Balance of debt guarantees directly or indirectly provided to the parties with the gearing ratio exceeding 70% (E)										0
Total amount of guarantees exceeding 50% of net assets (F)										0
Total amount of the above three types of guarantees (D+ E+ F)										0
Description of the circumstances, if any, under which the guarantee liability arose during the reporting period or there is evidence of a likelihood of joint and several liquidation liability for the outstanding guarantee contracts during the reporting period										None
Explanation on provision of guarantee to external parties in violation of prescribed procedures, if any										None

Explanations on the specific situation of guarantees provided by composite methods:

None.

3. Cash entrusted for wealth management

(1) Entrusted wealth management

☑Applicable □Not applicable

Overview of entrusted wealth management during the reporting period

Unit: RMB'0,000

Type	Source of funding	Amount	Undue amount	Unrecovered overdue amount	Provision for impairment on unrecovered overdue amount
Bank financial products	Self-owned capital	13,194	10,624	0	0
Total		13,194	10,624	0	0

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

□Applicable ☑Not applicable

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

□Applicable ☑Not applicable

(2) Entrusted loan

□Applicable ☑Not applicable

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

4. Other Significant Contracts

□Applicable ☑Not applicable

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

XVI. Explanations to Other Significant Events

☑Applicable □ Not applicable

(I) System update

1. On March 29, 2023, the Company held the second session of the Tenth Board of Director for 2023, considering and approving the *Proposal on Formulating the Public Welfare Donation Management Measures of Yunnan Baiyao*, the *Proposal on Revising the Implementation Rules of the Nomination Committee of the Board of Directors of Yunnan Baiyao*, the *Proposal on Revising the Implementation Rules of the Remuneration and Evaluation Committee of the Board of Directors of Yunnan Baiyao*, the *Proposal on Revising the Implementation Rules of the Audit Committee of the Board of Directors of Yunnan Baiyao*, the *Proposal on Revising the Measures for Management of Securities Investment Risks of Yunnan Baiyao*, and the *Proposal on Formulating the External Investment Management System of Yunnan Baiyao*. For details, please refer to the *Announcement on Resolutions of the Second Session of the Tenth Board of Directors of the Company for 2023* (Announcement No. 2023-07) disclosed by the Company on March 31, 2023 at http://www.cninfo.com.cn, the *Measures for Management of Securities Investment Risks of Yunnan Baiyao Group Co., Ltd*, the *Public Welfare Donation Management Measures of Yunnan Baiyao Group Co., Ltd*, the *External Investment Management System of Yunnan Baiyao Group Co., Ltd*, the *Implementation Rules of the Remuneration and Evaluation Committee of the Board of Directors of Yunnan*

Baiyao Group Co., Ltd, the *Implementation Rules of the Audit Committee of the Board of Directors of Yunnan Baiyao Group Co., Ltd*, and the *Implementation Rules of the Nomination Committee of the Board of Directors of Yunnan Baiyao Group Co., Ltd*.

2. On August 28, 2023, the Company held the fifth session of the Tenth Board of Director for 2023, considering and approving the *Proposal on Revision of the Investor Relations Management System*, the *Proposal on Revision of the Measures for the Management of Changes in Shareholdings of Senior Management*, the *Proposal on Formulation of the Management System for Information Disclosure of Debt Financing Instruments in the Inter-bank Bond Market*, the *Proposal on Formulation of a Comprehensive Risk Management System*, and the *Proposal on Revision of the Management System for Investment and Wealth Management*. For details, please refer to the *Announcement on Resolutions of the Fifth Session of the Tenth Board of Directors of the Company for 2023* (Announcement No. 2023-33) disclosed by the Company on August 30, 2023 at http://www.cninfo.com.cn, the *Investor Relations Management System of Yunnan Baiyao Group Co., Ltd*, the *Management System for Shareholdings of Directors, Supervisors and Senior Management of Yunnan Baiyao Group Co., Ltd and Changes Therein*, the *Management System for Information Disclosure of Debt Financing Instruments in the Inter-bank Bond Market of Yunnan Baiyao Group Co., Ltd*, the *Comprehensive Risk Management System of Yunnan Baiyao Group Co., Ltd*, and the *Management System for Investment and Wealth Management of Yunnan Baiyao Group Co., Ltd*.

3. On December 27, 2023, the Company held the seventh session of the Tenth Board of Director for 2023, considering and approving the *Proposal on Revising the Working System of Independent Directors*. For details, please refer to the *Announcement on Resolutions of the Seventh Session of the Tenth Board of Directors of the Company for 2023* (Announcement No. 2023-45) disclosed by the Company on December 29, 2023 at http://www.cninfo.com.cn, and the *Working System of Independent Directors*.

(II) Employee Stock Ownership Plan and Equity Incentive

1. On May 30, 2023, the Company disclosed the *Announcement on Completion of Shareholding Reduction under the 2021 Annual Employee Stock Ownership Plan (*Announcement No. 2023-22). On May 29, 2023, the Company received a notice from the ESOP Management Committee, which stated the completion of a full reduction in shareholding in the Company under the 2021 Annual ESOP. During December 13, 2022 to May 26, 2023, upon the expiration of the lock-up period of this ESOP, a full reduction in shareholding in the Company involving 23,379,996 shares of the Company under this ESOP was completed by means of centralized bidding and block trading in the secondary market. Such shares accounted for 1.30% of the Company's current total share capital, among which, the transferees of block trading were not related or acting-in-concert parties of shareholders holding more than 5% of the Company's shares. As for this ESOP, its income distribution, liquidation, termination, and other related matters would be subsequently completed as per relevant regulations. More details can be found at http://www.cninfo.com.cn.

2. On July 5, 2023, the Company held the fourth session of the Tenth Board of Directors for 2023, considering and approving the *Proposal on Early Termination of the 2021 Employee Stock Ownership Plan*. The lock-up period for this ESOP implemented by the Company expired on June 30, 2022. As of May 26, 2023, all of the 23,379,996 shares of the Company held under this ESOP were reduced, and the assets thereunder are now all cash and bank balance. The Board of Directors has considered and agreed to terminate this ESOP in advance. Upon termination

thereof, the Employee Stock Ownership Plan Management Committee will conduct liquidation with regard to this ESOP and make related distribution in accordance with the shares held by the holders. For details, please refer to the *Announcement on Resolutions of the Fourth Session of the Tenth Board of Directors of the Company* for 2023 (Announcement No. 2023-26) and the *Announcement on Early Termination of 2021 Employee Stock Ownership Plan* (Announcement No. 2023-27) disclosed by the Company on July 7, 2023 at http://www.cninfo.com.cn.

3. On August 28, 2023, the *Proposal on Cancelling the Third Exercisable Period of the Initially Granted Part of the 2020 Stock Option Incentive Plan and the Second Exercisable Period of Its Reserved Granted Part* had been considered and approved at the fifth session of the Tenth Board of Directors for 2023 and the third session of the Tenth Supervisory Committee for 2023. As the Company's 2022 performance indicators failed to fully meet the performance assessment requirements set forth in the *2020 Stock Option Incentive Plan of Yunnan Baiyao Group*, 4,837,200 stock options initially granted corresponding to the third exercisable period would not be exercised for it was adjusted to 6,772,080 stock options and 840,000 stock options under reserved grant corresponding to the second exercisable period after the equity distribution adjustment for 2021 (A total of 1,200,000 stock options under reserved grant, for it was adjusted to 1,680,000 stock options after the equity distribution adjustment for 2021. Out of these, 840,000 stock options corresponding to the first exercisable period have been cancelled, and the remaining 840,000 stock options correspond to the second exercisable period). All of these stock options could not be exercised and would thus be canceled by the Company (the actual cancellation will be based on the records of the Shenzhen Branch of China Securities Depository and Clearing Corporation).

On September 7, 2023, the Company completed the cancellation of the aforesaid 7,612,080 stock options after review and confirmation by the Shenzhen Branch of China Securities Depository and Clearing Corporation. Upon completion of the cancellation of all of the above stock options, the Company's 2020 Stock Option Incentive Plan was terminated in its entirety. For details, please refer to the *Announcement on Resolutions of the Fifth Session of the Tenth Board of Directors of the Company in 2023* (Announcement No. 2023-33), the *Announcement on Resolutions of the Third Session of the Tenth Supervisory Committee of the Company for 2023* (Announcement No. 2023-34), the *Proposal on Cancelling the Third Exercisable Period of the Initially Granted Part of the 2020 Stock Option Incentive Plan and the Second Exercisable Period of Its Reserved Granted Part* (Announcement No. 2023-36) disclosed by the Company on August 30, 2023, and the *Announcement on the Completion of Cancellation of the Third Exercisable Period of the Initially Granted Part of the 2020 Stock Option Incentive Plan and the Second Exercisable Period of Its Reserved Granted Part* (Announcement No. 2023-39) disclosed on September 9, 2023 at http://www.cninfo.com.cn.

(III) Changes in Shareholding of Jiangsu Yuyue

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

2. On June 22, 2023, the Company disclosed the *Announcement on Pre-disclosure of Shareholding Reduction by Shareholders Holding 5% or More Shares (*Announcement No. 2023-25). On June 20, 2023, the Company

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

3. On July 28, 2023, the Company disclosed the *Indicative Announcement on Changes in the Equity of Shareholders Holding 5% or More of the Shares* (Announcement No.: 2023-31). On July 27, 2023, the Company received the *Short-form Equity Change Report of Yunnan Baiyao Group Co., Ltd* and the *Notification Letter Regarding the Reduction of Shareholdings of Shareholders Holding More Than 5% of Shares to Less Than 5% of Shares* issued by Jiangsu Yuyue, a shareholder, and was informed of the transfer of 10,073,400 shares of the Company held by Jiangsu Yuyue between July 17, 2023 and July 26, 2023 via bidding. After this equity change, the shareholding of Jiangsu Yuyue decreased from 5.56% to 4.999999%, and it was no longer a shareholder holding more than 5% of the Company's shares. This equity change was a shareholding reduction, did not involve tender offer, and did not result in a change of control of the Company. For details, please refer to http://www.cninfo.com.cn.

4. As of January 13, 2024, the above shareholding reduction plan expired and Jiangsu Yuyue completed this shareholding reduction plan. During the period from July 17, 2023 to January 13, 2024, Jiangsu Yuyue cumulatively reduced, via centralized bidding transactions, its holdings of 35,936,638 outstanding shares of the Company not subject to trading moratorium, accounting for 1.99997% of the total share capital of the Company. The reduction was consistent with the previously disclosed reduction plan and the amount of the reduction was within the scope of the reduction plan. During the period from August 14, 2023 to September 26, 2023, Jiangsu Yuyue also cumulatively reduced, via block trading, its holdings of 35,668,100 outstanding shares of the Company not subject to trading moratorium, accounting for 1.98502% of the total share capital of the Company.

(IV) Changes in Equity Structure of State-owned Equity Operation and Management Company

On November 4, 2023, the Company disclosed the *Announcement on Yunnan State-owned Equity Operation and Management Co, Ltd's Continuing to Introduce Capital Contribution by China Life Asset Management Company Limited for Capital Increase* (Announcement No. 2023-43). The Company received the *Notification Letter of Yunnan State-owned Equity Operation and Management Co, Ltd on Introducing Capital Contribution by China Life Asset Management Company Limited for Capital Increase* issued by State-owned Equity Operation and Management Co, Ltd, and was informed that China Life Asset Management Company Limited ("China Life") had increased its capital contribution and expanded its shares in Yunnan State-owned Equity Operation and Management Co, Ltd, and the formalities with regard to these relevant industrial and commercial changes had been completed recently. China Life increased its capital contribution by RMB 11 billion in cash, with a capital increase ratio of 17.77%. Yunnan Investment Group held 75.21% of the shares and China Life held 24.79% of the shares before this capital increase; after the capital increase, Yunnan Investment Group held 57.44% of the shares and China Life held 42.56% of the shares. The de facto controller of State-owned Equity Operation and Management Co, Ltd after this

capital increase was the State-owned Assets Supervision and Administration Commission of the Yunnan Provincial People's Government, which remained unchanged. For details, please refer to http://www.cninfo.com.cn.

(V) Application for Registration and Issuance of Ultra Short-term Financing Bonds

The fifth session of the Tenth Board of Directors for 2023 held on August 28, 2023 and the first extraordinary general meeting for 2023 held on September 19, 2023 considered and approved the *Proposal on Applying for Registration and Issuance of Ultra Short-term Financing Bonds*, approving the Company to apply to the China Association of Interbank Market Dealers ("Dealers Association") for the registration and issuance of ultra short-term financing bonds of RMB 3 billion (The amount is subject to the registration notice issued by the Dealers Association). For details, please refer to the *Announcement on Resolutions of the Seventh Session of the Tenth Board of Directors of the Company for 2023* (Announcement No. 2023-33), and the *Announcement on Application for Registration and Issuance of Ultra Short-term Financing Bonds* (Announcement No.2023-37) disclosed by the Company on August 30, 2023 and the *Announcement on Resolutions of the First Extraordinary General Meeting for 2023* (Announcement No. 2023-40) disclosed on September 20, 2023 at http://www.cninfo.com.cn.

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

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

XVII. Significant Events of the Company's Subsidiaries

☑Applicable □ Not applicable

Related events of YNBY International (Formerly Ban Loong Holdings)

1. Achieving resumption guidelines and resuming trading

(1) Suspension of trading

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

(2) Resumption guidance

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

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

On October 12, 2023, Ban Loong Holdings disclosed an announcement, stating that it had submitted a resumption proposal to Hong Kong Stock Exchange on September 27, 2023 to seek resumption of trading in the shares. The resumption proposal set out, among other things, the actions taken and proposed to be taken by Ban Loong Holdings in relation to the fulfillment of the resumption guidelines.

On October 25, 2023, Ban Loong Holdings disclosed an announcement, stating that, as disclosed in its announcement dated July 26, 2022, the conditions for resumption of trading include, among other things, the requirement for it to (1) conduct an appropriate independent forensic investigation, make public the results of the investigation and take appropriate remedial measures; and (2) conduct an independent internal control examination to certify that it has put in place appropriate internal controls and procedures to fulfill its obligations under the Listing Rules. The announcement set out the key findings of the forensic investigation and internal control examination.

On December 20, 2023, Ban Loong Holdings disclosed an announcement, stating that it was still awaiting a response from the Hong Kong Stock Exchange in relation to the resumption proposal, and that it would issue a separate announcement in due course in relation to any material developments on the resumption status.

(3) Achievement of the resumption guidelines and resumption of trading

On January 30, 2024, and as of the date of announcement, Ban Loong Holdings met the requirements under the resumption guidelines. Trading in its shares had been suspended on the Hong Kong Stock Exchange with effect from 9:00 a.m. on June 21, 2022 at its own request. As the resumption guidelines have been fully met to the satisfaction of the Hong Kong Stock Exchange, Ban Loong Holdings has applied to the Hong Kong Stock Exchange for the resumption of trading in the shares with effect from 9:00 a.m. on January 31, 2024.

2. Framework Agreement of Continuing Connected Transactions and Extraordinary General Meeting

On December 13, 2022, the Company entered into the *Framework Agreement of Continuing Connected Transactions (*hereinafter referred to as the "*Framework Agreement*") with Ban Loong Holdings, stating that the Company agreed to purchase from Ban Loong Holdings product registration and promotion services, global supply

chain integration services, and specialized support services; Ban Loong Holdings agreed to cooperate with the Company to sell and distribute to overseas markets certain products produced and branded by the Company, while the Company agreed to cooperate with Ban Loong Holdings to sell and distribute to China health products and foods purchased, procured, manufactured, and/or branded by Ban Loong Holdings. The *Framework Agreement* would only take effect after adoption of the necessary resolutions for approving the execution of the *Framework Agreement* and the transactions to be promoted thereunder at the Extraordinary General Meeting.

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

3. Extension of maturity date of convertible bonds

On December 5, 2022, the Company and Ban Loong Holdings entered into the *Supplemental Agreement to the Convertible Bond Subscription Agreement*, which extended the maturity date of the Convertible Bonds from October 31, 2022 to October 30, 2024 (the "Extension"), with all the other terms and conditions agreed in the previous transaction documents remaining unchanged. Meanwhile, based on the *Trust Contract*, the Company, as the principal, has issued instructions to Shanghai Trust, the trustee, requesting it to extend the term of the convertible bonds held by it to the date of September 30, 2023 in accordance with the *Trust Contract*. After such point of time, the Company may take other appropriate means to continue to hold the said convertible bonds for the fulfillment of the *Supplemental Agreement to the Convertible Bond Subscription Agreement*. On December 29, 2022, the Company again issued a *Waiver Letter (II)* to Ban Loong Holdings, granting it a waiver period of four months after the original expiration date. At the same time, the Company, as principal of the trust, also sent relevant instructions to the trustee to accommodate the exemption period arrangement. Apart from that, all the other terms and conditions of the waiver letter remain unchanged. In order to support the arrangement of the aforesaid *Waiver Letter (II)*, the Company entered into the *Letter of Consent to Extend the Final Closing Date of the Supplemental Agreement to the Convertible Bond Subscription Agreement* with Ban Loong Holdings on the same day. The parties agreed to change, by this written consent letter, the definition of "Final Closing Date" in Section 1 of the *Supplemental Agreement to the Convertible Bond Subscription Agreement*, which would be changed to February 28, 2023. On January 12, 2023, because the relevant regulatory authorities in Hong Kong did not make any further inquiries regarding the contents of the circular of Ban Loong Holdings, Ban Loong Holdings issued a circular and the notice of an extraordinary general meeting on the same day. On February 1, 2023, Ban Loong Holdings held an extraordinary general meeting, which considered and approved all necessary proposals relating to the extension of the maturity date of the convertible bonds. As at the disclosure date of this announcement, Ban Loong Holdings has obtained all necessary consents and approvals for the maturity extension of the convertible bonds, and the *Supplemental Agreement to the Subscription Agreement for the Convertible Bonds* entered into between the Company and Ban Loong Holdings has

come into effect, extending the maturity date of the convertible bonds from October 31, 2022 to October 30, 2024.

4. Change of company name and securities abbreviation

On October 11, 2023, Ban Loong Holdings disclosed an announcement, stating that the Board of Directors of Ban Loong Holdings was pleased to announce that further to the approval of the proposed change of name of the company by shareholders by way of poll at the extraordinary general meeting held on September 5, 2023, the Certificate of Registration of Change of Name of the Company and the Second Name Certificate were issued by the Registrar of Companies in Bermuda on September 18, 2023 respectively, certifying that the first name of the company was changed from "Ban Loong Holdings Limited" to "YNBY International Limited" and that "云白国际有限公司" was adopted as the second Chinese name of the company. On October 5, 2023, the Registrar of Companies of Hong Kong issued a Certificate of Registration of Change of Name of a Registered non-Hong Kong Company confirming the registration in Hong Kong of the new English and Chinese names of the company, "YNBY International Limited" and "云白国际有限公司" respectively under Part 16 of the Companies Ordinance (Chapter 622 of Laws of Hong Kong).

With effect from 9:00 a.m. on October 16, 2023, the English stock short name for trading in the shares of the company on the Hong Kong Stock Exchange was changed from "BAN LOONG HOLD" to "YNBY INTL" and the Chinese stock short name was changed from "万隆控股集团" to "云白国际." The Company's stock code on the Hong Kong Stock Exchange will remain unchanged at "0030."

5. Announcement of 2023 Results

On April 28, 2023, Ban Loong Holdings disclosed an announcement stating that HLB Hodgson Impey Cheng Limited ("HLB") has resigned as the auditor of Ban Loong Holdings with effect from April 25, 2023. The Board, with the recommendation of the Audit Committee, resolved to appoint Zhonghui Anda CPA Limited ("Zhonghui Anda") as the auditor of the Company with effect from 28 April 2023 to fill the casual vacancy following the resignation of HLB as auditor of the Company, and to hold office until the conclusion of the next annual general meeting of the Company.

On January 15, 2024, YNBY International published the 2021 Annual Report, the 2022 Interim Report, the 2022 Annual Report and the 2023 Interim Report. The 2021 Annual Report (from April 1, 2020 to March 31, 2021) and the 2022 Annual Report (from April 1, 2021 to March 31, 2022) were audited by Zhonghui Anda, and the type of audit comment in the audit report issued was "Disclaimer of Opinion." Matters that resulted in the audit comment of "Disclaimer of Opinion" were businesses that occurred prior to the tender offer of the Company in January 2022, for which the Company had made appropriate treatment at the point of acquisition. In addition, after the acquisition, the Company actively took over YNBY International in an orderly manner in accordance with the requirements of listed companies. Thanks to the efforts of all parties of the Company, the requirements under the Resumption Guidelines were fulfilled on January 30, 2024, and the Resumption Guidelines were fully complied with to the satisfaction of the HKEX. The trading in YNBY International was resumed on January 31, 2024 with effect from 9:00 a.m. onwards.

On March 22, 2024, YNBY International disclosed its final results for the nine months ended December 31, 2023. Zhonghui Anda, the independent auditor of YNBY International, issued the independent auditor's report. In the opinion of Zhonghui Anda, except for the possible effects of the matters described in the Basis for Qualified

Opinion section of this report, the consolidated financial statements give a true and fair view of the consolidated financial position of YNBY International as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been properly prepared in accordance with the disclosure requirements of the Companies Ordinance of Hong Kong. Qualified Opinion: (1) Revenues and cost of sales reversed during the year ended December 31, 2023; (2) Trade and other payable; and (3) Insufficient accounting records of Wan Long Shenzhen.

Section VII Changes in Shareholdings and Particulars about Shareholders

I. Changes in Shareholdings

1. Changes in shareholdings

Unit: Share

	Before this change		Increase/decrease (+, -)					After this change	
	Quantity	Proportion	New shares	Bonus shares	Capital reserve converted into share capital	Others	Subtotal	Quantity	Proportion
I. Shares subject to trading moratorium	112,267,871	6.25%	0	0	0	-100,700,513	-100,700,513	11,567,358	0.64%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned legal persons	0	0.00%	0	0	0	0	0	0	0.00%
3. Shares held by other domestic shareholders	112,267,871	6.25%	0	0	0	-100,700,513	-100,700,513	11,567,358	0.64%
Of which: shares held by domestic legal persons	99,916,513	5.56%	0	0	0	-99,916,513	-99,916,513	0	0.00%
Shares held by domestic natural persons	12,351,358	0.69%	0	0	0	-784,000	-783,998	11,567,358	0.64%
4. Foreign-invested shares	0	0.00%	0	0	0	0	0	0	0.00%
Of which: shares held by overseas legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by overseas natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares not subject to trading moratorium	1,684,594,678	93.75%	0	0	0	100,700,513	100,700,513	1,785,295,191	99.36%
1. RMB-denominated ordinary share	1,684,594,678	93.75%	0	0	0	100,700,513	100,700,513	1,785,295,191	99.36%
2. Domestic-listed foreign-invested shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Overseas-listed foreign-invested shares	0	0.00%	0	0	0	0	0	0	0.00%

4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	1,796,862,549	100.00%	0	0	0	0	0	1,796,862,549	100.00%

Reasons for changes in shareholdings

□ Applicable ☑ Not applicable

Approval of changes in shareholdings

□ Applicable ☑ Not applicable

Transfers for changes in shareholdings

□ Applicable ☑ Not applicable

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

□ Applicable ☑ Not applicable

Other disclosures deemed necessary by the Company or required by securities regulators

□ Applicable ☑ Not applicable

2. Changes in shares subject to trading moratorium

☑ Applicable □ Not applicable

Unit: Share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the reporting period	Increase in shares subject to trading moratorium during the reporting period	Number of shares released from trading moratorium during the reporting period	Number of shares subject to trading moratorium at the end of the reporting period	Reason for moratorium	Date of shares released from trading moratorium
Jiangsu Yuyue Science & Technology Development Co., Ltd.	99,916,513	0	99,916,513	0	Shares subject to trading moratorium after private placement	The committed lock-up period for the stock unlocking is until June 27, 2023. After the expiration date, the unlocking process will be Implemented in accordance with regulatory requirements

Chen Fashu	9,395,621	0	0	9,395,621	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Chen Yanhui	133,009	0	0	133,009	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Dong Ming	9,960	0	0	9,960	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Qin Wanmin	378,000	0	0	378,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Yang Yong	75,768	0	0	75,768	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Li Jin	42,000	0	0	42,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Zhu Zhaoyun	42,000	0	0	42,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Wang Minghui	756,000	0	0	756,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Yin Pinyao	252,000	0	0	252,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Yu Juan	105,000	0	0	105,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Wang Jin	378,000	0	0	378,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Yang Changhong	504,000	0	504,000	0	Locked-up shares held by senior management	May 5, 2023
Wu Wei	280,000	0	280,000	0	Locked-up shares held by senior management	May 5, 2023
Total	112,267,869	0	100,700,513	11,567,358	--	--

II. Issuance and Listing of Securities

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

□ Applicable ☑ Not applicable

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

□ Applicable ☑ Not applicable

3. Existing staff shares

□ Applicable ☑ Not applicable

III. Particulars about shareholders and de facto controller

1. Number of shareholders of the Company and their shareholdings

Unit: Share

Total number of ordinary shareholders at the end of the reporting period	199,821	The total number of ordinary shareholders at the end of the preceding month prior to the disclosure date of the annual report	197,414	Total number of preferred shareholders with resumed voting rights at the end of the reporting period (if any) (see Note 8)	0	The total number of preferred shareholders with resumed voting rights at the end of the preceding month prior to the disclosure date of the annual report (if any) (see Note 8)	0

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

Name of shareholder	Nature of shareholder	Shareholding ratio	Number of shares held at the end of the reporting period	Change during the reporting period	Number of shares subject to trading moratorium	Number of shares not subject to trading moratorium	Pledged, marked or frozen	
							Status	Quantity
Yunnan State-owned Equity Operation Management Co., Ltd.	State-owned legal person	25.02%	449,624,311	0	0	449,624,311	Pledged	190,743,840
New Huadu Industrial Group Co., Ltd.	Domestic non-state-owned legal person	24.25%	435,742,244	0	0	435,742,244	Pledged	290,514,000
Yunnan Hehe (Group) Co., Ltd.	State-owned legal person	8.14%	146,185,851	0	0	146,185,851	Not applicable	0
Hong Kong Securities Clearing Company Limited	Overseas legal person	3.72%	66,861,065	-12,825,164	0	66,861,065	Not applicable	0
China Securities Finance Corp.	Domestic non-state-owned legal person	2.08%	37,373,108	0	0	37,373,108	Not applicable	0
Jiangsu Yuyue Science & Technology Development Co., Ltd.	Domestic non-state-owned legal person	1.58%	28,311,775	-71,604,738	0	28,311,775	Pledged	7,587,825
Central Huijin Investment Ltd.	State-owned legal person	0.92%	16,617,440	0	0	16,617,440	Not applicable	0

UBS Asset Management (Singapore) Ltd. -UBS Lux Investment SICAV	Overseas legal person	0.91%	16,268,628	-2,403,500	0	16,268,628	Not applicable	0
Chen Fashu	Domestic natural person	0.70%	12,527,495	0	9,395,621	3,131,874	Not applicable	0
National Social Security Fund 110	Others	0.66%	11,796,858	769,700	0	11,796,858	Not applicable	0

Strategic investors or general legal persons who become the top 10 shareholders due to rights issue (if any)	Not applicable
Related or acting-in-concert parties among the shareholders above	Chen Fashu is the de facto controller of New Huadu Industrial Group Co., Ltd. It is unclear whether there are any related relationships among other shareholders or whether there is any concerted action as defined by the *Administrative Measures for Information Disclosure of Changes in Shareholdings of Shareholders of Listed Companies*.
Above shareholders involved in entrusting/being entrusted with voting rights and giving up voting rights	Not applicable
Special account for share repurchases (if any) among the top 10 shareholders	As of the end of the reporting period, Yunnan Baiyao Group's holdings in the special securities account for stock repurchase amounted to 12,599,946 shares, representing a 0.70% ownership stake.

Shareholdings of the top 10 shareholders not subject to trading moratorium

Name of shareholder	Number of shares not subject to trading moratorium held at the end of the reporting period	Type of shares	
		Type	Quantity
Yunnan State-owned Equity Operation Management Co., Ltd.	449,624,311	RMB-denominated ordinary share	449,624,311
New Huadu Industrial Group Co., Ltd.	435,742,244	RMB-denominated ordinary share	435,742,244
Yunnan Hehe (Group) Co., Ltd.	146,185,851	RMB-denominated ordinary share	146,185,851
Hong Kong Securities Clearing Company Limited	66,861,065	RMB-denominated ordinary share	66,861,065
China Securities Finance Corp.	37,373,108	RMB-denominated ordinary share	37,373,108
Jiangsu Yuyue Science & Technology Development Co., Ltd.	28,311,775	RMB-denominated ordinary share	28,311,775
Central Huijin Investment Ltd.	16,617,440	RMB-denominated ordinary share	16,617,440

UBS Asset Management (Singapore) Ltd. - UBS Lux Investment SICAV	16,268,628	RMB-denominated ordinary share	16,268,628
National Social Security Fund 110	11,796,858	RMB-denominated ordinary share	11,796,858
China Construction Bank Corporation －EFund CSI300 Health Care Index ETF	11,299,766	RMB-denominated ordinary share	11,299,766
Related or acting-in-concert parties among the top 10 circulating shareholders not subject to trading moratorium, and between the top 10 circulating shareholders not subject to trading moratorium and the top 10 shareholders	It is unclear whether there are any related relationships among the above-mentioned shareholders or whether there is any concerted action as defined by the *Administrative Measures for Information Disclosure of Changes in Shareholdings of Shareholders of Listed Companies*.		
Top 10 ordinary shareholders involved in securities margin trading (if any)	Not applicable		

Participation of the top 10 shareholders in share lending via securities financing

□ Applicable ☑ Not applicable

Changes in the top 10 shareholders compared to the previous period

□ Applicable ☑ Not applicable

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

□ Yes ☑ No

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

2. Particulars about the Company's controlling shareholders

Nature of controlling shareholder: No controlling entity

Type of controlling shareholder: Does not exist

Description of no controlling shareholders of the Company

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

Changes in controlling shareholders during the reporting period

□ Applicable ☑ Not applicable

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

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

Nature of de facto controllers: No de facto controllers

Type of de facto controllers: Does not exist.

Description of no de facto controllers of the Company.

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

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

□Yes ☑No

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

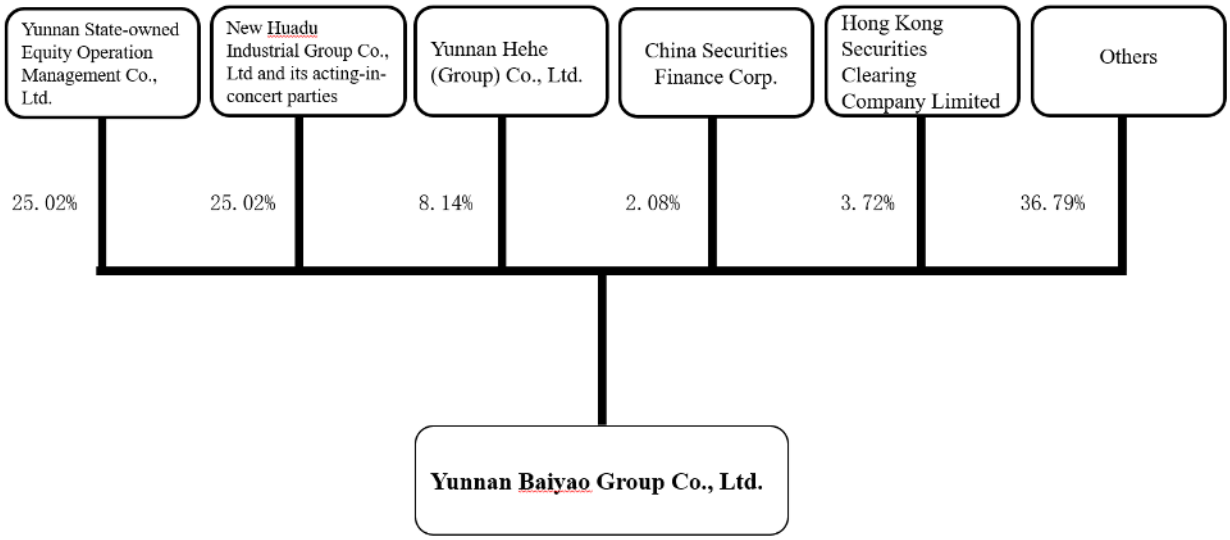
The Company has no de facto controllers.

Change of de facto controllers during the reporting period

□ Applicable ☑ Not applicable

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

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



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

□ Applicable ☑ Not applicable

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

□ Applicable ☑ Not applicable

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

☑ Applicable □ Not applicable

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

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

□ Applicable ☑ Not applicable

IV. Detailed implementation of share repurchase during the reporting period

Implementation of share repurchase

□ Applicable ☑ Not applicable

Implementation of reduction in repurchased shares via centralized bidding

□ Applicable ☑ Not applicable

Section VIII Preference Shares

□ Applicable ☑ Not applicable

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

Section IX Bonds

□ Applicable ☑ Not applicable

Section X Financial Statements

I. Audit Report

Type of Audit Opinion	Unqualified opinion
Signature Date of Audit Report	March 28, 2024
Name of Audit Body	Mazars Certified Public Accountants (SGP)
Document No. of Audit Report	ZHS Zi (2024) No. 1600081
Name of Certified Public Accountant	Yang Manhui, Yang Fan

Body Text of Audit Report

ZHS Zi (2024) No. 1600081

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

I. Audit Opinions

We have audited the financial statements of Yunnan Baiyao Group Co., Ltd ("Yunnan Baiyao"), which comprise the consolidated and balance sheets of the Company as of December 31, 2023, as well as the consolidated and income statements of the Company, the consolidated and cash flow statements of the Company, the consolidated and statements of changes in shareholders' equity of the Company for 2023 and notes to the financial statements.

In our opinion, the attached financial statements have been prepared in accordance with the provisions of the *Accounting Standards for Business Enterprises* in all major aspects, and present fairly the consolidated financial position of Yunnan Baiyao as of December 31, 2023, and the results of its operations and cash flows in 2023.

II. Basis for the Audit Opinion

We conduct our audit in accordance with the PRC Standards on Auditing for Certified Public Accountants. Our responsibilities under these standards are further described in the section on "the Certified Public Accountants' Responsibilities for the Audit of the Financial Statements" of our audit report. We are independent of Yunnan Baiyao in accordance with the PRC Code of Ethics for Certified Public Accountants and have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

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

(I) Revenue recognition

Key Audit Matters	How to treat this matter in the audit?
Please refer to Note VI.48 in the financial statements. Yunnan Baiyao's annual operating income in 2023 was RMB 39.111 billion, of which the main business income was RMB 39.062 billion, accounting for 99.87% of the total operating income. Due to the amount of revenue from the main business being significant and a key performance indicator, and thus there was an inherent risk that the Management tends to manipulate the timing of revenue recognition to meet specific objectives or expectations, we identified revenue recognition as a key audit matter.	Our audit procedures for revenue recognition from the principal businesses mainly include: (1) To understand key internal controls relevant to revenue recognition, evaluate the effectiveness of their design and implementation, and test the operational effectiveness of relevant internal controls; (2) To examine the Company's major sales contracts, identify key contract terms and performance obligations related to revenue recognition, and evaluate whether the Company's revenue recognition policies comply with the requirements of the *Accounting Standards for Business Enterprises* and are consistently applied; (3) To obtain the sales list of the Company for the current year, and analyze procedures for operating income, including analyzing the annual and monthly income of major products, changes in major customers and sales prices, changes in the gross profit margin of major products, and judging the rationality of changes in revenue and gross profit margin of the current year; (4) To sample and inspect supporting documents such as annual sales agreements, sales contracts, delivery orders, invoices, customer receipt orders, and corresponding accounting records to verify whether the recognized amount of revenue is correct; (5) To conduct confirmation procedure for sales volume, accounts receivable, or contract liabilities of major customers, understand the background of important customers, and pay attention to whether there are related party transactions; (6) To select a sample for income transactions recorded before and after the balance sheet date, check shipping invoices and other supporting documents, and check subsequent settlements and returns to evaluate whether revenue is recorded in the appropriate accounting period.

(II) Provision for bad debts of accounts receivable

Key Audit Matter	How to deal with this matter in the audit?
Please refer to Note VI.4 in the financial statements. As of December 31, 2023, Yunnan Baiyao had a balance of accounts receivable of RMB 10.8 billion, and a balance of bad debt reserve of RMB 834 million, all of which were high book value over RMB 9.966 billion. Due to the high book value of accounts receivable, the provision for bad debts of accounts receivable involves significant accounting estimates and judgments, and the recoverability of accounts receivable had a significant impact on the financial statements, we identified the provision for bad debts of accounts receivable as a key audit matter.	Our audit procedures for the provision for bad debts of accounts receivable mainly include: (1) To understand, evaluate, and test the effectiveness of the design and operation of the Company's internal control key control points related to accounts receivable management; (2) To analyze and confirm the rationality of accounting estimation of bad debt provision of accounts receivable, including the basis for determining the combination of accounts receivable and expecting credit loss rate, and judge of impairment test of accounts receivable assessed individually; (3) To analyze and calculate the ratio between the bad debt provision amount and the accounts receivable balance on the balance sheet date of the Company, compare the provision for bad debts in the previous period with the actual amount incurred, and analyze whether the bad debt provision of the accounts receivable is sufficient; (4) To conduct confirmation procedures for accounts receivable, and affirm the authenticity and accuracy of accounts receivable on the balance sheet date through post-period inspection and other procedures.

IV. Other Information

The management of Yunnan Baiyao is responsible for the other information, which includes the information covered in the annual report, but does not include the financial statements and our audit report.

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

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

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

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

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

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

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

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

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

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

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

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

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

(IV) A conclusion is made on the appropriateness of the going-concern assumption adopted by the Management. At the same time, based on the audit evidence obtained, a conclusion is reached on whether there is material uncertainty as to the matters or circumstances that may give rise to significant doubt about Yunnan Baiyao's ability to continue as a going concern. Where we conclude that a material uncertainty exists, auditing standards require us to draw the attention of statement users to the related disclosures therein; where the disclosures are inadequate, no unqualified opinion shall be issued. Our conclusion is based on the information available as of the date of the audit report. However, future events or circumstances may cause Yunnan Baiyao to be unable to continue as a going concern.

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

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

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

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

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

Mazars Certified Public Accountants (SGP)

Chinese Certified Public Accountants:
(Project Partner):

Yang Manhui

Chinese Certified Public Accountants:

Yang Fan

Wuhan, China

March 28, 2024

II. Financial Statement

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

1. Consolidated balance sheet

Prepared by Yunnan Baiyao Group Co., Ltd.

December 31, 2023

Unit: RMB

Item	December 31, 2023	January 1, 2023
Current assets:		
Cash and bank balance	14,218,343,076.67	13,056,113,712.47
Provision of settlement fund		
Placements with banks and other financial institutions		
Financial assets held for trading	149,366,687.56	2,415,722,075.60
Derivative financial assets		
Notes receivable	227,542,572.56	789,465,084.93
Accounts receivable	9,966,170,447.21	9,089,822,151.93
Accounts receivable financing	1,590,749,810.74	834,668,231.58
Prepayment	312,298,727.01	542,948,440.85
Premium receivable		
Reinsurance premium receivable		
Reserves for reinsurance contract receivable		
Other receivables	104,050,709.53	118,948,994.06
Including: Interest receivable		
Dividends receivable	4,531,100.00	
Financial assets held under resale agreements		
Inventory	6,442,194,823.67	7,993,207,044.26
Contractual assets		
Held-for-sales assets		
Non-current assets due within one year	442,772,777.78	361,774,444.44
Other current assets	2,862,076,217.20	474,340,107.76
Total current assets	36,315,565,849.93	35,677,010,287.88
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investment		
Long-term receivables		

Long-term equity investments	11,536,660,992.93	11,318,749,947.10
Investment in other equity instruments	71,745,000.00	71,745,000.00
Other non-current financial assets	324,674,379.63	380,786,134.24
Investment properties	44,104,145.97	55,823,776.49
Fixed assets	2,662,900,014.03	2,723,302,365.65
Construction in progress	529,708,553.58	193,993,194.93
Productive biological assets	988,424.85	1,160,324.85
Oil and gas assets		
Right-of-use assets	258,319,485.58	389,975,390.73
Intangible assets	583,372,000.59	590,985,824.30
Development expenses	14,452,474.57	6,024,448.12
Goodwill	104,121,771.67	129,882,094.89
Long-term deferred expenses	105,335,550.31	103,039,892.76
Deferred income tax assets	690,869,209.12	713,246,779.66
Other non-current assets	541,475,331.17	965,218,407.14
Total non-current assets	17,468,727,334.00	17,643,933,580.86
Total assets	53,784,293,183.93	53,320,943,868.74
Current liabilities:		
Short-term loans	1,747,303,700.34	1,850,867,886.59
Borrowings from the central bank		
Placements from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	1,850,863,313.78	1,991,907,836.96
Accounts payable	4,359,632,642.20	4,639,261,396.45
Receipts in advance	486,612.12	1,569,799.63
Contractual liabilities	1,739,865,228.75	2,578,264,621.13
Financial assets sold under repurchase agreements		
Deposits from customers and interbank		
Customer brokerage deposits		
Acting underwriting of securities		
Payroll payable	1,067,190,665.08	468,450,348.52
Taxes and duties payable	339,670,850.02	509,286,922.32
Other payables	1,025,085,879.54	1,043,693,209.78
Including: Interest payable		
Dividends payable	86,490,742.04	89,413,484.03
Fees and commissions payable		

Reinsurance amounts payable		
Held-for-sales liabilities		
Non-current liabilities due within one year	74,736,102.58	93,870,902.64
Other current liabilities	532,943,904.40	381,185,773.19
Total current liabilities	12,737,778,898.81	13,558,358,697.21
Non-current liabilities:		
Reserves for insurance contract		
Long-term loans	2,100,000.00	2,100,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	172,347,309.72	285,783,728.73
Long-term payables	631,735,908.04	646,074,143.55
Long-term payroll payable	4,090,687.99	4,280,453.08
Estimated liabilities		
Deferred income	238,811,111.04	178,621,813.00
Deferred income tax liabilities	74,772,071.70	98,079,237.09
Other non-current liabilities	17,296,814.41	20,648,534.29
Total non-current liabilities	1,141,153,902.90	1,235,587,909.74
Total liabilities	13,878,932,801.71	14,793,946,606.95
Owners' equity		
Share capital	1,796,862,549.00	1,796,862,549.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	18,246,619,742.09	18,231,423,838.72
Less: Treasury stock	707,428,892.15	707,428,892.15
Other comprehensive income	-89,538,172.13	-68,087,650.95
Special reserves		
Surplus reserves	2,530,458,968.58	2,530,458,968.58
Provision for general risk		
Undistributed profit	18,102,147,836.12	16,720,444,918.66
Total owners' equity attributable to parent company	39,879,122,031.51	38,503,673,731.86
Minority interests	26,238,350.71	23,323,529.93
Total owners' equity	39,905,360,382.22	38,526,997,261.79
Total liabilities and owners' equity	53,784,293,183.93	53,320,943,868.74

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

2. Balance sheet of parent company

Unit: RMB

Item	December 31, 2023	January 1, 2023
Current assets:		
Cash and bank balance	11,558,478,370.89	10,750,790,137.56
Financial assets held for trading	72,221,202.90	2,271,661,364.13
Derivative financial assets		
Notes receivable	6,112,294.09	15,053,289.26
Accounts receivable	1,330,908,560.96	977,848,724.80
Accounts receivable financing	602,881,796.61	764,707,862.56
Prepayment	1,600,931,041.18	2,653,025,880.52
Other receivables	4,127,088,902.76	3,123,928,450.54
Including: Interest receivable		
Dividends receivable	4,531,100.00	
Inventory	1,462,389,548.82	1,714,985,144.48
Contractual assets		
Held-for-sales assets		
Non-current assets due within one year	442,772,777.78	161,580,000.00
Other current assets	3,156,374,029.15	860,182,734.75
Total current assets	24,360,158,525.14	23,293,763,588.60
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	13,882,263,332.22	13,555,259,244.01
Investment in other equity instruments		
Other non-current financial assets	324,174,379.63	382,286,134.24
Investment properties	319,279,203.56	329,163,194.06
Fixed assets	1,406,905,437.93	1,466,536,097.93
Construction in progress	127,864,253.80	42,777,046.60
Productive biological assets		
Oil and gas assets		
Right-of-use assets	259,635,687.65	278,370,935.35
Intangible assets	283,913,499.08	279,813,388.40
Development expenses	14,452,474.57	6,024,448.12
Goodwill		
Long-term deferred expenses	19,333,368.56	26,383,681.39
Deferred income tax assets	374,888,819.41	393,672,386.71
Other non-current assets	467,069,694.11	878,933,974.44

Total non-current assets	17,479,780,150.52	17,639,220,531.25
Total assets	41,839,938,675.66	40,932,984,119.85
Current liabilities:		
Short-term loans	19,002,863.01	
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	3,247,231,002.57	3,490,312,525.91
Receipts in advance	368,860.80	78,896.18
Contractual liabilities	1,316,384,668.74	1,854,572,406.22
Payroll payable	742,388,264.48	260,587,798.86
Taxes and duties payable	53,940,771.05	136,524,520.02
Other payables	9,513,887,394.94	6,874,487,463.94
Including: Interest payable		
Dividends payable	86,490,742.04	86,490,742.04
Held-for-sales liabilities		
Non-current liabilities due within one year	17,766,112.27	19,355,990.16
Other current liabilities	86,664,716.45	168,111,106.82
Total current liabilities	14,997,634,654.31	12,804,030,708.11
Non-current liabilities:		
Long-term loans	1,100,000.00	1,100,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	247,778,172.74	262,346,944.44
Long-term payables	631,735,908.04	646,074,143.55
Long-term payroll payable		
Estimated liabilities		
Deferred income	147,405,764.87	90,960,005.58
Deferred income tax liabilities	48,751,418.36	58,991,118.22
Other non-current liabilities	1,931,554.36	1,931,554.36
Total non-current liabilities	1,078,702,818.37	1,061,403,766.15
Total liabilities	16,076,337,472.68	13,865,434,474.26
Owners' equity:		
Share capital	1,796,862,549.00	1,796,862,549.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	18,449,011,067.03	18,430,166,434.80

Less: Treasury stock	707,428,892.15	707,428,892.15
Other comprehensive income	-54,646,721.46	-32,221,472.36
Special reserves		
Surplus reserves	2,529,297,618.08	2,529,297,618.08
Undisturbed profits	3,750,505,582.48	5,050,873,408.22
Total owners' equity	25,763,601,202.98	27,067,549,645.59
Total liabilities and owners' equity	41,839,938,675.66	40,932,984,119.85

3. Consolidated income statement

Unit: RMB

Item	2023	2022
I. Total operating revenue	39,111,292,156.00	36,488,372,649.73
Including: Operating revenue	39,111,292,156.00	36,488,372,649.73
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating cost	35,082,749,923.97	32,087,168,220.45
Including: Operating cost	28,744,517,640.29	26,883,485,305.46
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	210,801,478.72	210,489,442.16
Selling expenses	4,992,157,591.11	4,165,563,900.91
Administrative expenses	1,058,503,523.90	833,784,263.46
R&D expenses	336,013,434.83	336,723,690.26
Financial expenses	-259,243,744.88	-342,878,381.80
Including: Interest expenses	49,601,252.93	67,849,588.22
Interest income	315,758,812.17	374,310,143.23
Plus: other income	83,315,147.32	104,727,718.20
Investment income (loss is indicated with "-")	779,010,728.82	868,198,390.16
Including: Income from investment in associates and joint ventures	628,531,524.35	732,233,328.71
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 “-”)	123,566,330.46	-619,902,948.31
Credit impairment losses (loss is indicated with “-”)	-136,455,204.36	-724,554,552.72
Asset impairment losses (loss is indicated with “-”)	-58,127,562.23	-664,338,618.92
Gains from asset disposal (loss is indicated with “-”)	10,654,438.38	5,944,768.41
III. Operating profit (loss is indicated with “-”)	4,830,506,110.42	3,371,279,186.10
Plus: Non-operating revenue	12,234,049.26	13,589,178.75
Less: Non-operating expenses	24,728,403.02	7,865,941.15
IV. Total profit (total loss is indicated with “-”)	4,818,011,756.66	3,377,002,423.70
Less: Income tax expenses	695,450,660.17	536,592,729.51
V. Net profit (net loss is indicated with “-”)	4,122,561,096.49	2,840,409,694.19
(I) Classification by operation continuity		
1. Net profit from continuing operations (net loss is indicated with “-”)	4,122,561,096.49	2,840,409,694.19
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 “-”)	4,093,782,074.02	3,001,125,887.45
2. Minority interests (net loss to be listed with “-”)	28,779,022.47	-160,716,193.26
VI. Other comprehensive income, net of tax	-21,847,821.78	-81,412,436.29
Other comprehensive income attributable to owners of parent company, net of tax	-21,450,521.18	-70,601,453.60
(I) Other comprehensive income that cannot be reclassified into profits or losses	-8,280,710.37	8,731,257.88
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	-8,280,710.37	8,731,257.88
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	-13,169,810.81	-79,332,711.48
1. Other comprehensive income that can be reclassified into profits or losses under the equity method	-14,144,538.73	-42,553,962.75
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	974,727.92	-34,536,280.30
7. Others		-2,242,468.43
Other comprehensive income attributable to minority interests, net of tax	-397,300.60	-10,810,982.69
VII. Total comprehensive income	4,100,713,274.71	2,758,997,257.90

Total comprehensive income attributable to owners of parent company	4,072,331,552.84	2,930,524,433.85
Total comprehensive income attributable to minority interests	28,381,721.87	-171,527,175.95
VIII. Earnings per share		
(I) Basic earnings per share	2.29	1.9
(II) Diluted earnings per share	2.29	1.9

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

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

4. Income statement of parent company

Unit: RMB

Item	2023	2022
I. Operating revenue	6,881,456,920.60	6,440,461,426.23
Less: Operating cost	3,165,134,772.87	2,980,435,577.07
Taxes and surcharges	83,265,593.34	83,793,052.47
Selling expenses	2,294,245,758.98	1,986,803,504.78
Administrative expenses	660,823,121.05	420,434,297.52
R&D expenses	250,038,194.42	259,720,011.08
Financial expenses	-288,843,660.25	-351,061,240.29
Including: Interest expenses	2,525,713.85	3,114,486.90
Interest income	289,024,747.89	345,551,878.59
Plus: Other income	27,816,279.64	48,895,921.37
Investment income (loss is indicated with “-”)	741,892,987.96	1,495,121,958.34
Including: Income from investment in associates and joint ventures	628,517,050.64	732,711,091.10
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 “-”)	107,345,538.18	-593,004,615.91
Credit impairment losses (loss is indicated with “-”)	-2,956,484.71	-2,152,245.84
Asset impairment losses (loss is indicated with “-”)	-26,559,432.53	-71,317,107.54
Gains from asset disposal (loss is indicated with “-”)	-157,621.90	2,985,699.84
II. Operating profit (loss is indicated with “-”)	1,564,174,406.83	1,940,865,833.86
Plus: Non-operating revenue	5,136,425.36	1,165,403.30
Less: Non-operating expenses	11,785,458.74	4,689,343.77
III. Total profit (total loss is indicated with “-”)	1,557,525,373.45	1,937,341,893.39
Less: Income tax expenses	145,814,042.63	44,007,170.98
IV. Net profit (net loss is indicated with “-”)	1,411,711,330.82	1,893,334,722.41
(I) Net profit from continuing operations (net loss is	1,411,711,330.82	1,893,334,722.41

indicated with "-")		
(II) Net profit from discontinued operations (net loss is indicated with "-")		
V. Other comprehensive income, net of tax	-22,425,249.10	-33,822,704.87
(I) Other comprehensive income that cannot be reclassified into profits or losses	-8,280,710.37	8,731,257.88
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	-8,280,710.37	8,731,257.88
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	-14,144,538.73	-42,553,962.75
1. Other comprehensive income that can be reclassified into profits or losses under the equity method	-14,144,538.73	-42,553,962.75
2. Changes in fair value of other debt investments		
3. Amount of the financial asset reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserves		
6. Exchange differences from translation of statements denominated in foreign currencies		
7. Others		
VI. Total comprehensive income	1,389,286,081.72	1,859,512,017.54
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	2023	2022
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	40,638,627,018.49	38,216,566,841.97
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	4,858,426.21	159,371,374.98
Other cash receipts related to operating activities	689,121,507.54	741,693,854.55
Subtotal of cash inflows from operating activities	41,332,606,952.24	39,117,632,071.50
Cash paid for goods purchased and services received	29,797,492,545.65	28,680,616,058.63
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	2,585,937,678.63	2,281,828,435.31
Payments of all types of taxes	2,465,312,635.54	2,262,131,942.27
Other cash paid relating to operating activities	2,981,121,744.40	2,683,645,602.72
Subtotal of cash outflows from operating activities	37,829,864,604.22	35,908,222,038.93
Net cash flows from operating activities	3,502,742,348.02	3,209,410,032.57
II. Cash flows from investment activities:		
Cash received from disposal of investments	2,558,487,934.50	5,080,545,532.47
Cash received from returns on investments	436,150,493.91	567,196,644.37
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	282,170.75	4,079,069.83
Net cash received from disposal of subsidiaries and other business units		20,403,838.21
Other cash received relating to investment activities	1,978,176,523.10	1,170,771,170.00
Subtotal of cash inflows from investment activities	4,973,097,122.26	6,842,996,254.88
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	575,507,137.90	446,732,820.54
Cash paid for acquisition of investments	73,700,000.00	11,654,869,186.44
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		569,283,888.24
Other cash paid relating to investment activities	3,805,309,321.72	488,193,160.70
Subtotal of cash outflows from investment activities	4,454,516,459.62	13,159,079,055.92
Net cash flows from investment activities	518,580,662.64	-6,316,082,801.04
III. Cash flows from financing activities:		
Cash received from absorption of investments	2,670,000.00	144,736,386.38
Including: Cash received from subsidiaries' absorbing minority shareholder investment	2,670,000.00	86,453,260.82
Cash received from borrowings	1,376,188,273.49	2,303,433,120.57

Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	1,378,858,273.49	2,448,169,506.95
Cash payments for settlement of debts	1,424,233,267.77	2,238,287,969.20
Cash payments for distribution of dividends and profits or repayment of interest	2,767,483,369.05	2,121,590,675.38
Including: Dividends and profits paid to minority shareholders by subsidiaries	19,857,165.96	7,179,781.75
Other cash payments relating to financing activities	105,183,876.26	821,594,594.84
Subtotal of cash outflows from financing activities	4,296,900,513.08	5,181,473,239.42
Net cash flow from financing activities	-2,918,042,239.59	-2,733,303,732.47
IV. Effect of foreign exchange rate changes on cash and cash equivalents	2,324,684.95	16,271,671.09
V. Net increase in cash and cash equivalents	1,105,605,456.02	-5,823,704,829.85
Plus: Opening balance of cash and cash equivalents	13,046,160,012.47	18,869,864,842.32
VI. Closing balance of cash and cash equivalents	14,151,765,468.49	13,046,160,012.47

6. Cash flow statement of parent company

Unit: RMB

Item	2023	2022
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	5,929,733,284.63	5,971,394,259.14
Receipts from tax refunds		102,588.12
Other cash receipts related to operating activities	5,099,663,267.49	7,591,371,481.08
Subtotal of cash inflows from operating activities	11,029,396,552.12	13,562,868,328.34
Cash paid for goods purchased and services received	1,876,454,451.95	2,371,484,892.90
Cash paid to and on behalf of employees	1,191,675,173.28	1,193,892,284.72
Payments of all types of taxes	858,867,113.63	910,654,949.88
Other cash paid relating to operating activities	4,152,898,161.48	3,983,548,611.15
Subtotal of cash outflows from operating activities	8,079,894,900.34	8,459,580,738.65
Net cash flows from operating activities	2,949,501,651.78	5,103,287,589.69
II. Cash flows from investment activities:		
Cash received from disposal of investments	2,427,269,469.67	3,765,525,425.37
Cash received from returns on investments	424,094,233.80	551,710,773.52
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,863,158.34
Net cash received from disposal of subsidiaries and other business units		40,000,000.00
Other cash received relating to investment activities	1,772,731,569.97	
Subtotal of cash inflows from investment activities	4,624,095,273.44	4,359,099,357.23

Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	174,741,908.64	171,724,018.14
Cash paid for acquisition of investments	108,100,000.00	11,028,424,186.44
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid relating to investment activities	3,804,472,300.00	450,000,000.00
Subtotal of cash outflows from investment activities	4,087,314,208.64	11,650,148,204.58
Net cash flows from investment activities	536,781,064.80	-7,291,048,847.35
III. Cash flows from financing activities:		
Cash received from absorption of investments		58,283,125.56
Cash received from borrowings	19,000,000.00	
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	19,000,000.00	58,283,125.56
Cash payments for settlement of debts		
Cash payments for distribution of dividends and profits or repayment of interest	2,712,079,156.56	2,052,825,115.20
Other cash payments relating to financing activities	2,220,005.75	709,957,733.50
Subtotal of cash outflows from financing activities	2,714,299,162.31	2,762,782,848.70
Net cash flow from financing activities	-2,695,299,162.31	-2,704,499,723.14
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-473,889.11	113,384.75
V. Net increase in cash and cash equivalents	790,509,665.16	-4,892,147,596.05
Plus: Opening balance of cash and cash equivalents	10,750,790,137.56	15,642,937,733.61
VI. Closing balance of cash and cash equivalents	11,541,299,802.72	10,750,790,137.56

7. Consolidated statement of changes in owners' equity

Amount for the current period

Unit: RMB

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

4．Others					-3,648,728.86								-3,648,728.86	-6,302,477.14	-9,951,206.00
(III) Profit distribution											-2,712,079,156.56		-2,712,079,156.56	-16,934,423.95	-2,729,013,580.51
1．Withdrawal of surplus reserves															
2．Withdrawal of general risk provision															
3．Distribution to owners (or shareholders)											-2,712,079,156.56		-2,712,079,156.56	-16,934,423.95	-2,729,013,580.51
4．Others															
(IV) Internal carry-over of owner’s equity															
1．Transfer of capital reserves to capital (or share capital)															
2．Transfer of surplus reserves to capital (or share capital)															
3．Covering loss with surplus reserves															
4．Change of defined benefit plan carried forward to retained earnings															
5．Other comprehensive income carried forward to retained earnings															
6．Others															
(V) Special reserves															
1．Provision for the period															
2．Utilization for the period															
(VI) Others					18,844,632.23								18,844,632.23		18,844,632.23

IV. Closing balance for the period	1,796,862,549.00				18,246,619,742.09	707,428,892.15	-89,538,172.13		2,530,458,968.58		18,102,147,836.12		39,879,122,031.51	26,238,350.71	39,905,360,382.22

Amount for the previous year

Unit: RMB

Item	2022														
	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	1,282,715,242.00				18,126,393,630.22		2,513,802.65		2,530,458,968.58		16,285,350,424.41		38,227,432,067.86	207,710,297.10	38,435,142,364.96
Plus: Changes in accounting policies															
Correction of errors in the prior period															
Others															
II. Opening balance of the current period	1,282,715,242.00				18,126,393,630.22		2,513,802.65		2,530,458,968.58		16,285,350,424.41		38,227,432,067.86	207,710,297.10	38,435,142,364.96
III. Increase/decrease for the period (decrease is indicated with "-")	514,147,307.00				105,030,208.50	707,428,892.15	-70,601,453.60				435,094,494.25		276,241,664.00	-184,386,767.17	91,854,896.83
(I) Total comprehensive income							-70,601,453.60				3,001,125,887.45		2,930,524,433.85	-171,527,175.95	2,758,997,257.90
(II) Contribution and withdrawal of capital by owners	514,147,307.00				131,299,489.88	707,428,892.15							-61,982,095.27	17,527,623.88	-44,454,471.39
1. Ordinary shares invested by owners														17,527,623.88	17,527,623.88
2. Capital invested by holders of other equity instruments															
3. Amount of share	514,147,307.00				54,468,696.05	707,428,892.15							-138,812,889.10		-138,812,889.10

payment credited to owners' equity															
4. Others					76,830,793.83								76,830,793.83		76,830,793.83
(III) Profit distribution											-2,566,031,393.20		-2,566,031,393.20	-8,896,212.33	-2,574,927,605.53
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)											-2,566,031,393.20		-2,566,031,393.20	-8,896,212.33	-2,574,927,605.53
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															
I) Others					-26,269,281.38								-26,269,281.38	-21,491,002.77	-47,760,284.15
IV. Closing balance for the period	1,796,862,549.00				18,231,423,838.72	707,428,892.15	-68,087,650.95		2,530,458,968.58		16,720,444,918.66		38,503,673,731.86	23,323,529.93	38,526,997,261.79

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

Amount for the current period

Unit: RMB

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

2. Capital invested by holders of other equity instruments												
3. Amount of share payment credited to owners' equity												
4. Others												
(III) Profit distribution										-2,712,079,156.56		-2,712,079,156.56
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)										-2,712,079,156.56		-2,712,079,156.56
3. Others												
(IV) Internal carry-over of owner's equity												
1. Transfer of capital reserves to capital (or share capital)												
2. Transfer of surplus reserves to capital (or share capital)												
3. Covering loss with surplus reserves												
4. Change of defined benefit plan carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(V) Special reserves												
1. Provision for the period												

2. Utilization for the period												
(VI) Others					18,844,632.23							18,844,632.23
IV. Closing balance for the period	1,796,862,549.00				18,449,011,067.03	707,428,892.15	-54,646,721.46		2,529,297,618.08	3,750,505,582.48		25,763,601,202.98

Amount for the previous year

Unit: RMB

Item	2022											
	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	1,282,715,242.00				18,401,967,020.13		1,601,232.51		2,529,297,618.08	5,723,570,079.01		27,939,151,191.73
Plus: Changes in accounting policies												
Correction of errors in the prior period												
Others												
II. Opening balance of the current period	1,282,715,242.00				18,401,967,020.13		1,601,232.51		2,529,297,618.08	5,723,570,079.01		27,939,151,191.73
III. Increase/decrease for the period (decrease is indicated with "-")	514,147,307.00				28,199,414.67	707,428,892.15	-33,822,704.87			-672,696,670.79		-871,601,546.14
(I) Total comprehensive income							-33,822,704.87			1,893,334,722.41		1,859,512,017.54
(II) Contribution and withdrawal of capital by owners	514,147,307.00				54,468,696.05	707,428,892.15						-138,812,889.10
1. Ordinary shares invested by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share payment credited to	514,147,307.00				54,468,696.05	707,428,892.15						-138,812,889.10

owners' equity												
4. Others												
(III) Profit distribution										-2,566,031,393.20		-2,566,031,393.20
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)										-2,566,031,393.20		-2,566,031,393.20
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					-26,269,281.38							-26,269,281.38
IV. Closing balance for the period	1,796,862,549.00				18,430,166,434.80	707,428,892.15	-32,221,472.36		2,529,297,618.08	5,050,873,408.22		27,067,549,645.59

III. Basic Information of the Company

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

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

2. History of the Company

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

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

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

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

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

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

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

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

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

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

3. Business nature and principal businesses of the Company

The business nature and operating activities of the Company and its subsidiaries (collectively referred to as the "Group") mainly include: R&D, manufacturing, and sales of chemical APIs, chemical preparations, Chinese

patent medicines, TCM materials, biological products, medical devices, healthcare food, food, beverages, special labor protection products, non-household textile products, daily chemical products, cosmetics, outdoor products; Sales of rubber pastes, plasters, disinfectant products, electronic and digital products; Information technology, science and technology and economic and technological consulting services; Import and export of goods; Property operation and management (carrying out business activities with qualification certificates), wholesale and retail of drugs, logistics and distribution, etc (For items that require approval according to law, business activities of these projects can only be carried out after approval by relevant departments).

4. These financial statements were approved for reporting by a resolution of the Board of Directors of the Company dated March 28, 2024.

As of December 31, 2023, there were 107 subsidiaries and structured entities included in the scope of the Group's consolidated financial statements. For details, please refer to Note IX "Interest in Other Entities." The Group had 21 new entities included in its consolidated financial statements compared to the end of the previous year, while 11 entities were excluded. For details, please refer to Note VIII "Changes in Consolidation Scope."

IV. Basis for Preparation of Financial Statements

1. Basis for preparation

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

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

2. Going concern basis

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

V. Significant Accounting Policies and Accounting Estimates

Notes on specific accounting policies and accounting estimates:

Based on the actual production and operation characteristics and in accordance with the provisions of relevant accounting standards for enterprises, the Group has formulated a number of specific accounting policies and

accounting estimates for transactions and matters such as revenue recognition and R&D expenses. For details, see the descriptions under Section 37 "Revenue" under this Note V. For the descriptions of significant accounting judgments and estimates made by the management, please refer to Section 43 "Significant Accounting Judgments and Accounting Estimates" under this Note V.

1. Statement of compliance with the ASBEs

The financial statements prepared by the Company are in compliance with the requirements of the *Accounting Standards for Business Enterprises* (ASBEs), and have reflected truly and completely such relevant information as the financial positions of the Company and the Group as of December 31, 2023 as well as the business results and cash flows of the Company and the Group for 2023. 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	The year-end balance of a single project exceeds RMB 50 million
Significant outsourced project under research	The amount of a single project accounts for more than 20% of the total R&D investment
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 account 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 22 "Long-term equity investments" of this Note V;

where the business combination does not fall within "a bundle of transactions," the business combination in the Company's and the consolidated financial statements shall be accounted for as follows:

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

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

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 22 "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 22 "Long-term equity investments" under this Note V for details) and "loss of control over a former subsidiary due to disposal of certain equity investments or other reasons" (please see the preceding paragraph for details). If such transactions fall under a bundle of transactions, those transactions are accounted for as one deal under which the subsidiary is disposed of and control is lost. However, before the control over the subsidiary is lost, the surplus

between consideration received for each disposal and the value of corresponding share of net assets in the subsidiary entitled by the investment underlying the disposal shall be recognized as other comprehensive income in the consolidated financial statements, and, when control is lost, converted into investment income or loss for the period in which control is lost.

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 22 "Long-term equity investments" under this Note V.

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

When the Group, as a joint venture party, invests in or sells assets to the joint venture (which do not constitute a business, the same below), or purchases assets from the joint operation, the Group recognizes only those portions of the profits 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

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 V.

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

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 depreciation of fixed assets is calculated using the straight-line method over their estimated useful lives, starting from the month following the attainment of the intended usable state. The estimated useful lives, expected residual values, and annual depreciation rates for various types of fixed assets are as follows:

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 Item 25 of Note V "Impairment of Long-term Assets."

(4) Other Information

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

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

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

20. Construction in progress

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

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

For the method of impairment test and provision for impairment loss of construction in progress, please refer to Section 30 "Impairment of long-term assets" under Note V.

21. Borrowing costs

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

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

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

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

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

22. Biological assets

(1) Consumptive biological assets

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

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

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

(2) Productive biological assets

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

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

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

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

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

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

23. Oil and gas assets

Not applicable

24. Intangible assets

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

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

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

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

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

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

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.

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

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

① It is technically feasible to complete the intangible asset so that it will be available for use or sale;

② It is intended to complete and to use or sell the intangible asset;

③ It can be demonstrated how the intangible asset will generate economic benefits, including demonstrating that there is an existing market for products produced by the intangible asset or for the intangible asset itself, and that it can be 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.

The specific criteria for dividing internal research and development projects into research phase and development phase are as follows: Once the corresponding project meets the aforementioned conditions and is approved through a review process, it enters the development phase and begins capitalization.

(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 Item 25 of Note V "Impairment of long-term assets."

25. 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.

26. 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.

27. 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.

28. 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.

29. 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.

30. 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.

31. Revenue

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 hotel rooms or catering 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.

32. 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.

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

34. 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-down amount shall be reversed.

(3) Income tax expense

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

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

(4) Offsetting of income tax

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

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

35. Leases

Leasing refers to the contract in which the Group transfers or acquires the right to control the use of identified assets for a specified period in exchange for consideration. On the commencement date of a contract, the Group assesses whether the contract is, or contains, a lease.

(1) Accounting treatment as the lessee

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

① Initial measurement

On the date of commencement of the lease term, the Group recognizes the right to use the lease asset during the lease term as a right of use asset and recognizes the present value of the outstanding lease payments as a lease liability, except for short-term leases and low value asset leases. When calculating the present value of lease

payments, the interest rate implicit in the lease is used as the discount rate. If the interest rate implicit in the lease cannot be determined, the lessor's incremental borrowing rate is used as the discount rate.

② Subsequent measurement

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

36. Other significant accounting policies and accounting estimates

(1) 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

(2) Changes in significant accounting estimates

☐ Applicable ☑ Not applicable

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

☐ Applicable ☑ Not applicable

38. Significant accounting judgment and estimate

As operating activities have inherent uncertainties, the Group needs to make judgments, estimates and assumptions upon report items that cannot be accurately calculated in applying the above accounting policies. These judgments, estimates and assumptions are made based on historical experiences of the management of the Group, taking other related factors into consideration. These judgments and estimates may affect the presented amounts of incomes, expenses, assets and liabilities and, as well as the disclosure of contingent liabilities on the balance sheet date. However, the uncertainty in these estimates may result in actual results that differ from the current estimates of the Group's management, resulting in material adjustments to the book value of assets or liabilities affected in the future.

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

amount is recognized in the current period and the future period.

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

(1) Revenue recognition

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

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

(2) Leases

① Identification of leases

When identifying whether a contract is a lease or contains a lease, the Group needs to assess whether there exists an identified asset and the customer controls the use of the asset for a certain period of time. In this assessment, consideration needs to be given to the nature of the asset, substantial replacement rights, and whether the customer is entitled to receive virtually all of the economic benefits arising from the use of the asset during that period and able to direct the use of the asset.

② Classification of leases

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

③ Lease liabilities

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

(3) Impairment of financial assets

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

(4) Provision for inventory impairment

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

(5) Fair value of financial instruments

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

(6) Provision for impairment of long-term assets

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

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

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

When estimating the present value of future cash flows, it is necessary to make significant judgments about the output of the asset (or group of assets), the selling price, the associated operating costs, and the discount rate used in calculating the present value. When estimating the recoverable amounts, the Group uses all the relevant

information available, including projections of production volumes, selling prices and related operating costs based on reasonable and supportable assumptions.

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

(7) Depreciation and amortization

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

(8) Deferred income tax assets

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

(9) Income tax

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

(10) Estimated liabilities

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

Among other things, the Group will estimate liabilities for after-sales quality maintenance commitments provided to customers in relation to the sale, repair and modification of the products sold. The Group’s recent maintenance experience data has been taken into account when estimating liabilities, but recent maintenance experience may not reflect future maintenance situation. Any increase or decrease in this provision may affect profits

or losses in future years.

(11) Measurement at fair value

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

39. Others

None.

VI. Taxation

1. Main tax types and tax rates

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

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

Taxpayer	Income tax rate
Yunnan Baiyao Group Co., Ltd.	15%
Yunnan Baiyao Group Medicine E-commerce Co., Ltd.	15%
Yunnan Institute of Materia Medica	15%
Yunbaiyao Zhengwu Technology (Shanghai) Co., Ltd.	15%
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	15%
Yunnan Baiyao Group Health Products Co., Ltd.	15%
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	15%
Yunnan Baiyao Group Lijiang Pharmaceutical Co., Ltd.	15%
Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	15%
Yunnan Baiyao Group Wuding Pharmaceutical Co., Ltd.	15%
Yunnan Pharmaceutical Co., Ltd.	15%
Yunnan Pharmaceutical Yuxi Sales Co., Ltd.	15%
Yunnan Pharmaceutical Xingda Co., Ltd.	15%
Yunnan Pharmaceutical Baoshan Drug Development Co., Ltd.	15%
Yunnan Pharmaceutical Technology Co., Ltd.	15%
Yunnan Pharmaceutical Sanfa Co., Ltd.	15%

Yunnan Pharmaceutical Dehong Development Co., Ltd.	15%
Yunnan Pharmaceutical Xihui Co., Ltd.	15%
Yunnan Pharmaceutical Qujing Co., Ltd.	15%
Yunnan Baiyao Pharmacy Co., Ltd.	15%
Yunnan Pharmaceutical Wanhe Co., Ltd.	15%
Yunnan Pharmaceutical Tianma Co., Ltd.	15%
YNBY International Limited	16.50%
Beijing Rui'er Testing Technology Co., Ltd.	20%
Yunnan Pharmaceutical Jiayuan Co., Ltd.	20%
Yunnan Pharmaceutical Xiongyi Co., Ltd.	20%
Yunnan Pharmaceutical Tianfu Dahua Co., Ltd.	20%
Yunnan Pharmaceutical Lincang Sales Co., Ltd.	20%
Yunnan Pharmaceutical Diqing Development Co., Ltd.	20%
Yunnan Pharmaceutical Pu'er Co., Ltd.	20%
Yunnan Pharmaceutical Dali Development Co., Ltd.	20%
Lijiang Yunquan Biological Development Co., Ltd.	20%
Yunnan Baiyao Tiancui Business Management Co., Ltd.	20%
Beijing Yunzhi Health Management Co., Ltd.	20%
Shanghai Wenshu Health Management Co., Ltd.	20%
Yunnan Baiyao Yunzhen International Trade Co., Ltd.	20%
Kunming Yunzhen Medical Technology Co., Ltd.	20%
Shanghai Yunyao Oral Medical Technology Co., Ltd.	20%
Yunnan Fengqing Tea Plant Co., Ltd.	20%
Tianjin Yunshuda Comprehensive Clinic Co., Ltd.	20%
Yunnan Tianzheng Testing Co., Ltd.	20%

2. Preferential tax treatment

(1) Yunnan Baiyao Group Co., Ltd, Yunnan Baiyao Group Medicine E-commerce Co., Ltd, Yunnan Pharmaceutical Co., Ltd, Yunnan Pharmaceutical Technology Co., Ltd, Yunnan Pharmaceutical Yuxi Sales Co., Ltd, Yunnan Pharmaceutical Sanfa Co., Ltd, Yunnan Pharmaceutical Xingda Co., Ltd, Yunnan Pharmaceutical Wanhe Co., Ltd, Yunnan Pharmaceutical Baoshan Drug Development Co., Ltd, Yunnan Baiyao Group Health Products Co., Ltd, Yunnan Baiyao Group Lijiang Pharmaceutical Co., Ltd, Yunnan Baiyao Group Wenshan Qihua Co., Ltd, Yunnan Baiyao Pharmacy Co., Ltd, Yunnan Baiyao Group Wuding Pharmaceutical Co., Ltd, Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd, Yunnan Pharmaceutical Tianma Co., Ltd, Yunnan Pharmaceutical Hongde Development Co., Ltd, Yunnan Pharmaceutical Qujing Co., Ltd and Yunnan Pharmaceutical Xihui Co., Ltd enjoy the preferential tax treatment for the Western

Development and pay the enterprise income tax at the tax rate of 15%.

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

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

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

(4) According to the Announcement of the General Administration of Taxation of the Ministry of Finance on the Further Implementation of the Preferential Income Tax Policy for Small and Micro Enterprises (Finance and Taxation [2022] No. 13), "the part of the annual taxable income of small and micro profit enterprises exceeding RMB 1 million but not exceeding RMB 3 million shall be included in the taxable income at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. The period of implementation of this announcement is from January 1, 2022 to December 31, 2024," the Announcement of the General Administration of Taxation of the Ministry of Finance on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (Finance and Taxation [2023] No. 6), "the part of the annual taxable income of small and micro profit enterprises that does not exceed 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 (Finance and Taxation [2023] No. 12), "For small, low-profit enterprises, the taxable income amount shall be calculated at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. The policy shall be continued until December 31, 2027." Eighteen companies, including Yunnan Fengqing Tea Plant 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	258,600.92	224,637.14
Bank deposit	14,132,709,154.14	13,006,283,524.34
Other cash and bank balance	85,375,321.61	49,605,550.99
Total	14,218,343,076.67	13,056,113,712.47
Including: Total amount of money deposited overseas	190,267,321.90	177,953,497.45

Other explanations: None.

2. Financial assets held for trading

Unit: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profits or losses	149,366,687.56	2,415,722,075.60
Including:		
Investments in debt instruments		
Investments in equity instruments	144,766,687.56	2,357,680,635.18
Others	4,600,000.00	58,041,440.42
Total	149,366,687.56	2,415,722,075.60

Other explanations: None.

3. Notes receivable

(1) Notes receivable by type

Unit: RMB

Item	Closing balance	Opening balance
Banker’s acceptance bill	227,542,572.56	789,465,084.93
Total	227,542,572.56	789,465,084.93

(2) Disclosure by provision for bad debts

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Bills receivable with provision for bad debts by portfolio	227,542,572.56	100.00%			227,542,572.56	789,465,084.93	100.00%			789,465,084.93
Including:										
Banker's acceptance bill	227,542,572.56	100.00%			227,542,572.56	789,465,084.93	100.00%			789,465,084.93
Total	227,542,572.56	100.00%			227,542,572.56	789,465,084.93	100.00%			789,465,084.93

Provision for bad debts by portfolio:

Unit: RMB

Item	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Banker's acceptance bill	227,542,572.56		
Total	227,542,572.56		

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: None.

(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	7,122,953.97	
Total	7,122,953.97	

(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)	9,849,981,025.64	9,171,153,870.19
1 to 2 years	830,787,332.12	515,648,957.18
2 to 3 years	86,210,266.13	21,889,679.33
Above 3 years	33,448,661.91	36,176,763.82
Total	10,800,427,285.80	9,744,869,270.52

(2) Disclosure by provision for bad debts

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Accounts receivable with provision for bad debts on individual basis	7,404,800.00	0.07%	7,404,800.00	100.00%		7,404,800.00	0.08%	7,404,800.00	100.00%	
Including:										
Accounts receivable with provision for bad debts on individual basis	7,404,800.00	0.07%	7,404,800.00	100.00%		7,404,800.00	0.08%	7,404,800.00	100.00%	
Accounts receivable with provision for bad debts on portfolio basis	10,793,022,485.80	99.93%	826,852,038.59	7.66%	9,966,170,447.21	9,737,464,470.52	99.92%	647,642,318.59	6.65%	9,089,822,151.93
Including:										
Aging portfolio	10,793,022,485.80	99.93%	826,852,038.59		9,966,170,447.21	9,737,464,470.52	99.92%	647,642,318.59	6.65%	9,089,822,151.93
Total	10,800,427,285.80	100.00%	834,256,838.59	7.72%	9,966,170,447.21	9,744,869,270.52	100.00%	655,047,118.59	6.72%	9,089,822,151.93

Provision for bad debts made on an individual basis:

Unit: RMB

Name	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	7,404,800.00	7,404,800.00	7,404,800.00	7,404,800.00	100.00%	Little chance of recovery
Total	7,404,800.00	7,404,800.00	7,404,800.00	7,404,800.00		

Provision for bad debts made on a portfolio basis:

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Aging portfolio	10,793,022,485.80	826,852,038.59	7.66%
Total	10,793,022,485.80	826,852,038.59	

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	7,404,800.00					7,404,800.00
Aging portfolio	647,642,318.59	179,435,027.97		225,307.97		826,852,038.59
Total	655,047,118.59	179,435,027.97		225,307.97		834,256,838.59

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	225,307.97

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	708,200,548.76	0.00	708,200,548.76	6.56%	93,710,938.28
Customer B	524,026,774.26	0.00	524,026,774.26	4.85%	26,201,338.71
Customer C	468,933,274.24	0.00	468,933,274.24	4.34%	23,446,663.71
Customer D	429,426,908.33	0.00	429,426,908.33	3.98%	43,573,681.69
Customer E	405,341,546.93	0.00	405,341,546.93	3.75%	72,237,381.49
Total	2,535,929,052.52	0.00	2,535,929,052.52	23.48%	259,170,003.88

5. Accounts receivable financing

(1) Accounts receivable financing by type

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bill	1,081,485,346.18	834,668,231.58
Domestic Letter of Credit in China	509,264,464.56	
Total	1,590,749,810.74	834,668,231.58

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

(3) 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	4,546,781,651.31	
Domestic letter of credit in China	114,000,000.00	
Total	4,660,781,651.31	

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

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

(6) Other explanations: None.

6. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable	4,531,100.00	
Other receivables	99,519,609.53	118,948,994.06
Total	104,050,709.53	118,948,994.06

(1) Dividends receivable

1) Dividends receivable by type

Unit: RMB

Project (or investee)	Closing balance	Opening balance
Jacobson Pharama Corporation	4,531,100.00	
Total	4,531,100.00	

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

3) Disclosure by provision for bad debts

□Applicable ☑Not applicable

4) Withdrawal, recovery and reversal of provision for bad debts during the period: None.

5) Actual write-off of dividend receivable during the period: None.

(2) Other receivables

1) Other receivables by nature

Unit: RMB

Nature of payment	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Deposits and guarantees	292,908,411.96	341,475,970.72
Petty cash	12,098,577.52	40,949,868.07
Borrowings	6,777,211.78	9,889,172.38
Others	286,715,486.83	584,078,713.91
Total	598,499,688.09	976,393,725.08

2) Disclosure by aging

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year (inclusive of 1 year)	76,994,145.16	246,320,241.73
1 to 2 years	24,492,402.85	280,922,568.80
2 to 3 years	101,816,008.74	239,820,193.82
Above 3 years	395,197,131.34	209,330,720.73
Total	598,499,688.09	976,393,725.08

3) Disclosure by provision for bad debts

☑ Applicable □ Not applicable

Provision was made for bad debts in accordance with the general expected credit loss model:

Unit: RMB

Provision for bad debts	Phase I	Phase II	Phase III	Total
	Expected credit losses for the next 12 months	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	
Balance as of January 1, 2023	271,949,622.49		585,495,108.53	857,444,731.02
Balance as of January 1, 2023 in the current period				
Current provision			896,174.86	896,174.86
Current reversal	43,875,998.47			43,875,998.47
Current write-off	13,600.00			13,600.00
Other changes			-315,471,228.85	-315,471,228.85
Balance as of December 31, 2023	228,060,024.02		270,920,054.54	498,980,078.56

Division base for each phase and proportion of provision for bad debts

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

□ Applicable ☑ Not applicable

4) Provision for bad debts accrued, recovered or reversed during the current period

Provision for bad debts during the reporting period:

Unit: RMB

Category	Opening balance	Changes in this period				Closing balance
		Provision	Recovery or reversal	Resell or write off	Others	
Other accounts receivable with provision for bad debts by credit risk characteristics portfolio	857,444,731.02	896,174.86	43,875,998.474	13,600.00	-315,471,228.85	498,980,078.564
Total	857,444,731.02	896,174.86	43,875,998.474	13,600.00	-315,471,228.85	498,980,078.564

Recovery or reversal of provision for bad debts with significant amount during the reporting period: None.

5) Actual write-off of other receivables for the period: None.

Unit: RMB

Item	Amount of write-off
The actual write-off of other receivables	13,600.00

Write-off of important other receivables: None.

Explanation on write-off of other receivables: None.

6) Top five customers in closing balance of other receivables summarized by debtor

Unit: RMB

Entity name	Nature of payment	Closing balance	Aging	Percentage of total of closing balance of other receivables	Closing balance of provision for bad debt
Entity A	Security deposit	100,000,000.00	Above 3 years	16.71%	100,000,000.00
Entity B	Security deposit	30,000,000.00	Above 3 years	5.01%	30,000,000.00
Entity C	Security deposit	18,000,000.00	Above 3 years	3.01%	18,000,000.00
Entity D	Security deposit	12,000,000.00	2 to 3 years	2.01%	12,000,000.00
Entity E	Security deposit	10,000,000.00	Above 3 years	1.67%	3,000,000.00
Total		170,000,000.00		28.41%	163,000,000.00

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	274,935,247.83	88.04%	498,263,637.61	91.77%
1 to 2 years	31,179,366.00	9.98%	31,396,687.61	5.78%
2 to 3 years	2,366,049.64	0.76%	7,040,632.08	1.30%
Above 3 years	3,818,063.54	1.22%	6,247,483.55	1.15%
Total	312,298,727.01		542,948,440.85	

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

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

Unit: RMB

Series No.	Company name	Book balance	Percentage of prepayments (%)
1	Supplier A	27,214,953.30	8.71%
2	Supplier B	18,367,480.94	5.88%
3	Supplier C	17,162,093.00	5.50%
4	Supplier D	14,433,174.20	4.62%
5	Supplier E	11,832,597.42	3.79%
Total		89,010,298.86	28.50%

Other explanations: None.

8. Inventories

Did the Company need to comply with the disclosure requirements of the real estate industry: No.

(1) Categories of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories or provision for impairment of contract fulfillment costs	Book value	Book balance	Provision for inventory impairment or provision for impairment of contract performance costs	Book value
Raw materials	1,850,907,681.12	71,368,550.13	1,779,539,130.99	2,392,701,254.76	118,815,553.26	2,273,885,701.50
Work in process	192,411,841.66		192,411,841.66	142,723,757.34		142,723,757.34
Finished goods	4,444,660,840.07	67,539,262.09	4,377,121,577.98	5,520,098,866.23	55,694,955.01	5,464,403,911.22
Consumptive biological assets	28,031,085.47		28,031,085.47	36,074,617.71		36,074,617.71
Contract performance costs				13,070,656.42		13,070,656.42
Materials outsourced for processing	185,148.88		185,148.88	447,210.05		447,210.05
Packaging materials and low value consumables	67,439,762.34	2,533,723.65	64,906,038.69	64,864,577.24	2,263,387.22	62,601,190.02
Total	6,583,636,359.54	141,441,535.87	6,442,194,823.67	8,169,980,939.75	176,773,895.49	7,993,207,044.26

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

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Others	Reversal or reselling	Others	
Raw materials	118,815,553.26	-11,983,273.53		35,463,729.60		71,368,550.13
Stocks	55,694,955.01	22,954,138.44		11,109,831.36		67,539,262.09
Packaging materials and low value consumables	2,263,387.22	519,660.31		249,323.88		2,533,723.65
Total	176,773,895.49	11,490,525.22		46,822,884.84		141,441,535.87

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

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

9. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Certificate of deposit and interest	442,772,777.78	361,774,444.44
Total	442,772,777.78	361,774,444.44

(1) Debt investments due within one year

□ Applicable ☑ Not applicable

(2) Other debt investments due within one year

□ Applicable ☑ Not applicable

10. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Time deposits and other wealth management products	2,219,049,423.96	11,209,672.18
Input tax to be deducted and certified	397,271,600.13	309,513,536.94
Cost of returned goods receivable	147,880,091.79	136,588,595.19
Prepaid taxes and fees	90,685,070.74	13,248,495.90
Others	7,190,030.58	3,779,807.55
Total	2,862,076,217.20	474,340,107.76

Other explanations: None.

11. Other equity instrument investments

Unit: RMB

Item name	Closing balance	Opening balance	Gains included in other comprehensive income during the period	Loss included in other comprehensive income during the period	Accumulated gains included in other comprehensive income at the end of the period	Accumulated loss included in other comprehensive income at the end of the period	Dividend income recognized in the current period	Reason for designating measurement at fair value through other comprehensive income
ImmuneSensor Therapeutics Inc.	71,745,000.00	71,745,000.00						The investment is strategic and is a non-trading equity instrument investment
Total	71,745,000.00	71,745,000.00						

Derecognition during the period: None.

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

12. Long-term equity investments

Unit: RMB

Investee	Opening balance (book value)	Opening balance of the impairment provision	Increase and decrease in the current period								Closing balance (book value)	Closing balance of impairment provision
			Additional investment	Decreased investment	Profits and losses on investments confirmed under the equity method	Adjustment of other comprehensive income	Change in other equities	Cash dividends or profit declared to be issued	Provision for impairment	Others		
I. Joint ventures												
II. Associates												
Shanghai Pharmaceuticals Holding Co., Ltd.	11,318,607,693.92				627,651,828.07	-22,425,249.10	18,844,632.23	406,032,345.56			11,536,646,559.56	
Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.												
Lijiang Changgengming Trading Co., Ltd.	142,253.18				-142,253.18							

Ban Loong Jacobson JBM Pharma Limited			55,318.80		-38,630.37					-2,255.06	14,433.37	
Subtotal	11,318,749,947.10		55,318.80		627,470,944.52	-22,425,249.10	18,844,632.23	406,032,345.56		-2,255.06	11,536,660,992.93	
Total	11,318,749,947.10		55,318.80		627,470,944.52	-22,425,249.10	18,844,632.23	406,032,345.56		-2,255.06	11,536,660,992.93	

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

□ Applicable ☑ Not applicable

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

□ Applicable ☑ Not applicable

Reasons for significant differences between the foregoing information and information used for impairment testing in previous years or external information: None.

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year: None.

Other explanations: None.

13. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profits or losses	324,674,379.63	380,786,134.24
Total	324,674,379.63	380,786,134.24

Other explanations: None.

14. Investment properties

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

☑Applicable □Not applicable

Unit: RMB

Item	Buildings and structures	Land use rights	Construction in progress	Total
I. Original book value				
1. Opening balance	52,663,738.12	38,294,126.24		90,957,864.36
2. Increase in the current period	19,837,775.99	7,801,587.20		27,639,363.19
(1) Outsourcing				
(2) Transfer from inventory\fixed assets\ construction in progress	19,837,775.99	7,801,587.20		27,639,363.19
(3) Increase in business combination				
3. Decrease in the current period	17,534,546.83	13,910,913.51		31,445,460.34
(1) Disposal				
(2) Other transfer out	17,534,546.83	13,910,913.51		31,445,460.34
4. Closing balance	54,966,967.28	32,184,799.93		87,151,767.21
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	31,783,351.89	3,350,735.98		35,134,087.87
2. Increase in the current period	14,128,329.86	2,722,016.86		16,850,346.72
(1) Provision or amortization	661,466.76	609,580.32		1,271,047.08
(2) Others	13,466,863.10	2,112,436.54		15,579,299.64
3. Decrease in the current period	10,157,667.79	1,217,204.91		11,374,872.70
(1) Disposal				
(2) Other transfer out	10,157,667.79	1,217,204.91		11,374,872.70
4. Closing balance	35,754,013.96	4,855,547.93		40,609,561.89
III. Provision for impairment				

1. Opening balance				
2. Increase in the current period	2,438,059.35			2,438,059.35
(1) Provision				
(2) Other	2,438,059.35			2,438,059.35
3. Decrease in the current period				
(1) Disposal				
(2) Other transfer out				
4. Closing balance	2,438,059.35			2,438,059.35
IV. Book value				
1. Closing book value	16,774,893.97	27,329,252.00		44,104,145.97
2. Opening book value	20,880,386.23	34,943,390.26		55,823,776.49

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

□Applicable ☑Not applicable

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

□Applicable ☑Not applicable

Reasons for significant differences between the foregoing information and information used for impairment testing in previous years or external information: None.

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year: None.

Other explanations: None.

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

□Applicable ☑Not applicable

(3) Conversion to investment properties and adoption of fair value measurement: None.

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

15. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	2,662,805,209.03	2,721,970,469.98
Liquidation of fixed assets	94,805.00	1,331,895.67
Total	2,662,900,014.03	2,723,302,365.65

(1) Fixed assets

Unit: RMB

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

1. Opening balance	2,480,173,132.48	1,533,268,006.94	60,443,544.48	176,201,281.24	2,140,485.56	4,252,226,450.70
2. Increase in the current period	99,117,695.62	78,291,644.49	10,708,750.69	3,361,027.13	28,580.67	191,507,698.60
(1) Purchase		36,172,352.82	10,708,750.69		28,580.67	46,909,684.18
(2) Transfer from construction in progress	81,583,148.79	42,119,291.67		3,361,027.13		127,063,467.59
(3) Increase in business combination						
(4) Others	17,534,546.83					17,534,546.83
3. Decrease in the current period	29,698,036.70	7,989,056.66	5,255,451.68	21,434,572.13	911,472.37	65,288,589.54
(1) Disposal or scrapping	9,860,260.71	7,989,056.66	5,255,451.68	21,434,572.13	911,472.37	45,450,813.55
(2) Other transfer-out	19,837,775.99					19,837,775.99
4. Closing balance	2,549,592,791.40	1,603,570,594.77	65,896,843.49	158,127,736.24	1,257,593.86	4,378,445,559.76
II. Accumulated depreciation						
1. Opening balance	503,358,238.26	843,895,176.28	36,330,631.77	78,536,215.59	1,564,749.64	1,463,685,011.54
2. Increase in the current period	71,733,418.97	115,085,045.96	2,982,076.44	27,206,500.15	163,942.43	217,170,983.95
(1) Provision	61,575,751.18	115,085,045.96	2,982,076.44	27,206,500.15	163,942.43	207,013,316.16
(2) Others	10,157,667.79					10,157,667.79
3. Decrease in the current period	16,971,659.88	5,830,013.93	4,574,933.73	4,159,590.10	692,293.86	32,228,491.50
(1) Disposal or scrapping	3,504,796.78	5,830,013.93	4,574,933.73	4,159,590.10	692,293.86	18,761,628.40
(2) Other transfer-out	13,466,863.10					13,466,863.10
4. Closing balance	558,119,997.35	953,150,208.31	34,737,774.48	101,583,125.64	1,036,398.21	1,648,627,503.99
III. Provision for impairment						
1. Opening balance	63,002,508.17	3,558,224.02		10,236.99		66,570,969.18
2. Increase in the current period	12,773.34			4,157,005.70		4,169,779.04
(1) Provision	12,773.34			4,157,005.70		4,169,779.04
(2) Others						
3. Decrease in the current period	2,438,059.35	1,289,842.13				3,727,901.48
(1) Disposal or scrapping		1,289,842.13				1,289,842.13
(2) Other transfer-out	2,438,059.35					2,438,059.35
4. Closing balance	60,577,222.16	2,268,381.89		4,167,242.69		67,012,846.74
IV. Book value						
1. Closing book value	1,930,895,571.89	648,152,004.57	31,159,069.01	52,377,367.91	221,195.65	2,662,805,209.03
2. Opening book value	1,913,812,386.05	685,814,606.64	24,112,912.71	97,654,828.66	575,735.92	2,721,970,469.98

(2) Temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks
Electronic equipment	7,112,776.58	2,588,427.63	4,167,242.69	357,106.26	
Machinery and equipment	7,013,818.18	4,657,313.45	0.00	2,356,504.73	

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

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

Unit: RMB

Item	Book value	Reasons for not obtaining the title certificate
No.51 Xiba Road (general workshop)	3,906,752.88	It was unable to apply for the certificate due to the loss of relevant documents
Yunjian Assets	2,178,828.56	It was acquired by judicial auction, with land title but no real estate property certificate.
Overall relocation project of Wenshan Qihua	33,578,434.11	Some title certificates have been obtained, and the rest is under application.
Drug Division of Dali Pharmaceutical Economic Development Zone	27,136,680.35	Under application
Buildings in planting base of Yunquan	1,373,159.38	The land is a leased land

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	94,206.37	1,223,963.94
Electronic equipment		107,058.13
Transportation vehicles	598.63	873.60
Total	94,805.00	1,331,895.67

Other explanations:

16. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	529,708,553.58	193,993,194.93
Total	529,708,553.58	193,993,194.93

(1) Construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Project of Yunnan Baiyao International Center (Shanghai)	389,398,864.33		389,398,864.33	115,853,670.95		115,853,670.95
Yunnan Baiyao R&D platform - Kunming center construction project	82,578,321.10		82,578,321.10	15,674,946.37		15,674,946.37
Optimization project of new factory of Yunnan Baiyao toothpaste	23,403,647.03		23,403,647.03			
Granules Production Increase and Expansion Project of Pharmaceutical Business Group of Yunnan Baiyao Group	16,649,408.02		16,649,408.02			
Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase I)	5,655,808.43		5,655,808.43			
Chinese Medicine Pharmaceutical Service Kunming Center Project of Yunnan Baiyao Group	2,667,581.02		2,667,581.02			
Yunnan Baiyao Wenshan Sanqi smart technology park project	1,081,007.34		1,081,007.34	3,986,332.63		3,986,332.63
Production base construction project of Yunnan Baiyao Group Shanghai Technology Co., Ltd.	1,024,787.20		1,024,787.20			
Yunnan Baiyao Shanghai project office decoration project	396,852.43		396,852.43	5,513,196.92		5,513,196.92
Upgrading project of the old workshop in the economic development zone				9,585,081.75		9,585,081.75
Health Industry Project (Phase I) of Yunnan Baiyao Group	593,826.74		593,826.74	6,979,457.53		6,979,457.53
Yunnan Baiyao Taian project phase III				2,271,149.08		2,271,149.08
Cosmetic medicine supporting commercial and office projects of Yunnan Baiyao in Beijing SOHO				2,218,701.36		2,218,701.36
PKU-YBIMRC renovation project				1,890,969.29		1,890,969.29
Others	6,258,449.94		6,258,449.94	30,019,689.05		30,019,689.05
Total	529,708,553.58		529,708,553.58	193,993,194.93		193,993,194.93

(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
Shanghai International Center of Yunnan Baiyao	1,389,170,500.00	115,853,670.95	273,545,193.38			389,398,864.33	40.85%	50.89%				Other
Yunnan Baiyao R&D platform - Kunming center construction project	921,670,000.00	15,674,946.37	66,903,374.73			82,578,321.10	8.96%	11.04%				Other
Optimization project of new factory of Yunnan Baiyao toothpaste	38,000,000.00	1,677,435.34	22,042,140.89	315,929.20		23,403,647.03	76.75%	90%				Other
Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase I)	17,860,000.00		7,156,693.39	1,500,884.96		5,655,808.43	40.07%	40%				Other
Chinese Medicine Pharmaceutical Service Kunming Center Project of Yunnan Baiyao Group	68,096,000.00		2,667,581.02			2,667,581.02	8.17%	40%				Other
Health Industry Project (Phase I) of Yunnan Baiyao Group	1,158,174,400.00	6,979,457.53	54,270,650.85	55,686,770.01	4,969,511.63	593,826.74	90.00%	99%				Other
Total	3,592,970,900.00	140,185,510.19	426,585,634.26	57,503,584.17	4,969,511.63	504,298,048.65						

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

(4) Impairment test of construction in progress

□ Applicable ☑ Not applicable

(5) Project materials: None.

17. Productive biological assets

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

☑ Applicable □ Not applicable

Unit: RMB

Item	Planting	Stockbreeding	Forestry	Aquaculture	Total
	Tea tree				
I. Original book value					
1. Opening balance	2,578,500.00				2,578,500.00
2. Increase in the current period					
(1) Outsourcing					
(2) Self-cultivation					
3. Decrease in the current period					
(1) Disposal					
(2) Others					
4. Closing balance	2,578,500.00				2,578,500.00
II. Accumulated depreciation					
1. Opening balance	1,418,175.15				1,418,175.15
2. Increase in the current period	171,900.00				171,900.00
(1) Provision	171,900.00				171,900.00
3. Decrease in the current period					
(1) Disposal					
(2) Others					
4. Closing balance	1,590,075.15				1,590,075.15
III. Provision for impairment					
1. Opening balance					
2. Increase in the current period					
(1) Provision					

3. Decrease in the current period					
(1) Disposal					
(2) Others					
4. Closing balance					
IV. Book value					
1. Closing book value	988,424.85				988,424.85
2. Opening book value	1,160,324.85				1,160,324.85

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

□ Applicable ☑ Not applicable

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

□ Applicable ☑ Not applicable

18. Right-of-use assets

(1) Right-of-use assets

Unit: RMB

Item	Houses and buildings	Total
I. Original book value		
1. Opening balance	580,165,392.75	580,165,392.75
2. Increase in the current period	60,930,940.63	60,930,940.63
(1) Lease	60,930,940.63	60,930,940.63
(2) Others		
3. Decrease in the current period	135,436,027.40	135,436,027.40
(1) Disposal	135,436,027.40	135,436,027.40
(2) Others		
4. Closing balance	505,660,305.98	505,660,305.98
II. Accumulated depreciation		
1. Opening balance	190,190,002.02	190,190,002.02
2. Increase in the current period	100,305,178.75	100,305,178.75
(1) Provision	100,305,178.75	100,305,178.75
(2) Others		
3. Decrease in the current period	43,154,360.37	43,154,360.37
(1) Disposal	43,154,360.37	43,154,360.37
(2) Others		
4. Closing balance	247,340,820.40	247,340,820.40
III. Provision for impairment		
1. Opening balance		
2. Increase in the current period		
(1) Provision		
3. Decrease in the current period		
(1) Disposal		

4. Closing balance		
IV. Book value		
1. Closing book value	258,319,485.58	258,319,485.58
2. Opening book value	389,975,390.73	389,975,390.73

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

□ Applicable ☑ Not applicable

Other explanations: None.

19. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Land use rights	Patent Right	Non-patent technology	Software	Trademark	Franchise rights	Total
I. Original book value							
1. Opening balance	683,358,811.53	35,290,624.52	2,150,381.86	44,659,022.05	20,000.00	151,853,515.32	917,332,355.28
2. Increase in the current period	13,910,913.51			30,805,130.71		2,228,167.25	46,944,211.47
(1) Purchase				4,557,800.53		2,228,167.25	6,785,967.78
(2) Transfer from construction in progress				26,247,330.18			26,247,330.18
(3) Increase in business combination							
(4) Others	13,910,913.51						13,910,913.51
3. Decrease in the current period	7,801,587.20	797,947.92					8,599,535.12
(1) Disposal		797,947.92					797,947.92
(2) Other transfer-out	7,801,587.20						7,801,587.20
4. Closing balance	689,468,137.84	34,492,676.60	2,150,381.86	75,464,152.76	20,000.00	154,081,682.57	955,677,031.63
II. Accumulated amortization							
1. Opening balance	144,827,547.65	24,852,586.94	2,150,381.86	11,566,287.48	925.55	16,855,816.42	200,253,545.90
2. Increase in the current period	15,005,804.96	2,802,967.77		13,538,803.31	2,222.22	808,399.92	32,158,198.18

(1) Provision	13,788,600.05	2,802,967.77		13,538,803.31	2,222.22	808,399.92	30,940,993.27
(2) Others	1,217,204.91						1,217,204.91
3. Decrease in the current period	2,108,684.95	797,947.92					2,906,632.87
(1) Disposal		797,947.92					797,947.92
(2) Other transfer-out	2,108,684.95						2,108,684.95
4. Closing balance	157,724,667.66	26,857,606.79	2,150,381.86	25,105,090.79	3,147.77	17,664,216.34	229,505,111.21
III. Provision for impairment							
1. Opening balance	6,382,453.60					119,710,531.48	126,092,985.08
2. Increase in the current period						16,706,934.75	16,706,934.75
(1) Provision						16,706,934.75	16,706,934.75
3. Decrease in the current period							
(1) Disposal							
4. Closing balance	6,382,453.60					136,417,466.23	142,799,919.83
IV. Book value							
1. Closing book value	525,361,016.58	7,635,069.81		50,359,061.97	16,852.23		583,372,000.59
2. Opening book value	532,148,810.28	10,438,037.58		33,092,734.57	19,074.45	15,287,167.42	590,985,824.30

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

(3) Impairment test of intangible assets

☑Applicable □Not applicable

The recoverable amount is recognized by the fair value, net of the disposal expenses

□Applicable ☑Not applicable

The recoverable amount is recognized by the present value of expected future cash flows

☑Applicable □Not applicable

Unit: RMB

Item	Book value	Recoverable amount	Impairment amount	Expected years	Key parameters for the expected years	Key parameters for the stable years	Basis for determining the key parameters for the stable years
Franchise of Lincang Manor	16,706,934.75	0.00	16,706,934.75	21	Cost growth rate being 0.56% - 0.87%, discount rate being 12.19%	The remaining benefit period is 21 years, and predictions are made for the remaining benefit period	
Total	16,706,934.75	0.00	16,706,934.75				

20. Goodwill

(1) Original book value of goodwill

Unit: RMB

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

(2) Provision for impairment of goodwill

Unit: RMB

Name of the investee or items forming goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Provision	Disposal	
Shanghai Hanshi Health Consulting Co., Ltd.		16,089,461.58		16,089,461.58
YNBY International Limited (Formerly Ban Loong Holdings Limited)	561,515,748.26			561,515,748.26
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	17,234,070.00	9,670,861.64		26,904,931.64
Lijiang Yunquan Biological Development Co., Ltd.	721,770.39			721,770.39
Total	579,471,588.65	25,760,323.22		605,231,911.87

(3) Related information on asset group or combination of asset groups containing goodwill

Name	Composition and basis of the asset group or portfolio to which it belongs	Business segments and basis	Whether consistent with the previous years
YNBY International Limited (Formerly Ban Loong Holdings Limited)	The asset group consists of "notes and accounts receivable, prepayments, inventories, other receivables, other current assets, fixed assets, right-to-use assets, accounts payable, contractual liabilities, other payables and goodwill," which is the smallest portfolio of assets or the smallest portfolio of asset groups that can generate major cash inflows independently	The management's approach to managing and monitoring business activities	Yes
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	The asset group consists of "fixed assets, intangible assets, right-of-use assets, long-term deferred expenses and goodwill," which is the smallest portfolio of assets or the smallest portfolio of asset groups that can generate major cash inflows independently	The management's approach to managing and monitoring business activities	Yes
Shanghai Hanshi Health Consulting Co., Ltd.	The asset group consists of "fixed assets, construction in progress (equipment), right-of-use assets, long-term deferred expenses and goodwill," which is the smallest portfolio of assets or the smallest portfolio of asset groups that can generate major cash inflows independently	The management's approach to managing and monitoring business activities	Yes
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	The asset group consists of "fixed assets, intangible assets and goodwill," which is the smallest portfolio of assets or the smallest portfolio of asset groups that can generate major cash inflows independently	The management's approach to managing and monitoring business activities	Yes

(4) Determination of recoverable amount

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

□Applicable ☑Not applicable

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

☑Applicable □Not applicable

Unit: RMB

Item	Book value	Recoverable amount	Impairment amount	Forecast period (years)	Key parameters for the forecast period	Key parameters for the stable period	Basis for determining the key parameters for the stable period
YNBY International Limited (Formerly Ban Loong Holdings Limited)	1,175,006,194.96	455,828,700.00	561,515,748.26	2024-2028 (followed by the stable period)	Growth rate 10.58% to 11.53%, profit margin 2.77% to 3.25%, pre-tax discount rate 9.10%	Growth rate 0.00%, profit margin 2.77%, discount rate 9.10%	The income growth rate for the stable period is 0%, the profit margin and discount rate are for the last year of the forecast period, and the discount rate is a pre-tax discount rate that reflects the risks specific to the relevant asset group or portfolio of asset groups.
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	52,868,433.83	14,000,000.00	26,904,931.64	2024-2028 (followed by the stable period)	Growth rate 0.34% to 0.40%, profit margin 6.30% to 6.75%, pre-tax discount rate 13.75%	Growth rate 0.00%, profit margin 6.75%, discount rate 13.75%	The income growth rate for the stable period is 0%, the profit margin and discount rate are for the last year of the forecast period, and the discount rate is a pre-tax discount rate that reflects the risks specific to the relevant asset group or portfolio of asset groups.
Shanghai Hanshi Health Consulting Co., Ltd.	40,089,461.58	24,000,000.00	16,089,461.58	2024-2028 (followed by the stable period)	Growth rate 20%, profit margin -33.44% to 10.49%, pre-tax discount rate 13.69%	Growth rate 0%, profit margin 10.49%, discount rate 13.69%	The income growth rate for the stable period is 0%, the profit margin and discount rate are for the last year of the forecast period, and the discount rate is a pre-tax discount rate that reflects the risks specific to the relevant asset group or portfolio of asset groups.
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	32,644,949.63	55,000,000.00	0	2024-2028 (followed by the stable period)	Growth rate 0%, profit margin 4.13% to 4.23%, pre-tax discount rate 14.11%	Growth rate 0%, profit margin 4.13%, discount rate 14.11%	The income growth rate for the stable period is 0%, the profit margin and discount rate are for the last year of the forecast period, and the discount rate is a pre-tax discount

							rate that reflects the risks specific to the relevant asset group or portfolio of asset groups.
Total	1,300,609,040.00	548,828,700.00	604,510,141.48				

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

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

(5) Fulfillment of undertakings and goodwill impairment

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

□ Applicable ☑ Not applicable

Other explanations: None.

21. Long-term deferred expenses

Unit: RMB

Item	Opening balance	Increase in the current period	Amortization in the current period	Other decrease	Closing balance
Building decoration and project renovation	90,442,503.49	33,160,372.79	27,178,754.57		96,424,121.71
Nanping Street renovation project of Yunnan Baiyao	9,497,542.66	964,501.89	3,962,925.04		6,499,119.51
External preparation demonstration hall renovation project	1,434,420.64	0.00	1,434,420.64		0.00
Others	1,665,425.97	1,664,442.75	917,559.63		2,412,309.09
Total	103,039,892.76	35,789,317.43	33,493,659.88	0.00	105,335,550.31

Other explanations: None.

22. Deferred income tax assets/deferred income tax liabilities

(1) Deferred tax assets before offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment and provision for credit impairment	149,391,736.51	29,733,789.86	183,093,535.46	35,612,233.01

Unrealised profits of intra-group transactions	355,719,960.08	56,616,299.10	433,164,555.99	68,246,952.21
Deductible losses	85,261,634.28	12,772,083.95	98,294,872.23	16,407,198.08
Provision for credit impairment	1,031,702,042.48	155,456,724.98	858,738,207.86	130,874,447.83
Deferred income	174,855,238.93	26,308,248.51	112,673,439.27	16,991,015.89
Contractual liabilities	927,324,390.56	139,098,658.58	744,264,425.60	111,639,663.83
Payroll payable and long-term employee benefits payable	442,302,070.56	66,345,310.57	213,880,961.43	32,082,144.21
Expenses beyond overall planning for employee status conversion expenses of state-owned enterprises and social security expenses of retirees	488,564,678.84	73,284,701.83	523,242,481.81	78,486,372.27
Lease liabilities	247,083,412.30	33,532,096.13	377,446,471.13	78,492,672.52
Changes in fair value	31,774,859.47	4,766,228.92	511,601,593.57	76,740,239.04
Other payables	390,202,998.08	58,530,449.71	439,458,968.57	65,918,845.29
Others	56,028,058.38	8,404,208.76	1,709,349.66	254,929.90
Estimated income from returned goods	172,763,638.76	26,020,408.22	9,912,179.43	1,500,065.58
Total	4,552,974,719.23	690,869,209.12	4,507,481,042.01	713,246,779.66

(2) Deferred tax liabilities before offset

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value			111,313,586.41	16,988,794.59
Right-of-use assets	258,319,485.58	34,427,707.34	359,106,274.04	74,402,624.87
Fixed assets subject to one-time pre-tax deduction	26,760,390.32	4,014,058.55	25,258,729.32	3,788,809.41
Appreciation of asset valuation	5,464,293.67	1,366,073.41	7,642,418.23	1,148,270.17
Investment income from business combination not under common control achieved in stages	2,282,373.90	570,593.48	2,282,373.90	570,593.48
Others	65,373,768.09	9,806,065.22	7,867,630.46	1,180,144.57
Cost of returned goods receivable	163,264,685.39	24,587,573.70		
Total	521,464,996.95	74,772,071.70	513,471,012.36	98,079,237.09

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

Unit: RMB

Item	Offsetting amount of deferred income tax assets and deferred income tax liabilities at the end of the reporting period	Closing balance of deferred income tax assets or liabilities after offset	Offsetting amount of deferred income tax assets and deferred income tax liabilities at the beginning of the reporting period	Opening balance of deferred income tax assets or liabilities after offset
Deferred income tax assets		690,869,209.12		713,246,779.66
Deferred income tax liabilities		74,772,071.70		98,079,237.09

(4) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	697,042,370.78	443,245,994.93
Provision for asset impairment and provision for credit impairment	505,835,499.95	840,097,956.04
Deferred income	63,955,872.11	65,948,373.73
Others	10,735,715.83	9,339,644.36
Total	1,277,569,458.67	1,358,631,969.06

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

Unit: RMB

Year	Closing balance	Opening balance	Remarks
2023		9,639,436.11	
2024	18,092,739.35	4,973,973.57	
2025	20,152,321.40	15,423,790.17	
2026	136,477,740.18	125,859,640.03	
2027	202,345,894.66	209,472,670.65	
2028	299,773,438.15	6,005,279.37	
2029	1,476,119.82	12,571,801.89	
2030	4,028,298.39	7,604,046.31	
2031	12,861,719.12	19,011,681.19	
2032	1,599,912.28	32,683,675.64	
2033	234,187.43		
Total	697,042,370.78	443,245,994.93	

Other explanations: None.

23. Other non-current assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Time deposit and interest	913,499,670.63		913,499,670.63	1,044,622,324.57		1,044,622,324.57
Advance payment for the purchase of fixed assets	3,485,598.75		3,485,598.75	24,712,674.27		24,712,674.27
Cost of returned goods receivable	15,394,540.30		15,394,540.30	17,595,832.83		17,595,832.83
Stocks of special materials	42,000,723.80		42,000,723.80	30,000,000.00		30,000,000.00
Value-added tax credit refund	9,867,575.47		9,867,575.47	9,867,575.47		9,867,575.47
Less: the part due within 1 year	-442,772,777.78		-442,772,777.78	-161,580,000.00		-161,580,000.00
Total	541,475,331.17		541,475,331.17	965,218,407.14		965,218,407.14

Other explanations: None.

24. Assets with Restricted Ownership or Use Rights:

Unit: RMB

Item	At the end of the period				At the beginning of the period			
	Book balance	Book value	Type of restriction	Restriction	Book balance	Book value	Type of restriction	Restriction
Cash and bank balance	2,643,393.65	2,643,393.65	Special use	Special fund for paying the cost of employee status conversion in state-owned enterprises, housing reform and housing maintenance costs				
Cash and bank balance	500,000.00	500,000.00	Property preservation	The lawsuit has been won, and we are promoting the lifting of the freeze and other related matters.				
Cash and bank balance	48,618,045.43	48,618,045.43	Security deposit	Security deposit	9,953,700.00	9,953,700.00	Security deposit	Security deposit
Various assets of the restructured special account	627,116,169.10	627,116,169.10	Special use	Special fund for paying the cost of employee status conversion in state-owned enterprises	641,477,826.99	641,477,826.99	Special use	Special fund for paying the cost of employee status conversion in state-owned enterprises
Long-term equity investments	11,536,646,559.56	11,536,646,559.56	Restricted	The holdings shall not be transferred within 36 months since the ending date of the private placement in 2021	11,318,607,693.92	11,318,607,693.92	Restricted	The holdings shall not be transferred within 36 months since the ending date of the private placement in 2021
Total	12,215,524,167.74	12,215,524,167.74			11,970,039,220.91	11,970,039,220.91		

Other explanations: None.

25. Short-term loans

(1) Classification of short-term loans

Unit: RMB

Item	Closing balance	Opening balance
Loan in credit	1,014,634,728.09	890,531,958.04
Discounted internal bills	732,668,972.25	960,335,928.55
Total	1,747,303,700.34	1,850,867,886.59

Explanation on classification of short-term loans: None.

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

26. Notes payable

Unit: RMB

Type	Closing balance	Opening balance
Commercial acceptance bill		100,000.00
Banker's acceptance bill	1,850,863,313.78	1,991,807,836.96
Total	1,850,863,313.78	1,991,907,836.96

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

27. Accounts payable

(1) Accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods	4,326,110,424.11	4,598,356,773.61
Payment for engineering equipment	33,522,218.09	40,782,479.02
Labor expenses and others		122,143.82
Total	4,359,632,642.20	4,639,261,396.45

(2) Major accounts payable aged over one year:

Unit: RMB

Item	Closing balance	Reasons for outstanding or carry-forward
Kunming Derun Jindi Trading Co., Ltd.	7,235,339.76	The payment conditions have not been met
Total	7,235,339.76	

28. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Dividend payable	86,490,742.04	89,413,484.03
Other payables	938,595,137.50	954,279,725.75
Total	1,025,085,879.54	1,043,693,209.78

(1) Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
State-owned Assets Supervision and Administration Commission of the People's Government of Yunnan Province, New Huadu Industrial Group Co., Ltd.	86,490,742.04	86,490,742.04
Kunming Nuo'an Enterprise Management Co., Ltd.		2,922,741.99
Total	86,490,742.04	89,413,484.03

(2) Other payables

1) Other payables by nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Market maintenance fee	459,313,752.19	449,675,991.26
Deposits and guarantees	266,970,613.85	305,330,173.64
Other current accounts	81,677,453.94	31,366,513.19
Hospital management fee payable	70,325,588.08	85,937,574.20
Collection and payment	20,013,555.07	14,954,473.71
Loans and interests		60,956,390.23
Others	40,294,174.37	6,058,609.52
Total	938,595,137.50	954,279,725.75

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

29. Receipts in advance

(1) Receipts in advance

Unit: RMB

Item	Closing balance	Opening balance
Receipts in advance - lease	486,612.12	1,569,799.63
Total	486,612.12	1,569,799.63

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

30. Contractual liabilities

Unit: RMB

Item	Closing balance	Opening balance
Receipts in advance - goods contract	1,737,952,687.45	2,575,823,948.53
Others	1,912,541.30	2,440,672.60
Total	1,739,865,228.75	2,578,264,621.13

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

31. Payroll payable

(1) Payroll payable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term compensation	440,330,260.27	2,939,567,358.61	2,359,647,788.43	1,020,249,830.45
II. Welfare after demission - defined contribution plan	27,839,224.27	211,857,267.29	192,811,926.46	46,884,565.10
III. Dismissal welfare	280,863.98	9,564,670.27	9,789,264.72	56,269.53
Total	468,450,348.52	3,160,989,296.17	2,562,248,979.61	1,067,190,665.08

(2) Short-term compensation

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Salary, bonus, allowance, and subsidy	163,058,986.84	2,083,922,628.73	1,712,403,323.99	534,578,291.58
2. Staff welfare	12,216,670.96	229,998,404.91	226,106,664.10	16,108,411.77
3. Social insurance contribution	829,224.27	88,280,369.51	88,822,248.85	287,344.93
Of which: Medical insurance premiums	809,268.95	80,096,124.97	80,653,254.82	252,139.10
Industrial injury insurance premiums	7,217.66	5,486,413.52	5,484,743.93	8,887.25
Maternity insurance premiums	12,737.66	2,697,831.02	2,684,250.10	26,318.58
4. Housing provident fund	215,632.66	105,774,649.56	105,583,334.56	406,947.66
5. Union dues and staff training fees	27,188,273.65	34,722,534.78	31,338,662.73	30,572,145.70
6. Short-term paid absence	23,383.99		23,383.99	
7. Short-term profit-sharing plan	236,797,817.90	283,810,831.02	82,496,090.38	438,112,558.54
8. Other short-term compensation	270.00	113,057,940.10	112,874,079.83	184,130.27
Total	440,330,260.27	2,939,567,358.61	2,359,647,788.43	1,020,249,830.45

(3) Defined contribution plans

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	466,997.59	158,013,057.69	157,959,365.51	520,689.77
2. Unemployment insurance premiums	15,428.02	5,791,900.67	5,786,447.64	20,881.05
3. Corporate pension payment	27,356,798.66	48,052,308.93	29,066,113.31	46,342,994.28
Total	27,839,224.27	211,857,267.29	192,811,926.46	46,884,565.10

Other explanations: None.

32. Tax payables

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	74,507,524.44	105,116,961.78
Consumption tax	9,690.71	274,825.30
Enterprise Income Tax	215,055,624.82	366,975,428.61
Individual income tax	13,584,778.64	16,268,091.05
Urban maintenance and construction tax	5,944,928.97	6,874,277.78
Property tax	11,470,392.03	152,423.60
Land use tax	5,324,861.58	25,004.80
Stamp duty	5,765,684.18	4,476,145.74
Education surcharge	2,628,898.41	3,110,941.91
Local education surcharge	1,752,038.22	2,049,949.71
Environmental protection tax	10,222.02	18,065.25
Water conservancy fund	4,724.15	11,439.47
Collected and remitted taxes and fees	3,611,481.85	3,933,367.32
Total	339,670,850.02	509,286,922.32

Other explanations: None.

33. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Lease liabilities due within one year	74,736,102.58	93,870,902.64
Total	74,736,102.58	93,870,902.64

Other explanations: None.

34. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Returns payable	157,398,378.74	145,436,712.72

Transfer to output tax	373,745,525.66	233,949,060.47
Special financial support funds of "transferring loan to subsidy" for the use of intelligent voice cluster development base in the R&D project of intelligent medical devices based on medical big data	1,800,000.00	1,800,000.00
Total	532,943,904.40	381,185,773.19

Changes in short-term bonds payable: None.

35. Long-term loans

Long-term loans by type

Unit: RMB

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

Explanation on classification of long-term loans: None.

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

36. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Buildings and structures	247,083,412.30	379,654,631.37
Less: Non-current liabilities reclassified to liabilities due within one year	-74,736,102.58	-93,870,902.64
Total	172,347,309.72	285,783,728.73

Other explanations: None.

37. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	626,897,323.88	641,235,559.39
Special payables	4,838,584.16	4,838,584.16
Total	631,735,908.04	646,074,143.55

(1) Long-term payables by nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Expenses beyond overall planning for employee status conversion expenses of state-owned enterprises and social security expenses of retirees	626,897,323.88	641,235,559.39

Other explanations: None.

(2) Special payables

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Preliminary funds for major technological transformation projects	888,468.00			888,468.00	Transfer from Baiyao Holdings due to merger by absorption
Fulintang chain operating funds	500,000.00			500,000.00	Transfer from Baiyao Holdings due to merger by absorption
Funds for Kunming medicine distribution center	500,000.00			500,000.00	Transfer from Baiyao Holdings due to merger by absorption
Yunnan Sanqi brand registration project	164,272.00			164,272.00	Transfer from Baiyao Holdings due to merger by absorption
Group company management information system project	250,978.00			250,978.00	Transfer from Baiyao Holdings due to merger by absorption
Group company technology center construction expenses	231,265.00			231,265.00	Transfer from Baiyao Holdings due to merger by absorption
Nefuramide oxalate project funding	85,426.00			85,426.00	Transfer from Baiyao Holdings due to merger by absorption
Yunnan Natural Medicine Engineering Center project	998,506.00			998,506.00	Transfer from Baiyao Holdings due to merger by absorption
New drug research project for treatment of back pulp injury	472,062.56			472,062.56	Transfer from Baiyao Holdings due to merger by absorption
Material purchase project research expense	489,575.00			489,575.00	Transfer from Baiyao Holdings due to merger by absorption

R&D of new drugs for treating cardiovascular and cerebrovascular diseases (TCM)	258,031.60			258,031.60	Transfer from Baiyao Holdings due to merger by absorption
Total	4,838,584.16			4,838,584.16	

Other explanations: None.

38. Long-term payroll payable

(1) Details of long-term payroll payable

Unit: RMB

Item	Closing balance	Opening balance
II. Termination benefits	409,232.99	598,998.08
III. Other long-term benefits	3,681,455.00	3,681,455.00
Total	4,090,687.99	4,280,453.08

(2) Change of defined benefit plan: None.

39. Estimated liabilities: None.

40. Deferred income

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government subsidies					
Including: Government subsidies related to income	20,353,660.72	67,596,671.93	7,026,939.27	80,923,393.38	
Government subsidies related to assets	158,268,152.28	16,418,070.75	16,798,505.37	157,887,717.66	
Total	178,621,813.00	84,014,742.68	23,825,444.64	238,811,111.04	

Other explanations: None.

41. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Receipts of real estate sale under staff housing reform	1,931,554.36	1,931,554.36
Returns payable	15,365,260.05	18,716,979.93
Total	17,296,814.41	20,648,534.29

Other explanations: None.

42. Share capital

Unit: RMB

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

Other explanations: None.

43. Capital reserves

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (equity premium)	18,178,665,010.12		3,648,728.86	18,175,016,281.26
Other capital reserves	52,758,828.60	18,844,632.23		71,603,460.83
Total	18,231,423,838.72	18,844,632.23	3,648,728.86	18,246,619,742.09

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

(1) Reasons for increase during the period:

1) In the current year, other changes in equity in associates and passive dilution of shares due to the exercise of rights to issue new shares were recognized, and an increase of RMB 18,844,632.23 in capital surplus - other capital surplus was recognized in accordance with the proportion of shares held.

(2) Reasons for decrease during the period:

1) During the year, the Company purchased a 30% minority interest in a subsidiary, Yunnan Baiyao Group Medical Technology Hefei Co., Ltd and recognized a decrease of RMB 3,648,728.86 in capital surplus - other capital surplus at the consolidated level based on the difference between the purchase price paid and the amount of equity interest.

44. Treasury stock

Unit: RMB

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

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

45. Other comprehensive income

Unit: RMB

Item	Opening balance	Amount for the current period						Closing balance
		Amount before income tax in the current period	Less: Amount previously included in other comprehensive income but transferred to profits and losses in the current period	Less: Amount previously included in other comprehensive income but transferred to retained earnings in the current period	Less: income tax expenses	That attributable to the Company after tax	That attributable to minority interests after tax	
I. Other comprehensive incomes that will not be reclassified into profits or losses	8,731,257.88	-8,280,710.37				-8,280,710.37		450,547.51
Including: Other comprehensive income that cannot be transferred to profits or losses under equity method	8,731,257.88	-8,280,710.37				-8,280,710.37		450,547.51
II. Other comprehensive incomes to be reclassified into profits and losses	-76,818,908.83	-13,169,810.81				-13,169,810.81	-397,300.60	-89,988,719.64

Including: Other comprehensive income that can be transferred to profits or losses under equity method	-42,284,342.91	-14,144,538.73				-14,144,538.73		-56,428,881.64
Exchange differences from translation of financial statements denominated in foreign currencies	-34,534,565.92	974,727.92				974,727.92	-397,300.60	-33,559,838.00
Total other comprehensive income	-68,087,650.95	-21,450,521.18				-21,450,521.18	-397,300.60	-89,538,172.13

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.

46. 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.

47. Undistributed profit

Unit: RMB

Item	Current period	Previous period
Undistributed profit at the end of the previous period before adjustment	16,720,444,918.66	16,285,350,424.41
Undistributed profit at the beginning of the period after adjustment	16,720,444,918.66	16,285,350,424.41
Plus: Net profits attributable to equity owners the Company's owners in the current period	4,093,782,074.02	3,001,125,887.45
Minus: Ordinary share dividends payable	2,712,079,156.56	2,566,031,393.20
Undistributed profit at the end of the period	18,102,147,836.12	16,720,444,918.66

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

1) Due to retrospective adjustments in accordance with *Accounting Standards for Business Enterprises* and relevantnew provisions, the undistributed profits at the beginning of the period were affected by RMB 0.

2) Due to changes in accounting policies, the undistributed profits at the beginning of the period were affected by RMB 0.

3) Due to correction of material accounting errors, the undistributed profits at the beginning of the period were affected by RMB 0.

4) Due to changes in the consolidation scope under common control, the undistributed profits at the beginning of the period were affected by RMB 0.

5) Due to other adjustments, the undistributed profits at the beginning of the period were affected by RMB 0.

48. Operating revenue and operating cost

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal businesses	39,062,420,069.47	28,704,978,123.36	36,439,562,325.77	26,860,675,164.12
Other businesses	48,872,086.53	39,539,516.93	48,810,323.96	22,810,141.34
Total	39,111,292,156.00	28,744,517,640.29	36,488,372,649.73	26,883,485,305.46

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

□ Yes ☑No

Breakdown information of operating revenue and operating cost:

Unit: RMB

Type of contract	Drug sales		Health and daily chemical		TCM resources	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type	6,684,519,641.40	2,383,515,724.30	6,503,861,736.75	2,086,408,849.77	1,633,112,219.00	1,446,815,933.46
Including:						
Industrial sales income	6,684,519,641.40	2,383,515,724.30	6,503,861,736.75	2,086,408,849.77	483,690,767.27	411,715,375.62
Commercial sales income					1,147,985,373.53	1,034,252,529.43
Technical services						
Hotel catering industry						
Planting sales income					1,436,078.20	848,028.41
Other						
By operating areas	6,684,519,641.40	2,383,515,724.30	6,503,861,736.75	2,086,408,849.77	1,633,112,219.00	1,446,815,933.46
Including:						
In Yunnan province	1,023,670,435.93	143,865,938.13	343,446,449.59	222,007,997.07	697,568,277.52	603,846,136.30
Outside Yunnan province (excluding overseas)	5,626,042,110.70	2,226,272,256.89	6,159,007,075.54	1,863,912,964.87	663,781,849.03	580,838,464.89
Overseas	34,807,094.77	13,377,529.28	1,408,211.62	487,887.83	271,762,092.45	262,131,332.27
Total	6,684,519,641.40	2,383,515,724.30	6,503,861,736.75	2,086,408,849.77	1,633,112,219.00	1,446,815,933.46

Type of contract	Drug circulation		Others		Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type	23,559,399,059.10	22,203,298,707.09	730,399,499.75	624,478,425.67	39,111,292,156.00	28,744,517,640.29
Including:						
Industrial sales income			68,484,915.70	32,112,768.54	13,740,557,061.12	4,913,752,718.23
Commercial sales income	23,559,399,059.10	22,203,298,707.09	587,872,844.72	531,614,450.02	25,295,257,277.35	23,769,165,686.54
Technical services			10,743,024.62	7,388,761.76	10,743,024.62	7,388,761.76
HHotel and catering			14,426,628.18	13,822,928.42	14,426,628.18	13,822,928.42
Planting sales income					1,436,078.20	848,028.41
Other			48,872,086.53	39,539,516.93	48,872,086.53	39,539,516.93
By operating areas	23,559,399,059.10	22,203,298,707.09	730,399,499.75	624,478,425.67	39,111,292,156.00	28,744,517,640.29
Including:						
In Yunnan province	23,487,863,019.51	22,124,468,960.75	275,117,974.26	256,766,618.40	25,827,666,156.81	23,350,955,650.65
Outside Yunnan province (excluding overseas)	71,536,039.59	78,829,746.34	129,074,154.07	52,885,891.51	12,649,441,228.93	4,802,739,324.50
Overseas			326,207,371.42	314,825,915.76	634,184,770.26	590,822,665.14
Total	23,559,399,059.10	22,203,298,707.09	730,399,499.75	624,478,425.67	39,111,292,156.00	28,744,517,640.29

Information related to 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.

Information about variable consideration in the contract: None.

Other explanations: None.

49. Taxes and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Consumption tax	1,334,001.60	854,138.47
Urban maintenance and construction tax	87,286,116.05	84,697,210.82
Education surcharge	38,006,819.35	37,323,173.77
Property tax	20,854,291.61	24,008,483.52
Land use tax	11,015,525.09	11,316,849.02
Vehicle and vessel use tax	82,456.83	178,747.19
Stamp duty	26,724,523.32	24,429,646.95
Land value-added tax		2,563,445.92
Local education surcharge	25,358,176.63	24,927,946.73
Others	139,568.24	189,799.77
Total	210,801,478.72	210,489,442.16

Other explanations: None.

50. Administrative expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	699,216,701.82	456,376,184.90
Depreciation and amortization	119,934,021.71	117,326,492.90
Agency service fee	52,485,577.72	77,396,074.12
Office expenses	22,359,108.91	30,820,796.23
Technical service fee	31,860,830.97	21,061,758.60
Business entertainment fee	15,994,289.45	16,462,082.25
Travel expenses	20,122,003.15	10,754,258.51
Utilities and property management fee	5,926,154.60	8,704,893.66
Security and cleaning fee	6,322,427.76	6,244,773.62
Advertising and promotion expenses	3,570,476.33	4,335,561.43
Afforestation and pollution discharge fee	4,477,164.69	4,179,829.13
Lease cost	6,457,746.85	3,666,584.08
Share payment expenses	0.00	-7,505,567.02
Other	69,777,019.94	83,960,541.05
Total	1,058,503,523.90	833,784,263.46

Other explanations: None.

51. Selling expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	1,831,501,877.46	1,434,593,352.34
Market maintenance and promotion expenses	1,861,437,876.57	1,426,225,492.30
Advertising expenses	661,244,437.69	608,977,960.14
Information technology service fee	53,262,914.17	113,030,603.00
Travel expenses	109,139,900.74	91,116,431.47
Hospital management fee	76,739,145.81	79,327,385.62

Depreciation and amortization	72,950,345.58	73,415,253.68
Planning service fee	68,134,522.07	62,926,565.58
Office expenses	62,544,576.41	55,484,596.00
Manufacturing expenses	19,174,909.92	37,238,976.99
Warehousing expenses	12,101,737.90	32,133,896.26
Material consumption	28,242,998.85	23,136,193.24
Transportation and handling fees	33,389,355.68	21,892,197.34
Promotion fee	21,239,165.85	20,076,357.00
Service fee	13,445,297.11	10,179,229.86
Lease fee	7,395,782.20	9,794,581.18
Sample fee	8,188,682.02	9,584,584.03
Others	52,024,065.08	56,430,244.88
Total	4,992,157,591.11	4,165,563,900.91

Other explanations: None.

52. R&D expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	155,787,826.65	112,076,284.66
Materials consumption and inspection fee	32,779,955.16	73,207,131.01
Depreciation and amortisation	18,203,654.61	54,292,927.85
Test out-sourcing expenses	38,162,026.18	28,857,450.09
Commissioned R&D cost	59,308,976.45	19,390,700.49
New product design fee	4,086,610.07	6,075,819.03
Others	27,684,385.71	42,823,377.13
Total	336,013,434.83	336,723,690.26

Other explanations: None

53. Financial expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest expenses	49,601,252.93	67,849,588.22
Less: interest income	-315,758,812.17	-374,310,143.23
Net loss on foreign exchange	-2,073,485.41	-60,629,900.19
Bank charges	6,759,007.86	21,845,875.93
Others	2,228,291.91	2,366,197.47
Total	-259,243,744.88	-342,878,381.80

Other explanations:

54. 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	51,549,775.52	78,679,223.60
Amortization of government subsidies related to assets	16,798,505.37	14,059,549.50
Amortization of government subsidies	7,026,939.27	7,159,585.65

related to income		
Return of individual income tax service charge	4,121,718.75	3,950,966.78
Others	3,818,208.41	878,392.67
Total	83,315,147.32	104,727,718.20

55. 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	179,678,085.07	-667,561,834.94
Other non-current financial assets	-56,111,754.61	47,224,578.50
Change in fair value of bank wealth management products outstanding		434,308.13
Total	123,566,330.46	-619,902,948.31

Other explanations: None.

56. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Gain on long-term equity investments subject to accounting with equity method	628,531,524.35	732,233,328.71
Investment income from disposal of long-term equity investment	110,398,541.09	-73,495,210.33
Investment income on financial assets held for trading during holding period	7,606,635.89	7,577,722.83
Investment income from disposal of financial assets held for trading	-7,010,382.50	204,640,032.15
Investment income earned during the holding period of other non-current financial assets	75,617,211.23	10,253,018.90
Others	-36,132,801.24	-13,010,502.10
Total	779,010,728.82	868,198,390.16

Other explanations: None.

57. Credit impairment losses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Bad debt losses on accounts receivable	-179,435,027.97	-186,806,590.38
Bad debt losses on other receivables	42,979,823.61	-537,747,962.34
Total	-136,455,204.36	-724,554,552.72

Other explanations: None.

58. Asset impairment losses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
I. Inventory impairment losses and contract performance cost impairment losses	-11,490,525.22	-65,630,502.65
II. Impairment loss of fixed assets	-4,169,779.04	-19,958,298.01
III. Impairment loss of intangible assets	-16,706,934.75	
IV. Goodwill impairment loss	-25,760,323.22	-578,749,818.26
Total	-58,127,562.23	-664,338,618.92

Other explanations: None.

59. 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	-105,279.84	2,133,959.03
Profit from disposal of right-of-use assets	10,759,718.22	3,810,809.38
Total	10,654,438.38	5,944,768.41

60. 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	171,572.75	48,404.12	171,572.75
Including: fixed assets	171,572.75	48,404.12	171,572.75
Others	12,062,476.51	13,540,774.63	12,062,476.51
Total	12,234,049.26	13,589,178.75	12,234,049.26

Other explanations: None.

61. Non-operating expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Amount of non-recurring profits or losses included in the current period
Donation	3,439,155.47	4,382,049.94	3,439,155.47
Losses from destruction and scrapping of non-current assets	10,746,640.25	1,550,976.51	10,746,640.25
Including: fixed assets	10,746,640.25	1,545,176.45	10,746,640.25

Others	10,542,607.30	1,932,914.70	10,542,607.30
Total	24,728,403.02	7,865,941.15	24,728,403.02

Other explanations: None.

62. 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	696,380,255.02	701,797,672.02
Deferred income tax expenses	-929,594.85	-165,204,942.51
Total	695,450,660.17	536,592,729.51

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

Unit: RMB

Item	Amount for the current period
Total profit	4,818,011,756.66
Income tax expense calculated at statutory/applicable tax rate	722,701,763.50
Effect of different tax rates applied to subsidiaries	33,488,195.50
Effect of adjusting income tax for prior periods	9,319,135.48
Effect of non-taxable income	-119,956,874.62
Effect of non-deductible costs, expenses and losses	35,249,500.23
Effect of deductible losses on the use of deferred tax assets not recognized in prior periods	-14,480,104.50
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	68,303,837.20
Extra tax deductions for R&D costs	-41,760,357.09
Others	2,585,564.47
Income tax expenses	695,450,660.17

Other explanations: None.

63. Other comprehensive income

For details, please refer to Note 45 “Other comprehensive income.”

64. Cash flow statement

(1) Cash relating to operating activities

Cash received relating to other operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest income	343,668,676.54	373,821,901.39

Deposits and guarantees	137,533,597.44	146,882,290.06
Government subsidy	134,140,444.78	95,383,223.60
Current account and petty cash	23,924,789.88	94,214,478.71
Others	49,853,998.90	31,391,960.79
Total	689,121,507.54	741,693,854.55

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

Cash payments relating to other operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Expenses of cost nature	2,788,122,677.99	2,508,477,763.35
Deposits and guarantees	121,204,248.66	88,797,398.36
Current account and petty cash	41,963,044.67	17,136,959.72
Others	29,831,773.08	69,233,481.29
Total	2,981,121,744.40	2,683,645,602.72

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

(2) Cash relating to investment activities

Cash received relating to other investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Principal and interest of time deposits and other financial products redeemed	1,978,176,523.10	1,170,771,170.00
Total	1,978,176,523.10	1,170,771,170.00

Important cash received relating to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Principal and proceeds of stocks and funds, etc.	2,858,040,561.69	4,319,636,258.97
Principal and interest of time deposits and other wealth management products	1,978,176,523.10	1,170,771,170.00
Principal and interest of other bank wealth management products	136,597,866.72	1,328,105,917.87
Total	4,972,814,951.51	6,818,513,346.84

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

Cash payments relating to other investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Time deposits and other bank wealth management products	3,805,272,300.00	478,644,953.13
Net cash outflow from disposal of subsidiary	37,021.72	
Equity investment consulting fee		9,548,207.57
Total	3,805,309,321.72	488,193,160.70

Important cash paid relating to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Time deposits and other bank wealth management products	3,805,272,300.00	478,644,953.13
Cash paid to acquire fixed assets, intangible assets and other long-term assets	575,507,137.90	446,732,820.54
Other bank wealth management products	68,700,000.00	654,500,000.00
Payments for subscription of equity of Shanghai Pharma		10,909,623,186.44
Net cash paid for acquisition of subsidiaries and other business units		569,283,888.24
Total	4,449,479,437.90	13,058,784,848.35

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

(3) Cash received relating to financing activities

Cash received relating to other financing activities: None.

Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Repurchase of treasury stock		707,428,892.15
Payment of lease costs	91,230,648.56	91,337,801.12
Handling fee for financing activities	953,227.70	16,927,901.57
Dividend Margin		1,000,000.00
Payments for acquisition of minority equity in Hefei Company	8,100,000.00	
Payment for minority equity upon cancellation and liquidation of subsidiary	4,900,000.00	4,900,000.00
Total	105,183,876.26	821,594,594.84

Explanations on cash payments relating to other financing activities:

Change of liabilities resulting from financing activities

☑Applicable □Not applicable

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Cash change	Non-cash change	Cash change	Non-cash change	
Short-term borrowings	1,850,867,886.59	1,376,188,273.49	38,610,693.19	1,459,780,314.30	58,582,838.63	1,747,303,700.34
Dividend payable	89,413,484.03		2,729,013,580.53	2,731,936,322.52		86,490,742.04
Lease liabilities (Lease liabilities due within one year)	379,654,631.37		68,242,372.11	91,230,648.56	109,582,942.62	247,083,412.30
Long-term borrowings	2,100,000.00					2,100,000.00
Total	2,322,036,001.99	1,376,188,273.49	2,835,866,645.83	4,282,947,285.38	168,165,781.25	2,082,977,854.68

(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

65. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Unit: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	4,122,561,096.49	2,840,409,694.19
Plus: Impairment provision for assets	194,582,766.59	1,388,893,171.64
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	208,456,263.24	316,627,661.86
Depreciation of right-of-use assets	100,305,178.75	109,141,890.48
Amortization of intangible assets	30,940,993.27	27,839,854.11
Amortization of long-term deferred expenses	33,493,659.88	27,820,395.79
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain is indicated with "-")	79,370.88	-5,944,768.41
Losses on scrapping of fixed assets (gain is indicated with "-")	10,575,067.50	1,496,772.33
Losses on changes in fair value (gain is indicated with "-")	-123,566,330.46	619,902,948.31
Financial expenses (income is indicated with "-")	49,601,252.93	67,849,588.22
Investment losses (gain is indicated with "-")	-779,010,728.82	-868,198,390.16
Decrease of deferred income tax assets (increase is indicated with "-")	22,377,570.54	-198,706,335.80
Increase of deferred income tax liabilities (decrease is indicated with "-")	-23,307,165.39	34,413,109.36
Decrease in inventories (increase is indicated with "-")	1,539,521,695.37	338,741,897.07
Decrease in operating receivable items (increase is indicated with "-")	-2,088,116,474.45	-2,054,964,892.96
Increase in operating payable items (decrease is indicated with "-")	198,990,559.88	1,166,791,741.20
Others	5,257,571.82	-602,704,304.66
Net cash flows from operating activities	3,502,742,348.02	3,209,410,032.57
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	14,151,765,468.49	13,046,160,012.47
Less: Opening balance of cash	13,046,160,012.47	18,869,864,842.32
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,105,605,456.02	-5,823,704,829.85

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

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

(4) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	14,151,765,468.49	13,046,160,012.47
Including: Cash on hand	258,600.92	224,637.14
Bank deposit available for payment at any time	14,114,677,091.39	13,006,283,524.34
Other cash and bank balance available for payment at any time	36,829,776.18	39,651,850.99
II. Cash and cash equivalents at the end of the reporting period	14,151,765,468.49	13,046,160,012.47

(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	48,618,045.43	9,953,700.00	Cannot be withdrawn at any time
Cost specially used for housing reform and maintenance	2,643,393.65		Cannot be withdrawn at any time
Cost for property preservation	500,000.00		Cannot be withdrawn at any time
Cost specially used for identity conversion for employees in state-owned enterprises	14,816,169.10		Cannot be withdrawn at any time
Total	66,577,608.18	9,953,700.00	

(7) Explanations on other significant activities: None.

66. Notes to statement of changes in equity

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

67. Monetary items denominated in foreign currencies

(1) Monetary items denominated in foreign currencies

Unit: RMB

Item	Closing balance of foreign currency	Exchange rate	Closing balance converted into RMB
Cash and bank balance			
Including: USD	7,291,861.95	7.0827	51,646,070.63
Euro	1,981,507.95	7.8592	15,573,067.28
HKD	121,443,397.97	0.90622	110,054,436.11
Japanese yen	20,877,251.91	0.05021	1,048,246.82
South Korean won	21,324,422.00	0.00551	117,497.57
THB	1,116,327.33	0.20736	231,481.64
CAD	948.07	5.3673	5,088.58
CHF	20,357.05	8.4184	171,373.79
SGD	99,868.99	5.3772	537,015.53
Accounts receivable			
Including: USD	13,507.62	7.0827	95,670.43
Euro			
HKD	16,232,528.13	0.90622	14,710,241.64
Japanese yen	11,960.00	0.05021	600.51
SGD	544.47	5.3772	2,927.72
Long-term loan			
Including: USD			
Euro			
HKD			
Other current assets			
Including USD	15,000,000.00	7.0827	106,240,500.00
Accounts payable			
Including: HKD	2,617,590.31	0.90622	2,372,112.69
Other receivables:			
Including: USD	1,651.05	7.0827	11,693.89
HKD	11,481,477.00	0.90622	10,404,744.09
THB	136,496.49	0.20345	27,770.21
CAD	966.78	5.3673	5,189.00
SGD	9,398.01	5.3772	50,534.98
Contractual liabilities			
Including: HKD	3,562,953.78	0.90622	3,228,819.97
Other payables			
Including: HKD	15,450,675.29	0.90622	14,001,710.96
Japanese yen	950,020.00	0.05021	47,700.50
THB	53,319.04	0.20345	10,847.76

Other explanations: None.

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

□ Applicable ☑Not applicable

68. Leases

(1) The Company as the lessee

☑ Applicable □ Not applicable

Variable lease payments not included in the measurement of lease liabilities

☑ Applicable □ Not applicable

Unit: RMB

Item	Amount
Variable lease payments not included in the measurement of lease liabilities	978,985.95

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

☑ Applicable □ Not applicable

Unit: RMB

Item	Amount
Simplified handling of fees of short-term leasing or leasing of low value assets	12,874,543.10

After-sales leaseback transactions

(2) The Company as the lessor

Operating lease where the Company is the lessor

☑ Applicable □ Not applicable

Unit: RMB

Item	Receipts from lease	Including: Receipts related to variable lease payments not included in lease receipts
Houses and buildings	13,621,479.81	
Total	13,621,479.81	

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 gains and losses on sales under finance leases as a manufacturer or distributor

☐ Applicable ☑ Not applicable

69. Others

None.

VIII. R&D Expenditure

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee Benefits	155,787,826.65	112,076,284.66
Materials consumption and inspection fees	33,036,222.54	73,207,131.01
Depreciation and amortization	18,301,737.20	54,307,942.01
Test outsourcing fee	38,167,290.57	28,857,450.09
Commissioned R&D cost	67,328,221.73	25,400,134.45
New product design fee	4,086,610.07	6,075,819.03
Others	27,733,552.52	42,823,377.13
Total	344,441,461.28	342,748,138.38
Including: Expensed R&D expenditure	336,013,434.83	336,723,690.26
Capitalized R&D expenditure	8,428,026.45	6,024,448.12

1. R&D projects meeting capitalization conditions

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Internal development costs	Others	Recognized as intangible assets	Transfer to current profits or losses	
P137 Project Research and Development (IND)	6,024,448.12	8,428,026.45	0.00	0.00	0.00	14,452,474.57
Total	6,024,448.12	8,428,026.45	0.00	0.00	0.00	14,452,474.57

Important capitalized R&D projects: None.

Impairment provision for R&D expenditure: None.

2. Important outsourced project under study: None.

IX. Changes in the Consolidation Scope

1. Business combination not under common control

(1) Business combination not under common control in the current period: None.

(2) Merger cost and goodwill: None.

(3) Identifiable assets and liabilities of acquirees as at the acquisition date: None.

(4) Profits or losses generated from the re-measurement of equity held before the acquisition date at the fair value

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

☐Yes ☑No

(5) Relevant information about the merger consideration that cannot be reasonably determined as at the acquisition date or the end of the current period of merger or on the fair value of acquirees' identifiable assets and liabilities:

None.

(6) Other explanations: None.

2. Business combination under common control

(1) Business combination under common control in the current period: None.

(2) Merger cost: None.

(3) Book value of assets and liabilities of the merged entity on the date of merger:

3. Reverse purchase

Basic information of the transaction, the basis for the transaction to constitute a reverse purchase, whether the assets and liabilities retained by the listed company constitute a business and its basis, the determination of merger cost, the amount of equity adjustment and its calculation when dealing with equity transactions:

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 point when the control was lost	Disposal proportion at the time point when the control was lost	Disposal method at the time point when the control was lost	The time point when the control was lost	Basis for determining the time point when the control was lost	The difference between the disposal price and the share of the net assets of the subsidiary at the consolidated financial statement level corresponding to the disposal of the investment	Proportion of rest equity on the date of losing control	Carrying value of the remaining equity on the date of loss of control at the level of Consolidated Financial Statements	Fair value of the remaining equity on the date of loss of control at the level of Consolidated Financial Statements	Gains or losses on re-measurement of remaining equity at fair value	Methods and key assumptions for determining the fair value of the remaining equity at the date of loss of control at the level of Consolidated Financial Statements	Amount transferred from other comprehensive income related to equity investment in former subsidiaries to investment profit and loss or retained income
Wan Long Xing Ye Commercial Trading (Shenzhen) Limited	HK1.00	100.00%	Agreed transfer	December 12, 2023	Loss of right for making business decision	110,398,541.09						

Other explanations: None.

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

☐Yes ☑No

5. Changes in the consolidation scope due to other reasons

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

(1) Cancellation of subsidiaries

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

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

3) Yunnan Pharmaceutical Ruiyang Shenhua Technology Co., Ltd completed the cancellation of industrial and commercial registration in December 2023.

4) Beijing Yunyi Medical Beauty Clinic Co., Ltd completed the cancellation of business registration in July 2023.

5) Hainan Yunfan Private Equity Fund Management Co., Ltd completed the cancellation of industrial and commercial registration in September 2023.

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

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

8) Yunnan Baiyao Qingyitang Hong Kong Limited was deregistered in September 2023.

9) Yunnan Wuxi Health Technology Co., Ltd was deregistered in November 2023.

(2) Establishment of new subsidiaries

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

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

3) Yunnan Pharmaceutical Co., Ltd. invested in the establishment of Yunnan Pharmaceutical Dali Co., Ltd with a registered capital of RMB 10.00 million and a shareholding ratio of 100%. Yunnan Baiyao has included Yunnan Pharmaceutical Dali Co., Ltd in its scope of consolidation from November 2023 onwards.

4) Yunnan Baiyao Group Co., Ltd invested in the establishment of Yunhe Pharmaceutical (Tianjin) Co., Ltd with a registered capital of RMB 20.00 million and a shareholding of 100%. Yunnan Baiyao has included Yunhe Pharmaceutical (Tianjin) Co., Ltd in its scope of consolidation from July 2023 onwards.

5) YNBY International Limited invested in the establishment of BL Healthcare (Overseas) Limited, with one share issued; totaling HK$ 1. Yunnan Baiyao has included BL Healthcare (Overseas) Limited in its scope of consolidation from February 2023 onwards.

6) YNBY International Limited invested in the establishment of YNBY Health Limited, with one share issued; totaling HK$ 1. Yunnan Baiyao has included YNBY Health Limited in its scope of consolidation from February 2023 onwards.

7) YNBY International Limited invested in the establishment of YNBY Beauty Limited, with one share issued;

totaling HK$ 1. Yunnan Baiyao has included YNBY Beauty Limited in its scope of consolidation from February 2023 onwards.

8) YNBY International Limited invested in the establishment of YNBY Pharmaceutical Limited, with one share issued; totaling HK$ 1. Yunnan Baiyao has included YNBY Pharmaceutical Limited in its scope of consolidation from February 2023 onwards.

9) YNBY International Limited invested in the establishment of Ban Loong Holdings Group Limited (called as YNBY International Limited above), with one share issued; totaling HK$ 1. Yunnan Baiyao has included Ban Loong Holdings Group Limited (called as YNBY International Limited above) in its scope of consolidation from March 2023 onwards.

10) YNBY International Limited invested in the establishment of YNBY Limited, with one share issued; totaling HK$ 1. Yunnan Baiyao has included YNBY Limited in its scope of consolidation from March 2023 onwards.

11) YNBY International Limited invested in the establishment of YNBY Holdings Group Limited, with one share issued; totaling HK$ 1. Yunnan Baiyao has included YNBY Holdings Group Limited in its scope of consolidation from March 2023 onwards.

12) YNBY International Limited invested in the establishment of YNBY Group Limited, with one share issued; totaling HK$ 1. Yunnan Baiyao has included YNBY Group Limited in its scope of consolidation from March 2023 onwards.

13) YNBY International Limited invested in the establishment of YNBY Hong Kong Limited, with one share issued; totaling HK$ 1. Yunnan Baiyao has included YNBY Hong Kong Limited in its scope of consolidation from March 2023 onwards.

14) BL Healthcare (Overseas) Limited invested in the establishment of YNBY Healthcare (Shenzhen) Limited, with one share issued; totaling HK$ 1. Yunnan Baiyao has included YNBY Healthcare (Shenzhen) Limited in its scope of consolidation from April 2023 onwards.

15) BL Healthcare (Overseas) Limited invested in the establishment of YNBY Healthcare (Singapore) Pte Ltd, with one share issued; totaling SGD 1. Yunnan Baiyao has included YNBY Healthcare (Singapore) Pte Ltd in its scope of consolidation from May 2023 onwards.

16) YNBY Holdings Group Limited invested in the establishment of YNBY Healthcare (Malaysia) SDN.BHD, with one share issued; totaling MYR 1. Yunnan Baiyao has included YNBY Healthcare (Malaysia) SDN.BHD in its scope of consolidation from September 2023 onwards.

17) YNBY Holdings Group Limited invested in the establishment of YNBY Health Technology (Yunnan) Co., Ltd, with the registered capital of RMB 4 million. Yunnan Baiyao has included YNBY Health Technology (Yunnan) Co., Ltd in its scope of consolidation from September 2023 onwards.

18) YNBY Holdings Group Limited invested in the establishment of YNBY Healthcare (UK) Limited, with 200 shares issued; totaling GBP 200. Yunnan Baiyao has included YNBY Healthcare (UK) Limited in its scope of consolidation from October 2023 onwards.

19) YNBY Group Limited invested in the establishment of YNBY Coffee Industry Co., Ltd, with one share issued; totaling HK$ 1. Yunnan Baiyao has included YNBY Coffee Industry Co., Ltd in its scope of consolidation from November 2023 onwards.

20) YNBY International Limited invested in the establishment of YNBY Coffee Co., Ltd, with one share issued; totaling HK$ 1. Yunnan Baiyao has included YNBY Coffee Co., Ltd in its scope of consolidation from November 2023 onwards.

21) YNBY International Limited invested in the establishment of YNBY Holdings Limited, with one share issued; totaling HK$ 1. Yunnan Baiyao has included YNBY Holdings Limited in its scope of consolidation from November 2023 onwards.

(3) Liquidation

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

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 Traditional Chinese Medicine Resources Co., Ltd	16,400,000.00	Kunming	Kunming	Pharmaceutical	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Medicine E-commerce Co., Ltd.	30,000,000.00	Kunming	Kunming	Wholesale and retail of daily necessities	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	25,000,000.00	Wuxi	Wuxi	Pharmaceutical	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	15,515,000.00	Dali	Dali	Pharmaceutical	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Health Products Co., Ltd.	84,500,000.00	Chuxiong	Chuxiong	Production and sales of health and daily chemicals	100.00%	0.00%	Set-up or investment
Yunnan Pharmaceutical Co., Ltd.	1,000,000,000.00	Kunming	Kunming	Pharmaceutical wholesale and retail	100.00%	0.00%	Set-up or investment
Yunnan Institute of Materia Medica	54,080,000.00	Kunming	Kunming	New Drug Research and Development	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	15,000,000.00	Hainan	Danya	Import and export	100.00%	0.00%	Set-up or

Group (Hainan) Co., Ltd.				agency, technical services, etc.			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	0.00	Hong Kong	Hong Kong	Trade	28.06%	45.62%	Business combination not under the same control
Yunnan Baiyao Tiancui Business Management Co., Ltd.	3,000,000.00	Kunming	Kunming	Catering	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Beijing Co., Ltd.	50,000,000.00	Beijing	Beijing	Technology promotion service	100.00%	0.00%	Set-up or investment
Yunhe Pharmaceutical (Tianjin) Co., Ltd	20,000,000.00	Tianjin City	Tianjin City	Research and experimental development	100.00%	0.00%	Set-up or investment

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

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

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

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

Other explanations: None.

(2) Key non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Percentage of shares held by minority interests	Profit and loss attributable to non-controlling interests in the current period	Dividends declared to non-controlling interests in the current period	Balance of minority shareholders' equity at the end of the period
YNBY International Limited	26.32%	28,395,444.46		-62,061,867.97

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

Other explanations: None.

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

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
YNBY International Limited	336,579,182.52	17,052,211.25	353,631,393.77	112,222,845.17	21,056,768.96	133,279,614.13	276,242,436.69	4,331,182.05	280,573,618.74	138,081,828.97	449,975,968.80	588,057,797.77

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	651,184,145.52	122,600,946.27	123,857,222.10	27,823,483.10	293,310,483.90	-596,404,068.60	-637,272,549.41	-98,977,783.70

Other explanations: None.

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

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

Other explanations: None.

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

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

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

3. Interest in joint arrangement or associates

(1) Important joint ventures or associates

Name of joint venture or associate	Main business location	Place of registration	Business nature	Shareholding proportion		The accounting method for investments in joint ventures or associates
				Direct	Indirect	
Shanghai Pharmaceuticals Holding Co., Ltd.	Shanghai	No. 92, Zhangjiang Road, China (Shanghai) Pilot Free Trade Zone	Pharmaceuticals	17.97%		Equity method for long-term equity investments

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

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

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

(3) Main financial information of important associates

Unit: RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Current assets	162,433,862,348.46	149,512,870,619.79
Non-current assets	49,538,671,418.34	48,622,030,879.16
Total assets	211,972,533,766.80	198,134,901,498.95
Current liabilities	122,371,879,034.89	110,691,046,029.78
Non-current liabilities	9,274,561,766.98	9,441,404,411.74
Total liabilities	131,646,440,801.87	120,132,450,441.52
Minority interests	11,801,949,913.58	10,939,445,168.20
Equity attributable to shareholders of the parent company	68,524,143,051.35	67,063,005,889.23

Share of net assets based on percentage of shareholding	12,316,447,243.08	12,072,581,725.67
Adjustment		
- Goodwill	935,589,606.31	937,045,521.30
- Unrealized profit on internal transactions	-5,399,246.55	-5,425,757.63
- Others	-1,709,991,043.28	-1,685,593,795.42
Book value of equity investment in associates	11,536,646,559.56	11,318,607,693.92
Fair value of equity investments in associates for which publicly quoted prices exist	11,135,936,297.08	11,868,125,772.68
Operating revenue	260,295,088,943.53	231,981,299,764.51
Net profits	5,166,570,284.26	6,992,014,768.55
Net profits from discontinued operations		
Other comprehensive income	-126,719,890.54	-226,480,312.21
Total comprehensive income	5,039,850,393.72	6,765,534,456.34
Dividends received from associates during the year	406,032,345.56	279,563,254.32

Other explanations: None.

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

Unit: RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Joint ventures:		
Total of the followings based on the percentage of shareholdings		
Associates:		
Total book value of investments	14,433.37	142,253.18
Total of the followings based on the percentage of shareholdings		
- Net profit	-746,786.87	-11,668,887.07
- Other comprehensive income		-248,424.18
- Total comprehensive income	-746,786.87	-11,917,311.25

Other explanations: None.

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

(6) Excess loss generated from joint ventures or associates: None.

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

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

4. Significant joint operation: None.

5. Interest in structured entities not included in the scope of consolidated financial statements: 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	20,353,660.72	67,596,671.93		7,026,939.27		80,923,393.38	Related to income
Deferred income	158,268,152.28	16,418,070.75		16,798,505.37		157,887,717.66	Related to assets

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

☑Applicable ☐Not applicable

Unit: RMB

Accounting item	Amount for the current period	Amount for the previous period
Other income	75,375,220.16	99,898,358.75

Other explanations: None.

XII. Risks Associated with Financial Instruments

(I) Risks incurred by financial instruments

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

1. Market risks

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

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

(1) Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the exchange rate. Exchange rate risk arises from financial instruments denominated in foreign currencies other than the functional currency. The Group's principal operations are located in the PRC, the functional currency is RMB, and its principal operations are settled in RMB. The principal place of business of the Group's subsidiary, YNBY International, is located in Hong Kong, the PRC, and its functional currency is Hong Kong dollars. The Group's exposure to foreign exchange risk relates mainly to the US dollar and Hong Kong dollar, etc. The exchange rate risk affects both the Group's transactions and the results of its foreign operations. The balance of the Group's foreign currency monetary items as at December 31, 2023 is as shown in 66 "Monetary items denominated in foreign currencies" under Note VI. If the RMB had appreciated or depreciated by 3% against the US dollar and Hong Kong dollar, while other factors remained unchanged, the net profit of the Company would have increased or decreased by approximately RMB 8,108,187.87.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from bank loans and bonds payable and other interest-bearing long-term debts. Financial liabilities at floating rates expose the Group to the cash flow interest rate risk, and financial liabilities at fixed rates expose the Group to the fair value interest rate risk. The Group determines the relative proportion of contracts carrying fixed and floating rates according to prevailing market conditions. As at December 31, 2023, the Group's interest-bearing debt consisted mainly of fixed-rate borrowing contracts denominated in RMB amounting to RMB 1,016,734,728.09 (end of last year: RMB 892,631,958.04), and the exposure to changes in market interest rates was not material.

(3) Other price risk

The investments classified as financial assets at fair value through profits or losses held by the Group are

measured at fair value on the balance sheet date. Therefore, the Group is exposed to fluctuations in the securities market. The Group reduces the price risk of equity portfolio investments by holding multiple equity portfolios.

As at December 31, 2023, if the expected price at which the Group holds the above types of investments had increased or decreased by 5%, while other factors remained unchanged, the Group would have increased or decreased its net profit by approximately RMB 13,038,142.38.

2. Credit risk

As at December 31, 2023, the maximum exposure to credit risk that could cause the Group's financial loss is mainly due to losses on the Group's financial assets arising from the failure of the other party to perform its obligations under the contract and financial guarantees undertaken by the Group, including:

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

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

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

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

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

3. Liquidity risk

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

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

marketable securities and rolling projections of cash flows for the next 12 months.

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

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

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

Unit: RMB

Item	December 31, 2023				Total
	Within one year	1 to 2 years	2 to 3 years	Above 3 years	
Long-term loans				2,100,000.00	2,100,000.00
Total				2,100,000.00	2,100,000.00

(II) Hedging

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

☐Applicable ☑Not applicable

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

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

☐Applicable ☑Not applicable

(III) 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	144,766,687.56		4,600,000.00	149,366,687.56
(1) Investment in equity instruments	144,766,687.56			144,766,687.56
(2) Others			4,600,000.00	4,600,000.00
(II) Accounts receivable financing			1,590,749,810.74	1,590,749,810.74
(1) Notes receivable			1,590,749,810.74	1,590,749,810.74
(III) Other non-current financial assets	115,996,160.00	0.00	208,678,219.63	324,674,379.63
(1) Investment in equity instruments	115,996,160.00		208,678,219.63	324,674,379.63
(III) Investment in other equity instruments			71,745,000.00	71,745,000.00

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

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

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

The items subject to level II continuous fair value measurement mainly include the wealth management products held by the Company. The profits or losses from fluctuation during the holding period are not recognized because the fair value fluctuation is small.

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

(1) Other non-current financial assets subject to level III continuous fair value measurement are the equity investment in non-listed companies held by the Company. The Company will obtain the annual auditor's report of the investee, consider the operating environment, operating conditions and financial status of the investee enterprise, and determine the closing fair value on the basis of the closing net assets of the company. Other investments in other equity instruments are the equity of non-listed companies held by the Company. As the investee is a start-up

biotechnology company, considering that the business environment and operating conditions of the invested enterprise, its financial position have not changed substantially at the time of the new investment, the investment cost is used as the best estimate of fair value in the current period.

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

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

6. For the items subject to continuous fair value measurement, if there is a conversion between all levels in the current period, the reason for the conversion and the policy for determining the time point of the conversion: None.

7. Changes in the valuation technology and the reason for the changes in the current period: None.

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

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

The management of the Group believes that the book values of financial assets and liabilities reported in the financial statements are close to their fair values.

9. Others: None.

XIV. Related Parties and Related Party Transactions

1. Information about the parent company of the Company: None.

Ultimate controller of the Company: None.

Other explanations:

The proposal of merger and overall listing of Yunnan Baiyao Group and Baiyao Holdings by issuing shares had been considered and approved at the first Extraordinary General Meeting of Yunnan Baiyao for 2019. On April 24, 2019, 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 Yunnan State-owned Equity Operation Management Company at nil consideration.

After the completion of the transfer, State-owned Equity Operation and Management Company and New Huadu with its acting-in-concert parties, were equally the largest shareholder of the Company, and there was no change in the Company's situation of not having a de facto controller or controlling shareholder.

On December 8, 2021, SASAC of Yunnan Province transferred 100% of the shares held by State-owned Equity Operation and Management Company to Yunnan Investment 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.

2. Information about subsidiaries of the Company

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

3. Information about joint ventures and associates of the Company

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

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

Name of joint ventures or associates	Relationship with the Company
Shanghai Pharmaceuticals Holding Co., Ltd.	Associate
Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.	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
New Huadu Industrial Group Co., Ltd.	Substantial shareholder of the Company
Jiangsu Yuyue Science & Technology Development Co., Ltd.	Former substantial shareholder of the Company
Guangxi Zhongheng Chinese Herbal Medicine Industry Development Co., Ltd.	Former shareholder of the equity participation company
Yunnan Renjiu Technology Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Tianma Pharmaceutical Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Jianshui County Xingda Medicine Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Baoshan Medicine Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Qiubei County Wanhe Pharmaceutical Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Kaiyuan Sanfa Pharmaceutical Trade Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Chuxiong Jiayuan Medicine Co., Ltd.	Minority shareholder that has significant influence on the subsidiary

Yunnan Jingxing Pharmaceutical Group Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Salt Wenshan Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Salt Lijiang Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Salt Rixin Co., Ltd.	Sub-subsidiary of the substantial shareholder
MB Packaging Limited	Sub-subsidiary of the substantial shareholder
Yunnan Medical Investment Management Group Kunming Technology Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Drug Technology Development Operation Co., Ltd.	Subsidiary of the substantial shareholder
YEIG Power Assembly Park Development Co., Ltd.	Subsidiary of the substantial shareholder
Tibet Jiushi Zhihe Marketing Co., Ltd.	Subsidiary of the substantial shareholder
Kunming Yusi Pharmaceutical Co., Ltd.	Subsidiary of the substantial shareholder
Kunming Guiyan New Material Technology Co., Ltd.	Subsidiary of the substantial shareholder
Teh-Ho Canned Food Company	Subsidiary of the substantial shareholder
Quanzhou New Huadu Supercenter Co., Ltd.	Subsidiary of the substantial shareholder
Kunming Jinkuan Trading Co., Ltd.	Company controlled by former related party
Shanghai Skynet Brand Management Crop., Ltd.	Equity participation company of the subsidiary of the substantial shareholder
Beijing Jingji Chenggong Sports Brokerage Co., Ltd.	Holding company of former minority shareholder of subsidiary
Hefei Juyinzhai Health Technology Co., Ltd.	Holding company of former minority shareholder of subsidiary
Cao Liangming	Former minority shareholder of the subsidiary
Zhang Sulei	Former minority shareholder of the subsidiary
Wenshan Yungui Agricultural Development Co., Ltd.	Former associate
Kunming Nuo'an Enterprise Management Co., Ltd.	Minority shareholder of the sub-subsidiary

Other explanations: None.

5. Related party transactions

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

Information of commodities purchased/labor services accepted

Unit: RMB

Related Party	Contents of related party transaction	Amount for the current period	Approved transaction limit	Whether exceeding the transaction limit	Amount for the previous period
Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	Purchase of goods	615,537,706.00	1,031,000,000.00	No	447,658,185.52
Jiangsu Yuyue Science & Technology Development Co., Ltd. and its subsidiaries	Purchase of medical devices, goods and drugs	32,852,184.77	60,000,000.00	No	29,157,418.26
MB Packaging Limited	Purchase of foods	3,925,036.06			5,094,904.12
Kunming Jinkuan Trading Co., Ltd.	Purchase of goods and services	2,923,733.27			12,091,974.00
Teh-Ho Canned Food Company and its subsidiaries	Purchase of goods, promotion services	2,661,071.80			3,531,280.92
Kunming Yusi Pharmaceutical Co., Ltd.	Purchase of foods	767,124.82			418,767.56

Quanzhou New Huadu Supercenter Co., Ltd.	Purchase service	336,792.44			763,316.21
Yunnan Medical Investment Management Group Kunming Technology Co., LTD	Purchase of foods	232,920.36			
Shanghai Skynet Brand Management Crop., Ltd.	Purchase of goods, Dunhuang IP licensing fee, yolk cat IP licensing and derivative product design and other service fees	164,408.23			1,190,270.33
Yunnan Salt Wenshan Co., Ltd.	Purchase of industrial salt	56,548.68			
Yunnan Salt Rixin Co., Ltd.	Purchase of raw materials	37,433.63			
Yunnan Salt Lijiang Co., Ltd.	Purchase of salt products	353.98			176.99
Wenshan Yungui Agricultural Development Co., Ltd.	Purchase of raw materials				51,016,777.20
Yunnan Renjiu Technology Co., Ltd.	Purchase of drugs				16,332,301.78
Yunnan Drug Technology Development Operation Co., Ltd.	Purchase of goods				3,612.01

Information of commodities sold/labor services provided

Unit: RMB

Related Party	Contents of related party transaction	Amount for the current period	Amount for the previous period
Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	Sale of goods	405,843,813.13	242,627,647.95
Tibet Jiushi Zhihe Marketing Co., Ltd.	Sale of goods	260,774,824.31	309,118,657.41
Kunming Jinkuan Trading Co., Ltd.	Sale of goods	28,520,999.82	73,879,269.79
Yunnan Provincial Pharmaceutical Technology Development and Operation Co., Ltd	Sale of goods	2,820,416.84	660,912.09
Yunnan Baoshan Medicine Co., Ltd.	Sales of drugs	437,891.88	927,743.61
Lijiang Changgengming Trading Co., Ltd.	Sales of drugs	259,161.96	2,392,782.79
Kunming Guiyan New Material Technology Co., Ltd	Testing fee	2,830.19	2,547.17
Guangxi Zhongheng Chinese Herbal Medicine Industry Development Co., Ltd.	Sales of TCM materials		44,981,077.97

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:

Unit: RMB

Name of lessee	Types of leased assets	Lease income recognized in the current period	Lease income recognized in the previous period
Teh-Ho Canned Food Company	Shop		110,730.12

The Company as the lessee:

Unit: RMB

Name of lessor	Types of leased assets	Rental costs for short-term leases and leases of low-value assets that are streamlined (if applicable)		Variable lease payments that are not included in the measurement of the lease liability (if applicable)		Rent paid		Interest expense on lease liabilities assumed		Increased right-to-use assets	
		Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period
Yunnan Jianshui County Xingda Medicine Co., Ltd.	House					1,552,123.81	1,552,849.75	15,144.50	74,259.07		
Yunnan Baoshan Medicine Co., Ltd.	House, equipment, vehicle					2,813,785.08	1,402,407.08	17,373.95		8,120,850.14	1,402,407.08
Yunnan Tianma Pharmaceutical Co., Ltd.	House					770,642.20	741,713.92	38,043.92	8,740.00		
Kaiyuan Sanfa Pharmaceutical Trade Co., Ltd.	Vehicle and equipment					602,477.88	602,477.88			602,477.88	602,477.88
Chuxiong Jiayuan Medicine Co., Ltd.	Equipment					141,592.93	141,592.93	4,104.37	1,341.51		277,739.98
Yunnan Jingxing Pharmaceutical Group Co., Ltd.	House					633,686.24		60,511.53		1,565,165.47	
YEIG Power Assembly Park Development Co., Ltd.	House					1,364,087.62	1,351,218.90	231,019.21	291,325.27		

Explanations on leasing between related parties: None.

(4) Related party guarantees: None.

(5) Borrowings with related parties

Unit: RMB

Related Party	Borrowing amount	Commencement date	Due date	Description
Borrowing				
Entity A	21,800,000.00	June 10, 2021	December 12, 2023	Repaid
Entity B	20,000,000.00	September 10, 2021	November 24, 2023	Repaid
Entity C	13,000,000.00	August 13, 2021	November 22, 2023	Repaid
Loans				

(6) Asset transfer and debt restructuring of related parties: None.

(7) Remuneration to key management personnel

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Remuneration to key management personnel	39,094,528.46	35,627,687.12

Note: It is set out in the Article 4 of *Accounting Standard for Business Enterprises No.36 - Disclosures of Related Parties* that key management personnel refer to personnel who have the power and are responsible for planning, directing, and controlling enterprise activities. The amount of remuneration to key management personnel in this reporting period was the total pretax remuneration received by all directors, supervisors, and senior management personnel of the Company during the reporting period.

(8) Other related party transactions: None.

6. Amounts receivable from and payable to related parties

(1) Receivable

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	14,929,453.95	588,430.73	20,885,033.46	974,051.40
Accounts receivable	Lijiang Changgengming Trading Co., Ltd.	2,717,793.63	610,834.92	3,722,642.00	351,110.79

Accounts receivable	Yunnan Jingxing Pharmaceutical Group Co., Ltd	256,854.37	12,842.72		
Accounts receivable	Yunnan Drug Technology Development Operation Co., Ltd.	16,253.88	812.69		
Accounts receivable	Kaiyuan Sanfa Pharmaceutical Trade Co., Ltd.			200,214.52	60,064.36
Accounts receivable	Yunnan Baoshan Medicine Co., Ltd.			3,721.00	186.05
Other receivables	Beijing Jingji Chenggong Sports Brokerage Co., Ltd.			2,360,000.00	1,416,000.00
Other receivables	Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd	179,791.57	158,771.36	177,922.32	111,723.90
Other receivables	Cao Liangming			133,368.00	40,010.40
Other receivables	Hefei Juyinzhai Health Technology Co., Ltd.			4,283.45	2,985.04
Other receivables	Zhang Sulei			1,432.00	429.60
Prepayment	Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries	1,185,072.72		2,074,165.10	
Prepayment	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	205,957.44		645,917.73	
Prepayment	Qiubei County Wanhe Pharmaceutical Co., Ltd			72,206.41	
Notes receivable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	689,199.51		1,212,677.73	
Accounts receivable financing	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	8,225,916.72		12,229,069.00	
Accounts receivable financing	Tibet Jiushi Zhihe Marketing Co., Ltd.	1,544,428.80		10,000,000.00	

(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	60,976,451.66	76,496,404.37
Accounts payable	Yunnan Medical Investment Management Group Kunming Science and Technology Co., Ltd.	907,736.56	
Accounts payable	Kunming Yusi Pharmaceutical Co., Ltd.	196,663.49	
Accounts payable	Teh-Ho Canned Food Company and its subsidiaries	44,515.35	1,749,569.64
Accounts payable	Yunnan Salt Rixin Co., Ltd.	42,300.00	
Accounts payable	MB Packaging Limited	28,682.85	
Accounts payable	Qiubei County Wanhe Pharmaceutical Co., Ltd.	10,779.90	
Accounts payable	Chuxiong Jiayuan Medicine Co., Ltd.	3,126.32	4,762.46
Accounts payable	Yunnan Renjiu Technology Co., Ltd.	0.30	10,471.90

Accounts payable	Beijing Jingji Chenggong Sports Brokerage Co., Ltd.		4,160.00
Accounts payable	Yunnan Drug Technology Development Operation Co., Ltd.		3,612.01
Notes payable	Yunnan Renjiu Technology Co., Ltd.		16,989,446.48
Notes payable	Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries	11,503,853.81	8,653,145.32
Notes payable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	1,745,473.86	2,690,480.00
Other payables	Beijing Jingji Chenggong Sports Brokerage Co., Ltd.		798,000.00
Other payables	Qiubei County Wanhe Pharmaceutical Co., Ltd.		630,000.00
Other payables	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries		70,000.00
Other payables	Chuxiong Jiayuan Medicine Co., Ltd.	604.80	604.80
Other payables	Kaiyuan Sanfa Pharmaceutical Trade Co., Ltd.	12,831.86	
Dividend payable	State-owned Assets Supervision and Administration Commission of the People's Government of Yunnan Province, New Huadu Industrial Group Co., Ltd.	86,490,742.04	86,490,742.04
Dividend payable	Kunming Nuo'an Enterprise Management Co., Ltd.		2,922,741.99
Contractual liabilities	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	50,412,199.36	48,788,541.50
Contractual liabilities	Tibet Jiushi Zhihe Marketing Co., Ltd.	2,427,757.00	3,061,507.53
Contractual liabilities	Yunnan Baoshan Medicine Co., Ltd.	567,217.96	
Contractual liabilities	Kunming Jinkuan Commerce & Trade Co., Ltd.		15,714,893.18
Non-current liabilities due within one year	YEIG Power Assembly Park Development Co., Ltd.	1,185,189.56	1,121,472.45
Non-current liabilities due within one year	Yunnan Baoshan Medicine Co., Ltd.	2,610,019.14	
Non-current liabilities due within one year	Yunnan Tianma Pharmaceutical Co., Ltd.	761,902.21	
Non-current liabilities due within one year	Yunnan Jingxing Pharmaceutical Group Co., Ltd.	526,744.88	
Lease liabilities	YEIG Power Assembly Park Development Co., Ltd.	3,889,088.11	5,022,156.52
Lease liabilities	Yunnan Baoshan Medicine Co., Ltd.	2,714,419.89	

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: None.

2. Contingencies

(1) Significant contingencies on the balance sheet date

Provision of guarantees for Yunnan Yuncheng Hospital Management Co., Ltd.

In November 2017, the Company issued the *Announcement on the Investment and Establishment of PPP Project Companies by Wholly-owned Subsidiaries and the Provision of Guarantees for Them*. According to the announcement, Yunnan Provincial Health and Family Planning Commission was authorized by Yunnan Provincial People's Government to serve as the project implementation agency of the Chenggong Hospital PPP project (Phase I project) of the First Affiliated Hospital of Kunming Medical University, and The First Affiliated Hospital of Kunming Medical University was authorized to be the representative of the government, to invest and hold shares on behalf of the government, and jointly establish Yunnan Yuncheng Hospital Management Co., Ltd (the "Project Company") with social capital. Yunnan Pharma, a wholly-owned subsidiary of the Company, and Yunnan Haopy Pharmaceutical Sales Co., Ltd, a private capital, formed a consortium to bid for the project, and finally won the bid. According to the requirements of the procurement documents, Yunnan Pharma shall invest RMB 100,000 in the Project Company in cash, with an equity ratio of 10%. The consortium shall undertake joint and several guarantee liability for the PPP project debt of the Project Company for a period of 12 years, and the maximum total guarantee amount of the consortium should be RMB 150,000.

(2) 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 distribution of dividends per 10 shares (RMB)	20.77
Proposed distribution of bonus shares per 10 shares (quantity of shares)	0

Proposed distribution of converted shares per10 shares (quantity of shares)	0
Declared distribution of dividends per 10 shares after consideration and approval (RMB)	20.77
Declared distribution of bonus shares per 10 shares after consideration and approval (quantity of shares)	0
Declared distribution of converted shares per 10 shares after consideration and approval (quantity of shares)	0
Profit distribution plan	Based on the total share capital of the Company of 1,796,862,549 shares as at the end of 2023 less 12,599,946 shares repurchased by the special securities account for share repurchase, i.e., on the basis of 1,784,262,603 shares, a cash dividend of RMB 20.77 (tax inclusive) for every 10 shares will be paid to all shareholders, and no shares will be issued by way of conversion of capital reserve.

3. Sales return: None.

4. Explanation on other events subsequent to the balance sheet date:

1) Change in the purpose of repurchased shares and cancellation of such shares

On February 7, 2024, the Company held the first session of the Tenth Board of Directors and passed the *Proposal on Changes in the Purpose of Repurchased Shares and Cancellation of Such Shares*. In this proposal, the Company planned to change the purpose of 12,599,946 shares repurchased by the special securities account for share repurchase from "for implementing employee stock ownership plans or equity incentive plans" to "for cancellation of such shares to reduce registered capital."

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) In accordance with the *Trial Measures for Enterprise Annuity* and *Trial Measures for Enterprise Annuity Fund Management* of the Ministry of Labor and Social Security, as well as the *Letter Yun Lao She Han [2006] No. 267* of Department of Labor and Social Security of Yunnan Province, the Company was approved to establish an enterprise annuity. The investment manager of the enterprise annuity fund is Fullgoal Fund Management Co., Ltd., and the trustee of the enterprise annuity fund is China Merchants Bank Co., Ltd. The enterprise contribution shall

be paid annually at 5-8.33% of the total salary of the employees of the Company in the previous year, and the individual contribution of the employees shall be paid at 10% of the unit contribution. The individual contribution shall be collected and paid by the Company from the employee's salary.

(2) According to the replies of Yunnan Provincial Department of Human Resources and Social Security (*Yun Ren She Letter [2009] No.79*) and Kunming Municipal Labor and Social Security Bureau (*Kun Lao She Han [2008] No.204*) on the *Enterprise Annuity Implementation Plan of Yunnan Pharma*, Yunnan Pharma, a subsidiary of the Company, was approved to establish an enterprise annuity. The investment manager of the enterprise annuity fund is Ping An Annuity Insurance Company of China, Ltd, and the trustee of the enterprise annuity fund is China Merchants Bank Co., Ltd. According to the plan, the enterprise contribution shall be paid annually at no more than 8.33% of the total salary of the employees of Yunnan Pharma in the previous year, and the individual contribution of the employees shall be paid at 10% of the unit contribution.

(3) According to the replies of Yunnan Provincial Department of Human Resources and Social Security (*Yun Ren She Letter [2009] No.79*) and Kunming Municipal Labor and Social Security Bureau (*Kun Ren She Han [2016] No.21*) on the *Enterprise Annuity Implementation Plan of Yunnan Institute of Materia Medica,* Yunnan Institute of Materia Medica, a subsidiary of the Company, was approved to establish an enterprise annuity. The investment manager of the enterprise annuity fund is Ping An Annuity Insurance Company of China, Ltd, and the trustee of the enterprise annuity fund is China Construction Bank Corporation. According to the plan, the enterprise contribution shall be paid annually at no more than 5% of the total salary of the employees of Yunnan Institute of Materia Medica in the previous year, and the individual contribution of the employees shall be paid at 10% of the unit contribution.

(4) In accordance with the *Measures on Enterprise Annuity (*Decree No. 36 of Ministry of Human Resources and Social Security), *Measures on the Management of Enterprise Annuity Fund (*Decree No. 11 of Ministry of Human Resources and Social Security) and other relevant provisions as well as the *Reply on Filing of Enterprise Annuity Plan of Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd* issued by Wuxi Human Resources and Social Security Bureau (Xi Ren She Fu [2018] No.27), Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd, a subsidiary of the Company, was approved to establish an enterprise annuity. The investment manager of the enterprise annuity fund is Ping An Annuity Insurance Company of China, Ltd, and the trustee of the enterprise annuity fund is China Construction Bank Corporation. According to the plan, the enterprise contribution shall be paid annually at no more than 5% of the total salary of the employees of Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd in the previous year, and the individual contribution of the employees shall be paid at 10% of the unit contribution.

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

On April 28, 2023, YNBY International Limited ("YNBY International," stock code: 00030, formerly known as Ban Loong Holdings), a subsidiary of the Company, disclosed an announcement stating that HLB Hodgson Impey Cheng Limited ("HLB") has resigned as the auditor of Ban Loong Holdings with effect from April 25, 2023. The Board, with the recommendation of the Audit Committee, resolved to appoint Zhonghui Anda CPA Limited ("Zhonghui Anda") as the auditor of the Company with effect from 28 April 2023 to fill the casual vacancy following the resignation of HLB as auditor of the Company, and to hold office until the conclusion of the next annual general meeting of Ban Loong Holdings.

On January 15, 2024, YNBY International published the 2021 Annual Report, the 2022 Interim Report, the 2022 Annual Report and the 2023 Interim Report. The 2021 Annual Report (from April 1, 2020 to March 31, 2021) and the 2022 Annual Report (from April 1, 2021 to March 31, 2022) were audited by Zhonghui Anda, and the type of audit comment in the audit report issued was "Disclaimer of Opinion." Matters that resulted in the audit comment of "Disclaimer of Opinion" were businesses that occurred prior to the tender offer of the Company in January 2022, for which the Company had made appropriate treatment at the point of acquisition. In addition, after the acquisition, the Company actively took over YNBY International in an orderly manner in accordance with the requirements of listed companies. Thanks to the efforts of all parties of the Company, the requirements under the Resumption Guidelines were fulfilled on January 30, 2024, and the Resumption Guidelines were fully complied with to the satisfaction of the HKEX. The trading in YNBY International was resumed on January 31, 2024 with effect from 9:00 a.m. onwards.

On March 22, 2024, the Board of Directors of YNBY held a meeting to consider the audited results for the financial year ended December 31, 2023 (The period of business results was from April 1, 2023 to December 31, 2023) and the publication of the relevant results announcement on the websites of The Stock Exchange of Hong Kong Limited and YNBY. The type of audit comment in the audit report for the fiscal year ended December 31, 2023 was qualified, which was mainly due to the fact that the matters leading to disclaimer of opinion still had an impact on the financial data at the beginning of the year (the fiscal year ended March 31, 2023). The matters leading to qualified opinion did not have a significant impact on the Group's financial data and results of operations for 2023.

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)	614,449,599.26	320,787,574.10
1 to 2 years	85,846,594.74	22,626,539.08
2 to 3 years	5,516,424.89	277,308,880.56
Above 3 years	645,998,164.53	375,141,861.83
Total	1,351,810,783.42	995,864,855.57

(2) Disclosure by provision for bad debts

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Including:										
Account receivables with provision for bad debt on portfolio basis	1,351,810,783.42	100.00%	20,902,222.46	1.55%	1,330,908,560.96	995,864,855.57	100.00%	18,016,130.77	1.81%	977,848,724.80
Including										
Receivable from external customer	79,297,162.59	5.87%	20,902,222.46	26.36%	58,394,940.13	78,444,316.75	7.88%	18,016,130.77	22.97%	60,428,185.98
Receivable for related party	1,272,513,620.83	94.13%			1,272,513,620.83	917,420,538.82	92.12%			917,420,538.82
Total	1,351,810,783.42	100.00%	20,902,222.46	1.55%	1,330,908,560.96	995,864,855.57	100.00%	18,016,130.77	1.81%	977,848,724.80

Provision for bad debts made on a portfolio basis:

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Receivables from external customers	79,297,162.59	20,902,222.46	26.36%
Receivables from related parties	1,272,513,620.83		
Total	1,351,810,783.42	20,902,222.46	

Explanation on the basis for determining the portfolio: None.

If provision was made for bad debts of accounts receivable in accordance with the general expected credit loss model:

☐Applicable ☑Not applicable

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

None.

(4) Actual write-off of accounts receivable for the period

None.

(5) Top five customers in closing balance of accounts receivable and contractual assets summarized by debtor

Unit: RMB

Customer name	Closing balance of accounts receivable	Closing balance of contractual assets	Closing balance of accounts receivable and contractual assets	Percentage of total of closing balance of accounts receivable and contractual assets	Closing balance of provision for bad debts of accounts receivable and provision for impairment of contractual assets
Customer A	555,396,104.81		555,396,104.81	41.09%	
Customer B	535,754,637.30		535,754,637.30	39.63%	
Customer C	131,984,872.53		131,984,872.53	9.76%	
Customer D	23,671,271.87		23,671,271.87	1.75%	
Customer E	11,030,863.59		11,030,863.59	0.82%	
Total	1,257,837,750.10		1,257,837,750.10	93.05%	

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable	4,531,100.00	
Other receivables	4,122,557,802.76	3,123,928,450.54
Total	4,127,088,902.76	3,123,928,450.54

(1) Interest receivable

1) Category of interest receivable: None.

2) Significant overdue interest: None.

3) Disclosure by provision for bad debts

☐Applicable ☑Not applicable

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

5) Actual write-off of dividends receivable during this reporting period: None.

(2) Dividends receivable

1) Category of dividends receivable

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Jacobson Pharma Corporation Limited	4,531,100.00	
Total	4,531,100.00	

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

3) Disclosure by provision for bad debts

☐Applicable ☑Not applicable

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

5) Actual write-off of dividends receivable during this reporting period

Including actual write-off of significant dividends receivable: None.

Write-off explanations: None.

Other explanations: None.

(3) Other receivables

1) Other receivables by nature

Unit: RMB

Nature	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Amounts from related parties within the scope of consolidation	4,254,011,881.88	3,258,095,819.76
Deposits and guarantees	14,347,777.84	9,155,501.26
Petty cash	7,104,113.05	9,512,706.51
Total	4,275,463,772.77	3,276,764,027.53

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)	1,864,972,976.56	1,058,335,839.27
1 to 2 years	943,970,831.13	1,004,480,186.88
2 to 3 years	677,614,286.73	143,283,020.32
Above 3 years	788,905,678.35	1,070,664,981.06
3 to 4 years	788,905,678.35	1,070,664,981.06
Total	4,275,463,772.77	3,276,764,027.53

3) Disclosure by provision for bad debts

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Including:										
Provision for bad debts by portfolio	4,275,463,772.77	100.00%	152,905,970.01	35.74%	4,122,557,802.76	3,276,764,027.53	100.00%	152,835,576.99	41.17%	3,276,764,027.53
Including:										
Aging portfolio	21,451,890.89	0.50%	6,931,300.47	32.31%	14,520,590.42	18,701,031.75	0.57%	6,860,884.49	36.69%	18,701,031.75
Related party portfolio	4,254,011,881.88	99.50%	145,974,669.54	3.43%	4,108,037,212.34	3,258,062,995.78	99.43%	145,974,692.50	4.48%	3,258,062,995.78
Total	4,275,463,772.77	100.00%	152,905,970.01	35.74%	4,122,557,802.76	3,276,764,027.53	100.00%	152,835,576.99	41.17%	3,276,764,027.53

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	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	

	months			
Balance as of January 1, 2023	152,835,576.99			152,835,576.99
Balance as of January 1, 2023 in the current period				
Provision for the period	70,393.02			70,393.02
Balance as of December 31, 2023	152,905,970.01			152,905,970.01

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	Other changes	
Aging portfolio	6,860,884.49	70,415.98				6,931,300.47
Related party portfolio	145,974,692.50	-22.96				145,974,669.54
Total	152,835,576.99	70,393.02				152,905,970.01

Provision for bad debt with important amount of recovery or reversal during the period: None.

5) Actual write-off of other receivables during this reporting period: None.

6) Top five customers in closing balance of other receivables summarized by debtor

Unit: RMB

Entity name	Nature	Closing balance	Aging	Percentage of total of closing balance of other receivables	Closing balance of provision for bad debts
Entity A	Related party transactions	1,298,160,786.82	Within 1 year, 1 to 2 years, 2 to 3 years, above 3 years	30.36%	
Entity B	Related party transactions	829,427,236.43	Within 1 year, 2 to 3 years	19.40%	
Entity C	Related party transactions	667,778,834.70	Within 1 year, 1 to 2 years, 2 to 3 years	15.62%	
Entity D	Related party transactions	384,808,049.53	Within 1 year, 1 to 2 years	9.00%	145,974,669.54
Entity E	Related party transactions	295,969,610.07	Within 1 year, 1 to 2 years, 2 to 3 years	6.92%	
Total		3,476,144,517.55		81.30%	145,974,669.54

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	2,573,195,450.92	244,474,941.95	2,328,720,508.97	2,465,095,450.92	244,474,941.95	2,220,620,508.97
Investments in associates and joint ventures	11,553,542,823.25		11,553,542,823.25	11,334,638,735.04		11,334,638,735.04
Total	14,126,738,274.17	244,474,941.95	13,882,263,332.22	13,799,734,185.96	244,474,941.95	13,555,259,244.01

(1) Investments in subsidiaries

Unit: RMB

Investee	Opening balance (book value)	Closing balance of impairment provision	Increase and decrease in the current period				Closing balance (book value)	Closing balance of impairment provision
			Additional investment	Decreased investment	Provision for impairment	Others		
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd	130,894,518.14						130,894,518.14	
Yunnan Baiyao Group Medicine E-commerce Co., Ltd.	56,059,850.00						56,059,850.00	
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	39,627,253.25						39,627,253.25	
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	16,489,200.00						16,489,200.00	
Yunnan Baiyao Group Health Products Co., Ltd.	168,297,661.03						168,297,661.03	
Yunnan Pharmaceutical Co., Ltd	765,533,647.30						765,533,647.30	
Yunnan Institute of Materia Medica	101,075,329.94						101,075,329.94	
Yunnan Baiyao Holding Investment Co., Ltd.	193,992,837.67						193,992,837.67	
Yunnan Baiyao Teayield Co., Ltd.	3,701,960.00	20,000,000.00					3,701,960.00	20,000,000.00
Yunnan Baiyao Group (Hainan) Co., Ltd.	457,198,438.74						457,198,438.74	
Yunnan Baiyao Group Shanghai Co., Ltd.	11,350,000.00						11,350,000.00	
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	77,600,000.00		8,100,000.00				85,700,000.00	
Shanghai Yunzhen Medical Technology Co., Ltd.	100,572,858.37		100,000,000.00				200,572,858.37	
YNBY International Limited (Formerly Ban Loong Holdings Limited)	98,226,954.53	224,474,941.95					98,226,954.53	224,474,941.95
Total	2,220,620,508.97	244,474,941.95	108,100,000.00				2,328,720,508.97	244,474,941.95

(2) Investments in associates and joint ventures

Unit: RMB

Investee	Opening balance (book value)	Closing balance of impairment provision	Increase and decrease in the current period								Closing balance (book value)	Closing balance of impairment provision
			Additional investment	Decreased investment	Profit and loss on investments recognized under the equity method	Adjustment of other comprehensive income	Change in other equities	Cash dividends or profit declared to be issued	Provision for impairment	Others		
I. Joint ventures												
II. Associates												
Shanghai Pharmaceuticals Holding Co., Ltd.	11,319,745,137.87				627,159,060.84	-22,425,249.10	18,844,632.23	406,032,345.56			11,537,291,236.28	
Yunnan Tianzheng Testing Co., Ltd.	14,893,597.17				1,357,989.80						16,251,586.97	
Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.												
Subtotal	11,334,638,735.04				628,517,050.64	-22,425,249.10	18,844,632.23	406,032,345.56			11,553,542,823.25	
Total	11,334,638,735.04				628,517,050.64	-22,425,249.10	18,844,632.23	406,032,345.56			11,553,542,823.25	

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

□Applicable ☑Not applicable

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

□Applicable ☑Not applicable

Reasons for significant differences between the foregoing information and information used for impairment testing in previous years or external information: None.

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year: None.

(3) Other explanations: None.

4. Operating revenue and Operating Cost

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Main business	6,762,661,949.46	3,050,317,137.32	6,325,677,777.91	2,889,920,823.10
Other business	118,794,971.14	114,817,635.55	114,783,648.32	90,514,753.97
Total	6,881,456,920.60	3,165,134,772.87	6,440,461,426.23	2,980,435,577.07

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	6,659,619,829.83	2,957,985,201.82	103,042,119.63	92,331,935.50	118,794,971.14	114,817,635.55	6,881,456,920.60	3,165,134,772.87
Including:								
Industrial sales income	6,659,619,829.83	2,957,985,201.82					6,659,619,829.83	2,957,985,201.82
Commercial sales income			103,042,119.63	92,331,935.50			103,042,119.63	92,331,935.50
Others					118,794,971.14	114,817,635.55	118,794,971.14	114,817,635.55
By operating areas	6,659,619,829.83	2,957,985,201.82	103,042,119.63	92,331,935.50	118,794,971.14	114,817,635.55	6,881,456,920.60	3,165,134,772.87
Including:								
In Yunnan province	825,019,070.05	346,526,894.46	98,970,898.91	88,518,376.77	118,794,971.14	114,817,635.55	1,042,784,940.10	549,862,906.78
Outside Yunnan province (excluding overseas)	5,832,867,670.97	2,609,471,404.10	4,071,220.72	3,813,558.73			5,836,938,891.69	2,613,284,962.83
Overseas	1,733,088.81	1,986,903.26					1,733,088.81	1,986,903.26
Total	6,659,619,829.83	2,957,985,201.82	103,042,119.63	92,331,935.50	118,794,971.14	114,817,635.55	6,881,456,920.60	3,165,134,772.87

Information about performance obligations:

Other explanations: None.

Information related to the transaction price allocated to the remaining performance obligations: At the end of this reporting period, the Company recorded an amount of revenue of RMB 0.00 from its performance of obligations set out in the signed contracts to be fulfilled or fully fulfilled.

Significant contractual changes or significant transaction price adjustments: None.

5. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Long-term equity investment incomes accounted by the cost method		617,000,000.00
Long-term equity investment incomes accounted by the equity method	628,517,050.64	732,711,091.10
Investment income generated from disposal of long-term equity investment		-81,317,400.00
Investment income on trading financial assets during holding period	7,606,635.89	7,577,722.83
Investment income from disposal of trading financial assets	10,374,861.89	204,640,032.15
Investment income from other non-current financial assets during the holding period	70,844,082.00	9,931,274.97
Others	24,550,357.54	4,579,237.29
Total	741,892,987.96	1,495,121,958.34

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	110,477,911.97	
Government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular businesses of the Company in line with national policies and received by a determined standard, with a continuous impact on the Company's profits and losses)	75,375,220.16	
Profits and losses from changes in fair value of financial assets and liabilities held for trading by non-financial enterprises, and from disposal of such financial assets and liabilities, except for effective hedging operations related to regular businesses of the Company	199,779,795.08	
Profits and losses from entrusted investment or asset management	3,146,335.87	
Non-operating revenue and expenses other than the above	-1,919,286.26	
Other profits and losses satisfying the definition of non-recurring profits and losses	41,588,740.24	
Less: Amount affected by the income tax	69,955,013.92	

Amount affected by minority interests (after tax)	28,316,990.19	
Total	330,176,712.95	--

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

☑Applicable ☐Not applicable

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

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

□Applicable ☑Not applicable

2. Return on equity and earnings per share

Profits during the reporting period	Weighted average return on equity	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profits attributable to ordinary shareholders of the Company	10.51%	2.29	2.29
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	9.66%	2.11	2.10

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

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

□Applicable ☑Not applicable

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

□Applicable ☑Not applicable

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

□Applicable ☑Not applicable

4. Others: None.

Yunnan Baiyao Group Co., Ltd.

Board of Directors

March 28, 2024