



Yunnan Baiyao Group Co., Ltd.

Interim Report 2024

August 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 Interim Report and there are no misrepresentation, misleading statement or material omission from this Interim Report, and they accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents herein.

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

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

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

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

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

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Documents Available for Inspection

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

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

(III) Other related materials.

Definitions

Term	Definitions
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SASAC of Yunnan Province	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government
CSRC Yunnan Bureau	Yunnan Bureau of China Securities Regulatory Commission
The Company / Yunnan Baiyao	Yunnan Baiyao Group Co., Ltd.
New Huadu	New Huadu Industrial Group Co., Ltd.
Yunnan Investment Holdings Group	Yunnan Provincial Investment Holdings Group Co., Ltd.
Yunnan State-owned Equity Operation Management Company	Yunnan State-owned Equity Operation Management Co., Ltd.
Yunnan Hehe	Yunnan Hehe (Group) Co., Ltd.
Jiangsu Yuyue	Jiangsu Yuyue Science & Technology Development Co., Ltd.
Baiyao Holdings	Yunnan Baiyao Holdings Co., Ltd.
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 Yunnan Baiyao merged with Baiyao Holdings by issuing shares to all shareholders of Baiyao Holdings, including SASAC of Yunnan Province, New Huadu and Jiangsu Yuyue
Yunnan Pharma	Yunnan Pharmaceutical Co., Ltd.
OTC	Over-the-counter drug
Reporting period	The period from January 1, 2024 to June 30, 2024
RMB, RMB'0,000, RMB'00,000,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi, expressed in hundreds of millions of Renminbi

Section II Company Profile and Key Financial Indicators

I. Company Profile

Stock Abbreviation	Yunnan Baiyao	Stock Code	000538
Stock Exchange	Shenzhen Stock Exchange		
Company Name in Chinese	云南白药集团股份有限公司		
Company Abbreviation in Chinese (If any)	云南白药		
Company Name in English (If any)	YUNNAN BAIYAO GROUP CO., LTD		
Company Abbreviation in English (If any)	YUNNAN BAIYAO		
Legal Representative of the Company	Dong Ming		

II. Contact Person and Contact Information

	Secretary of the Board of Directors	Representative of Securities Affairs
Name	Qian Yinghui	Li Mengjue
Contact Address	No.3686 Yunnan Baiyao Street, Chenggong District, Kunming, Yunnan Province	No.3686 Yunnan Baiyao Street, Chenggong District, Kunming, Yunnan Province
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III. Other Information

1. Contact information of the Company

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

Applicable Not applicable

There was no change in the Company's registered address, office address, postal code, website, or e-mail address during the reporting period. For more information, please refer to the 2023 Annual Report.

2. Information disclosure and location

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

Applicable Not applicable

There was no change in the stock exchange website, media outlets, and their websites where the Company disclosed the Interim Report, or the location where the Interim Report was prepared and placed during the reporting period. For more information, please refer to the 2023 Annual Report.

3. Other information

Whether other information has changed during the reporting period

Applicable Not applicable

IV. Key Accounting Data and Financial Indicators

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

Yes No

	The reporting period	The same period of the previous year	Increase/decrease during the reporting period compared with the same period of the previous year
Operating revenue (RMB)	20,455,286,287.52	20,309,372,850.07	0.72%
Net profit attributable to shareholders of the listed company (RMB)	3,188,829,903.10	2,828,011,615.30	12.76%
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses (RMB)	3,135,015,340.93	2,737,055,785.90	14.54%
Net cash flows from operating activities (RMB)	3,261,617,391.99	2,251,951,370.10	44.84%
Basic earnings per share (RMB/share)	1.79	1.58	13.29%
Diluted earnings per share (RMB/share)	1.79	1.58	13.29%
Weighted average ROE	7.93%	7.17%	Up 0.76 percentage points
	End of the reporting period	End of the previous year	Increase/decrease at the end of the reporting period compared with the end of the previous year
Total assets (RMB)	54,367,545,232.24	53,784,293,183.93	1.08%
Net assets attributable to shareholders of the listed company (RMB)	39,369,278,205.03	39,879,122,031.51	-1.28%

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

Total share capital of the Company as of the trading day preceding disclosure (shares)	1,784,262,603
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Fully diluted earnings per share calculated under the latest share capital

Preferred stock dividends paid	0.00
Interest paid on perpetual bonds (RMB)	0.00
Fully diluted earnings per share calculated under the latest share capital (RMB/share)	1.7872

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

VI. Non-recurring Profits and Losses

Applicable Not applicable

Unit: RMB

Item	Amount	Remarks
Profits or losses from disposal of non-current assets (including the write-off for the accrued impairment of assets)	-1,658,086.88	
Government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular businesses of the Company, in line with national policies, and consecutively received by a standard quota or quantity)	34,220,746.37	
Profits and losses from changes in fair value of financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and financial assets available for sale, except for effective hedging operations related to regular businesses of the Company	-4,964,027.66	
Profits and losses arising from entrusted investment or asset management	3,003,994.06	
Non-operating revenue and expenses other than the above	-257,970.80	
Other profits and losses satisfying the definition of non-recurring profits and losses	27,441,539.97	
Less: Amount affected by the income tax	3,960,096.44	
Amount affected by minority interests (after tax)	11,536.45	
Total	53,814,562.17	

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Section III Management Discussion and Analysis

I. Principal Businesses of the Company during the Reporting Period

(I) Overview

1. Industry landscape and development trends

The Central Committee of the Chinese Communist Party (“CPC”) 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 Third Plenary Session of the 20th Central Committee of the Communist Party of China highlighted key strategies for the high-quality development in pharmaceutical and health sectors, outlined new deployments, tasks, and requirements for comprehensively deepening TCM reforms, and proposed to “perfect the mechanism for the inheritance and innovation of TCM,” marking the start of comprehensively deepening TCM reforms.

In the first half of 2024, numerous policies were introduced to support the TCM industry in China. Regarding the development of the TCM industry, the government work report requires “promoting the inheritance and innovation of TCM and strengthening the construction of TCM advantageous specialties,” which gives the industry a new mission in the new era to carry forward the inheritance and advance innovation. The *2024 Key Tasks for Deepening the Reform of Pharmaceutical Health Systems* issued by the General Office of the State Council proposed that we should “advance the construction of national TCM inheritance and innovation center and other institutions, support the presence of leading TCM enterprises across the entire industry chain and accelerate the establishment of the traceability system across the entire TCM industry chain,” which provides guidelines and institutional guarantees for the construction of the entire industry chain in the TCM industry. The *Special Regulations on the Management of Traditional Chinese Medicine Standards* issued by the National Medical Products Administration (NMPA) marked a crucial step forward for this industry towards standardized and normalized management. This series of top-level policies, issued consecutively, clarifies the pathways for the healthy, sustainable, and high-quality development of the TCM industry, thus leading to increased confidence in its future prospects.

Meanwhile, China has increasingly supported the innovative drug industry through various policies. The State Council of China has recently approved the *Implementation Plan for Supporting the Development of Innovative Drugs Across the Entire Value Chain*. This plan aims to bolster innovative drug development in areas such as R&D, transformation, approval, production, usage, and reimbursement, heralding new development opportunities for the industry.

From a market perspective, with the acceleration of population aging, TCM offers unique advantages such as disease prevention, early intervention, and natural ingredients, effectively supporting the demand for chronic disease management. The market prospects are broad and promising.

Supported by national policies, the value of efficient integration and integrated construction across the entire industry chain in the TCM industry is further highlighted, which is increasingly becoming the key for enterprises in this industry to build core competitiveness in the future. As social demands shift from “disease treatment” to “health-

focused” products and services, the TCM industry is becoming more innovative and consumer-oriented. The integration of the entire industry chain—including TCM materials, branded TCM products, TCM consumer goods, and retail pharmacy terminals—is set to create a new business model, propelling the industry into a new era of development.

In the first half of 2024, the consumer goods industry experienced low-level growth, with consumer confidence still needs to be restored. Relevant data shows that in terms of consumption behaviors and preferences, on one hand, consumers became more rational and cautious with their purchasing decisions due to the slowdown in the growth of residents’ disposable income. On the other hand, consumption trends continued to rise. Consumers sought cost-effective products and product experience and were willing to pay a premium for high quality. In terms of the consumer market, consumers’ reliance on online shopping has further increased, and online retail markets continued to exhibit strong growth momentum. Benefited from the presence of e-commerce business into lower-tier markets and improved infrastructure, the lower-tier consumer markets also showed a substantial growth potential. In the context of a slow recovery in the overall consumer goods sector, the market increasingly demands that businesses maintain sharp insights and innovation, and implement more refined management and empowerment strategies for channels and endpoints.

2. Industry position

Yunnan Baiyao has 567 drug approvals and 316 varieties, including 222 Chinese patent drugs, including 43 exclusive varieties. The Company 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, being highly consistent with the national strategic positioning of “attaching importance to the inheritance and innovation of TCM.” 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.

In June 2024, *BrandFinance2024 - Ranking of Global Most Valuable and Strongest Pharma, Medical Device, and Healthcare Services Brands in Value* released by Brand Finance, an authoritative international brand valuation agency, showed that Yunnan Baiyao was shortlisted into the *List of Global Top 25 Most Valuable Pharmaceutical Brands*. In July 2024, Yunnan Baiyao was shortlisted into the *2024 Fortune Top 500 Chinese Enterprises List* released by Fortune China for the 15th consecutive year and ranked 385th. In July 2024, Yunnan Baiyao was shortlisted into *2024 Pharm Exec 50* released by Pharm Exec, an American magazine and ranked 33th. In June 2024, the list of Top 100 Chinese Pharmaceutical Companies for 2023 was released, with Yunnan Baiyao once again

ranked among the top 100 Chinese TCM companies, securing the 5th position. In June 2024, Yunnan Baiyao was included in the “China’s Top 100 ESG Pioneer Listed Companies” list.

3. Product and business

The Company has four business groups, namely Pharmaceutical Business Group, Health Products Business Group, Traditional Chinese Medicine (TCM) Resources Business Group and Yunnan Pharmaceutical Co., Ltd (“Yunnan Pharma”). 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 in the pain management of traumatology such as hemostasis, pain relief, swelling reduction, and blood stasis elimination. The branded TCMs with natural characteristics focus on areas such as tonifying *Qi* and blood, treating colds and flu, cardiovascular health, gynecology, and pediatrics. 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, and actively expands 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 constantly enhancing the development.

Yunnan Pharma remains steadfast in pursuit of maintaining its leading market share among pharmaceutical distribution companies in Yunnan Province. It has achieved full coverage in all 16 prefectures and cities of Yunnan Province, with its channels radiating across major retail chain pharmacies. It also assists governments and medical institutions in building better management and service systems, providing high-quality and modern pharmaceutical supply chain service solutions for upstream and downstream customers.

4. Overview of business data

In the first half of 2024, the Company focused on its core businesses, continuously optimizing its business structure, with contribution to profit from the industrial revenue steadily increasing. During the reporting period, the Company achieved operating revenue of RMB 20.455 billion, a 0.72% increase compared to the same period last year. Among this, the proportion of industrial revenue in total operating revenue further rose to 37.41%, an increase of 0.49 percentage points compared to the previous year; industrial revenue growth rate reached 2.05%; and the industrial gross profit margin was 67.37%, up 3.10 percentage points year-on-year.

While maintaining steady growth in operating performance, the Company focused on unleashing potential and enhancing efficiency across the entire value chain, with operational quality and efficiency continuing to improve. During the reporting period, the Company achieved a net profit attributable to the parent company of RMB 3.189 billion, a 12.76% increase from RMB 2.828 billion in the same period last year, setting a new historical high for the

period; the weighted average return on net assets was 7.93%, up 0.76 percentage points from the previous year; basic earnings per share were RMB 1.79, a 13.29% increase year-on-year; net cash flow from operating activities was RMB 3.262 billion, up 44.84% year-on-year; and management expenses decreased by 4.95% year-on-year. At the end of the reporting period, the Company's total assets were RMB 54.368 billion, an increase of 1.08% from the beginning of the period; and the cash and bank balance were RMB 14.720 billion, up 3.53% from the beginning of the period.

(II) Review of main tasks and prospects

1. Leading in Party building, strategic orientation, and enhanced management efficiency

(1) Strengthening the leadership in Party building and enhancing the quality and efficiency of Party building

During the reporting period, the Company deepened its learning and implementation of 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) Completed compilation of 2024-2028 Strategic Planning Outline for Yunnan Baiyao Group to clarify the Company's strategies

During the reporting period, the Company's Board of Directors considered and approved *2024-2028 Strategic Planning Outline for Yunnan Baiyao Group*, which establishes a clear, well-defined, and actionable development strategy for the Company, and continues to refine the specific implementation pathways and methods for the strategic plan, effectively ensuring and supporting the successful execution of the strategy.

The Company will set the strategic goal of "driving Yunnan Baiyao, a century-old pharmaceutical brand, to become a leading Chinese and world-class modern pharmaceutical industry group, achieving reasonable growth in scale, steady improvement in efficiency, and continuous optimization of industrial and product structures for high-quality development," steadfastly deepen its roots in the "pharmaceutical" industry, and drive its each business to focus on its advantageous fields in Big Health industry to constantly enhance its leading industry position. While continuously enhancing core competencies, the Company is also advancing the development of new business growth drivers in a scientific, prudent, and effective manner.

In the short term, leveraging a "dual-wheel drive" strategy of internal growth and external expansion, the Company will strengthen and expand the quality influence of "Big TCM" products along the comprehensive TCM industry chain; enhance and refine the health and wellness offerings through a focus on efficacious products and services in personal healthcare; stabilize and improve the new regional distribution channels via market-specific commercial circulation, and make up for the insufficiency in internal growth by centering on industrial strategic orientation 1+1>2, to rapidly build a health industry system.

In the mid-to-long term, the Company will focus on developing Yunnan authentic medicinal resources, produce excellent TCM products from excellent medicinal materials in Yunnan, and position itself as a “chain leader” in the high-quality development of Yunnan TCM resources. Focusing on the core products of Baiyao, and leveraging high-quality Yunnan medicinal materials, the Company aims to become a model for TCM inheritance, innovation, and development, and the “leading” brand in the comprehensive pain management of traumatology. Benefited from the functional advantages of Baiyao and authentic regional medicinal resources, the Company will build itself into the benchmark for new Chinese-style health life philosophy and the “best” partner for quality life and comprehensive ecological services. The Company will focus on meeting the treatment needs of key disease areas and establish itself as a new model pharmaceutical enterprise in high-potential, high-value, high-success-rate, and sustainably premium sectors. Focusing on customers’ health needs, the Company will offer value-driven pharmaceutical commercial services and strive to become the “leading” enterprise in value-based life and health services. The Company will also further build a healthy and sustainable industry portfolio system to promote the achievement of its strategic goals.

(3) Advancement to improve organizational structure and control capabilities

In the first half of 2024, the Company steadily implemented its organizational reforms centered on “strengthening the front-end, empowering the middle-end, and optimizing the back-end,” driving control model shifting from financial control to strategical control, and constructing a more focused, streamlined and efficient organizational structure, with strengthened internal correlation and synergy within the Company, offering a stronger organizational support for the Company to focus on its principal business, integrate advantageous resources, strengthen vertical control, and empower control.

Looking ahead, the Company will continue to enhance the Group’s control capabilities. By building a group control system for “hierarchical classification,” especially the research, production, and sales control system that supports business development, the Company constantly promotes the core capability building throughout the group. Moreover, the Company will refine and improve the performance indicator structure system, establish an effective medium- to long-term incentive system and improve its overall salary incentive mechanism. The Company will also perform new corporate culture construction to support overall strategic development goals, thus maximizing the overall value of the Company. The Company will strive to further improve its organization capabilities, and in response to the latest strategic planning, control positioning, and functional division, the Company will enhance its organizational system in a scientific and orderly manner to support the implementation of its own strategic goals.

(4) Improvement in both quality and efficiency by focusing on operation excellence across the entire value chain

In the first half of 2024, the Company further strengthened its budget management, risk control and cost awareness, and by digital and intelligent empowerment, systematically brought its level of operation across the entire value chain to a new height, achieving improvement in both quality and efficiency. The Company also adhered to practically implementing comprehensive budget management to give full play to the value creation ability of management accounting in enterprise management. By creating a comprehensive strategy-guided budget management system, the Company aimed to promote the linkage between strategic management and comprehensive budget, thus achieving strategic organic growth and orderly performance growth. Furthermore, the Company

continued to perfect its “all-in-one” compliance monitoring system, and further improved its internal control in systematicity and precision at the institutional level. In addition, the Company further returned to the “essence of manufacturing”, focusing on the three elements of “quality, cost and efficiency,” and promoting cost reduction and efficiency improvement to be a long-term systematic work for the Company. From the perspective of the entire process, the Company cultivated its capabilities to reduce the cost and improve the efficiency across the entire value chain based on end-to-end process. Also, the Company made efforts to advance the digitalization for each business segment by mainly focusing on platform operation and management, and from the perspectives of supply chain, quality management, legal affair management and human resource management, promote the realization of digital and intelligent management, operation and innovation. In the future, the Company will continue to focus on the “entire industry chain management synergy and entire value chain efficiency improvement,” further unleash potential and enhance efficiency, and build up the culture and philosophy of “maximizing the value of the entire industry chain,” so as to stably and scientifically bring its operation excellence system and capability to a new height in an orderly manner, and constantly improve its internal growth quality.

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

(1) Pharmaceutical Business Group

During the reporting period, the principal business income of the Pharmaceutical Business Group reached RMB 4.069 billion, up 9.6% year on year. The core products of Baiyao series maintained robust growth. The sales revenue of Yunnan Baiyao Aerosol exceeded RMB 1.2 billion, representing a YOY increase of more than 30%, and the sales revenue of Yunnan Baiyao Plaster and Yunnan Baiyao Capsule achieved significant growth. Other branded TCM products showed impressive growth. The sales revenue of Pudilan Anti-inflammatory Tablet surpassed RMB 100 million, with a nearly double-digit growth year-on-year. The sales revenue of Gongxuening Capsule, used for gynecological inflammation, saw a 36% year-on-year increase. The sales revenue of Baotaikang Granule for Children and Pain Relief Capsule increased significantly. Botanical supplements also achieved significant growth, with the sales revenue of Qixuekang Oral Liquid surpassing RMB 100 million, and the sales revenue of Sanqi Shenfeng Oral Liquid increasing by more than 80% year-on-year.

During the reporting period, the Pharmaceutical Business Group continued to implement the guidelines of focusing on the principal business, improving quality and efficiency, and promoted various key tasks from academic and clinical, marketing, channel cultivation, production efficiency and other aspects. In terms of academic and clinical aspects, a number of clinical studies on the secondary development of Yunnan Baiyao Capsule, Gongxuening Capsule, Qixuekang Oral Liquid and other core products have been steadily promoted. In terms of marketing, the Aerosol Campus Basketball Game was launched in Kunming, Shanghai, Changsha and Guangzhou, with 512 teams participating in the activity. The “Let’s go and play basketball” Douyin topic page recorded view counts of more than 290 million, and more than 38,000 videos have been submitted for the national mission, with the accumulated submissions exceeding 32,000. In terms of channel cultivation, the “generic drug for thousands of households” project was launched offline, and the first-level short channel operation model was built to achieve extensive small chain distribution. Great efforts were made to further the online channel development, acquiring about 350 million exposures, 2.96 million interactions, a user base of about 22.17 million audience for the brand

through the content platform, and attracting 10.52 million visitors to the e-commerce platform, which brought more than 1.1 million consumers, and led to GMV increase of 47% year-on-year. In terms of production efficiency improvement, we have advanced projects such as biomass gasification intelligent heating, granule capacity increase and expansion, storage optimization, and Dali production line upgrading to lay a solid foundation for market supply assurance, cost reduction and efficiency increase. The compliance transformation of the clean separation coarse crushing process in the raw material center was completed, and 446 improvements were implemented to improve the intelligent level of production and manufacturing.

In the second half of 2024, centering around the strategic positioning of “the leading brand of pain management in the field of traumatology,” the Pharmaceutical Business Group will promote the optimization of business deployment in an orderly manner, and initiate online and offline engagement across all touchpoints. Specifically, for our core series of Baiyao products, we will address market demands and focus on our pain management strategy. We aim to achieve breakthroughs with key individual products and develop a new pain management model, thereby fully leveraging our Company’s strengths in the field of trauma. We will establish a “Pain Service Center” by utilizing chain pharmacies located within communities. This center will consolidate pain management products, offer primary treatment services, and collaborate to extend medical resources comprehensively, thereby addressing the diverse pain management needs of the community. For branded TCM products, we will implement the refined growth strategy, take the treatment field as the standard, build the refined growth capabilities, enhance traceability across marketing, commercial control, and investment, and thus achieve integration between production and marketing. Regarding botanical supplements, we will capitalize on the autumn and winter season, which is ideal for *Qi* and blood replenishment, to rapidly increase the market share of our supplement products.

(2) Health Products Business Group

During the reporting period, the Health Products Business Group achieved an operating income of RMB 3.144 billion and a net profit of RMB 1.231 billion, with a year-on-year growth of 1.7% in net profit and a year-on-year growth of 0.7 percentage points in gross margin. In the oral care segment, the market share of Yunnan Baiyao Toothpaste maintained a leading position in China. During the “618” period in 2024, Yunnan Baiyao oral health brand successively ranked top 1 oral care brand in the whole network (Source: open.shangzhizhen.com). In the hair care and anti-hair loss segment, Yangyuanqing recorded sales revenue of RMB 195 million during the reporting period, up 41% year on year. With the special makeup certificate for hair care, the national invention patent certificate for hair care and anti-hair loss, and the product quality achieved through differentiated technological barriers that earn the trust of Chinese consumers, we have successfully created the core brand of Yunnan Baiyao Yangyuanqing - “For controlling oil and preventing hair loss, choose Yangyuanqing.” Thanks to increased market penetration, Yangyuanqing has outpaced the industry average growth in the anti-hair loss category amid intense competition. During the “618” shopping festival in 2024, it became the top domestic anti-hair loss shampoo brand on Tmall, with the six-month cumulative GMV on Douyin e-commerce platform exceeding RMB 100 million (Source: open.shangzhizhen.com).

During the reporting period, the Health Products Business Group achieved the goal of lean operation and product leadership through digital-driven measures. In terms of R&D and innovation, the Health Products Business

Group obtained 4 new patent authorizations, submitted 5 applications, and published 2 papers in top international SCI journals during the reporting period. In terms of content marketing, by focusing on the core keywords of the brands, such as “gum care” for Yunnan Baiyao Toothpaste, “anti-hair loss” for hair care and anti-hair loss series, we maintained content connection through private marketing and achieved joint creation and interaction with users for new products. We launched special initiatives at key moments and marketing campaigns such as “The Family Gets Together to Watch the Spring Festival Gala,” “Healthy Oral 123 Plan,” and “Good Oral Health for Longevity and Well-being,” to enhance national and professional brand recognition while precisely targeting our user base. These campaigns achieved a total exposure of over 3.6 billion.

In the second half of 2024, the Health Products Business Group will focus on the “circle-breaking” growth of products, and create long-term end-to-end full value chain collaboration. In the future, we will strengthen the oral health professional positioning of Yunnan Baiyao. For oral care products, we will focus on gingival care and launch channel exclusive products to reach different consumer groups. For washing and care products, we will focus on “anti-hair loss” and promptly introduce targeted offerings such as a special travel package for “anti-hair loss,” tailored to the characteristics of each channel. Through the construction of digital system, we can achieve the operation digitalization, channel visualization, terminal lean management, and data-driven decision-making, and ultimately enabling omni-channel operations.

(3) TCM Resources Business Group

During the reporting period, while meeting the Company’s internal resource needs in a high-quality and efficient manner, the TCM Resources Business Group implemented lean operations, and achieved external operating income of RMB 894 million, representing a year-on-year increase of about 22% under the same caliber. In terms of continuously ensuring a stable supply and price of the Company’s strategic varieties, with an average order delivery rate of 99.36% in the first half of the year, we effectively stabilized the price of the Company’s feeding herbs, with their price increase significantly lower than the average industry-wide price rise for Chinese medicinal materials. Focusing on the Yunnan authentic herbs and the strategic advantageous varieties of Yunnan Baiyao, we maintained a leadership in the *Panax notoginseng* segment. In the natural plant extraction business, our sales revenue increased by 47% year-on-year during the reporting period. In the pharmaceutical services sector, the TCM Resources Business Group made strides by pioneering a channel covering “diagnosis and treatment - prescription - prescription examination - decoction - distribution - delivery to household,” which was achieved through the establishment of a Chinese medicine service center and a Chinese medicine library, allowing us to offer patients a full range of personalized and efficient pharmaceutical services. At present, Yunnan Baiyao has built and operated the largest drug decocting center in Yunnan. By further strengthening the construction of digital intelligence and multi-point deployment planning, we will provide greater convenience for residents’ daily medication.

In the second half of 2024, regarding TCM resources, we will build on our strategic positioning as “a ‘chain leader’ dedicated to the high-quality development of Yunnan TCM resources.” We will continue to embrace and fulfill our responsibilities as a chain leader enterprise. Relying on the authentic herb resources and location advantages of Yunnan Province, we will give play to the industrial accumulation of Yunnan Baiyao Group in technology, brand, channel, capital and talent, as well as the demonstration, leading and driving role of the leading

enterprise in industrial development. We will use the “1+1+N” model of “one integrated digital intelligence platform for production, research and marketing of Chinese medicinal materials + one new production base specialized market for Chinese medicinal materials + multiple collaboration” to build the entire industrial chain ecosystem for digital management and operation of Chinese medicinal materials, and transform resource advantages into industrial competitive advantages and regional long-term sustainable development advantages, so as to achieve the goal of “supporting high-quality traditional Chinese medicines with premium Yunnan herbs.” We will leverage industrial thinking to empower agriculture, integrate agriculture with farmers and lead by example with Yunnan Province’s natural assets in TCM varieties, promote industry development and enrich the people, and support the high-quality development of Yunnan Baiyao and Yunnan TCM industries.

(4) Yunnan Pharma (Pharmaceutical Distribution)

During the reporting period, Yunnan Pharma undertook a comprehensive effort to enhance quality, reduce costs, and improve efficiency across all factors and processes. We aimed to achieve balanced growth in scale, structure, and quality. As a result, we achieved an operating income of RMB 12.19 billion and a net profit of RMB 290 million, reflecting a significant year-on-year growth of 26% in net profit. Sales orders increased by 6.7% year-on-year, and logistics throughput grew by 9.36% year-on-year.

In the first half of 2024, Yunnan Pharma carried out targeted management and control of accounts receivable through customized programs, consolidating responsibilities, empowering customers and other measures, and achieved phased results. For the pharmaceutical distribution business, we further consolidated market share by focusing on varieties, markets and terminals. For non-pharmaceutical distribution business, we achieved a 9% year-on-year growth in the first half of the year through system construction, model innovation and market expansion.

In the second half of 2024, Yunnan Pharma will align business objectives with our overall development plan, adhere to the principle of seeking both progress and stability, and promoting stability through progress, promote stabilization of revenue scale, deepen the community-level market, develop professional pharmacies, and expand non-drug business. We will continuously strengthen risk control and management, improve accounts receivable management, and enhance platform capacity building, thus achieving overall improvement in operation quality and efficiency.

(5) Optimizing business deployment for emerging business units

During the reporting period, the Company promoted the restructuring and adjustment of the emerging business units, achieving rapid business development of the Tonic Health Products BU, the Skin Beauty BU, and the Medical Device BU. During the reporting period, the Tonic Health Products BU implemented measures such as continuously optimizing cost reduction and efficiency improvement of the supply chain, unified upgrading of the packaging of all series of *Panax notoginseng* products, deployment of integrated online and offline marketing, and construction of the front, middle and back office organizational security system. In the future, we will focus on the deep cultivation of *Panax notoginseng* and other advantageous TCM products, with an aim to become a leader in nourishing and health care segment. During the reporting period, the Skin Beauty BU launched a new raw material developed through independent R&D - *Paris fargesii*, which won the double awards of ICIC for raw materials and products thanks to the independently cultivated, developed and produced core ingredients. We launched the “CAI ZHI JI - *Paris fargesii*” series, known for its anti-inflammatory, soothing, and anti-redness properties, on platforms

like Tmall and JD.com, effectively integrating medicinal plant extracts into skincare. During the reporting period, the Medical Device BU focused on pain physiotherapy, significantly growing our treatment and eye care businesses. This led to a substantial increase in operating income and a notable improvement in operation quality and efficiency. Moving forward, we will enhance our market competitiveness by optimizing our core business, expanding our two key areas, and achieving overall synergy.

(6) Boosting development momentum by focusing on R&D

By upholding an innovation-driven strategy, the Company has accelerated the transformation of results, continuously enhanced development momentum, and systematically advanced the planning of short-, medium- and long-term projects.

In the short-term projects, on the one hand, the Company conducted clinical research on the existing products from the Pharmaceutical Business Group to support their promotion and sales. During the reporting period, we collaborated with the National Trauma Medical Center on research that focused on preventing deep vein thrombosis in patients with multiple injuries and thrombosis following hip fractures using Yunnan Baiyao Capsule. We also partnered with Grade A tertiary hospitals in China to conduct clinical studies on the efficacy of Yunnan Baiyao Capsule in promoting bone healing and its impact on subgingival microflora and immune balance in patients with moderate to severe periodontitis. Besides, we carried out clinical research on improving cardiovascular health with Qixuekang Oral Liquid. On the other hand, the Company actively carried out the secondary development of dormant products and the resumption of production, constantly enriching its high-quality product pipeline. During the reporting period, we cooperated with our partner hospitals to initiate clinical observation and research on treating abnormal uterine bleeding with Gongxuening Capsule and randomized controlled trial (RCT) study on reducing bleeding after induced abortion under the project titled “Secondary Development and Research on Gongxuening Capsule, a major TCM variety,” and successfully applied for major science and technology projects in Yunnan Province; conducted research on resuming production of Shulie’an Capsule, and a multi-center, open-label, randomized, placebo-controlled clinical pre-trial study on treating patients with type III chronic prostatitis using Shulie’an Capsule led by Grade A tertiary hospitals in China.

In the medium-term projects, we actively promoted the development of innovative TCM and intensified our focus on Yunnan Baiyao’s transdermal preparations, to continually create star products in this category while implementing the overall deployment to address critical national needs in the field of trauma. During the reporting period, Panax Notoginseng Tablet, an innovative drug in Chinese medicine 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 randomized double-blind phase II clinical trial. In the first half of 2024, 55 subjects were enrolled (285 subjects have been enrolled in total), and it is expected to complete phase II clinical trial in 2025. Fuqi Guben Ointment for excessive nocturnal urination caused by kidney *Yang* deficiency has been put into phase III clinical trials, and it is expected to complete phase III clinical trials by the end of 2025. Clinical trial approval was obtained for Flurbiprofen Cataplasms, and production technology transfer was completed. The pilot test and full test of Loxoprofen Sodium Cataplasms were completed. The formulation process with excellent adhesion properties has been explored for Yunnan Baiyao Cataplasms. Pilot test and preliminary study have been completed for Yunnan Baiyao New Rubber Plaster.

In the innovative drug projects, we focused on the transformation of innovative drug R&D results to provide sustainable development momentum for the Company. During the reporting period, clinical trial approval was obtained for the INR101 diagnostic nuclear drug project for PET/CT imaging in patients with suspected prostate cancer, and phase I clinical trial was completed. The precursor pharmaceutical and non-clinical studies were launched for the INR102 project. In June 2024, the Company introduced the relevant patents of the antibody drug KA-1641 from KYinno Biotechnology Co., Ltd, and will conduct R&D, production and commercialization activities on the subject product worldwide.

In the second half of 2024, the Company will build a strategy-oriented R&D management system aligned with its strategic planning, improve R&D management capabilities, coordinate and optimize the R&D platform construction by referring to the experience of world-class pharmaceutical enterprises in R&D platform construction, in a bid to effectively support the Company's long-term, stable, sustainable and high-quality development. In terms of overall R&D management, we will comprehensively plan the development of key industries and pipelines in line with strategic planning and industry objectives. By integrating internal and external resources and promoting coordinated efforts, we set to achieve the phased goals for key industries, pipelines, and projects, which include meeting the R&D targets for innovative drug development, secondary development of major TCM varieties, development of transdermal preparations and medical devices, and projects focused on medicinal frontiers and health enhancement. In addition, we will strengthen the construction of R&D project management mechanism, consolidate project management capabilities, and improve the transformation efficiency of R&D projects.

(III) Business model

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

The Company will focus on synergistic development across the entire industry chain, meticulous cultivation of core sectors, expansion of leading advantages in key products, and accelerating the establishment of the industrial system, among other dimensions. The Company will also make efforts to expand the medicine, health products, TCM resources, and commercial logistics sectors, with the goal of achieving significant, leapfrog development. At the same time, in line with its future development strategy, the Company will scientifically assess and swiftly advance its internationalization strategy. It will effectively leverage the synergy and complementary effects of both Chinese and international markets and resources. The focus will be on expanding TCM products overseas, developing new growth drivers for health products, and integrating international resources for innovative drugs. These efforts aim to drive the Company's sustained high-quality development with internationalization and facilitate the transformation of Yunnan Baiyao from a leading Chinese TCM enterprise into a “Chinese leading and world-class” modern pharmaceutical industry group.

2. Transformation from a primarily “endogenous growth” model to a dual approach of “internal growth and external expansion”

Driven by synergies from both “internal growth” and “external expansion,” the Company's industry portfolios will continue to optimize, serving as the primary growth model. “Internal” growth focuses on cost reduction and efficiency improvement. Adopting a holistic approach to maximizing overall benefits, the Company focuses on enhancing standardized management efficiency across the entire business lifecycle. The Company will

systematically optimize industry chains, value chains, and productivity factors to continually elevate cost reduction and efficiency to the next level. “External” expansion focuses on complementing and strengthening the Company’s portfolio. Guided by overall strategic requirements and guidance, the Company will actively explore strategic mergers and acquisitions (M&As) and partnerships to address gaps and enhance growth in existing industry segments. This approach aims to overcome current growth bottlenecks, build a healthy and sustainable industry portfolio, and achieve higher quality development.

3. 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, which provides various avenues for employee growth and fosters both specialized knowledge and comprehensive skills, with the mutual development of talents and the Company as the objective. Meanwhile, the Company will leverage its advantageous resources to actively recruit high-caliber specialists across various domains such as drug R&D, digitalization, and strategic investment. By continuously enhancing capabilities in innovation and R&D, lean operations, and investment and mergers, the Company will employ a dual approach of internal training and external recruitment. By utilizing both internal training and external recruitment, and leveraging the Company’s growth environment and market resources, we will build a high-quality talent pipeline that meets the future development needs of the Company.

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

The Company is committed to building a digital driving force and actively seeking for transformation to digital operations with customers as the center, 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.”

II. 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. During the reporting period, Yunnan Baiyao was constantly recognized in its brand value by the markets. In June 2024, *BrandFinance Healthcare 2024 - Ranking of Global Most Valuable and Strongest Pharma, Medical Device, and Healthcare Services Brands in Value* officially released by Brand Finance, an authoritative international brand valuation agency, showed that Yunnan Baiyao was shortlisted into the *List of Global Top 25 Most Valuable Pharmaceutical Brands*. In July 2024, Yunnan Baiyao was shortlisted into the *2024 Fortune Top 500 Chinese Enterprises List* released by Fortune China for the 15th consecutive year and ranked 385th. In July 2024, Yunnan

Baiyao was shortlisted into *2024 Pharm Exec 50* released by Pharm Exec, an American magazine and ranked 33th. In June 2024, the list of Top 100 Chinese Pharmaceutical Companies for 2023 was released, with Yunnan Baiyao once again ranked among the top 100 Chinese TCM companies, securing the 5th position. In June 2024, Yunnan Baiyao was included in the “China’s Top 100 ESG Pioneer Listed Companies” list.

(II) Talent team advantages

The Company continues to enhance its market-oriented talent selection and appointment mechanism, and improve its systems for talent acquisition, training, and selection, laying a solid foundation for its talent team building. The Company is expanding its internal teams and actively recruiting new talent, thus establishing highly skilled and market-aware management teams in each business area. In February 2024, the Board of Directors elected Mr. Zhang Wenxue to be the chairman of the tenth Board of Directors. After the chairman took office, under his leadership, the Company achieved a comprehensive improvement in operational quality and efficiency by making systematic planning from various dimensions such as Party building, strategy, internal control, organization, laying a solid foundation for the Company’s long-term, healthy and sustainable development. The Company strives to seize new development opportunities and drive the Company to march towards sustained high-quality development, laying a good foundation for achieving synergy and win-win situation among all stakeholders.

(III) Innovation capabilities and product portfolio strengths

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-oriented innovation” centered on consumers, “social innovation” carried by government, industry, academia, research and medicine, and “digital and intelligent innovation” driven by advanced technologies such as 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 Sanqi 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 R&D 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 focus on the pharmaceutical field, facilitate talent acquisition, scientific research, and cooperation 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. The Company has successfully expanded its business presence in pharmaceutical products and health products, and holds a leading position in various market segments. 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 key strategic varieties of TCM, 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, 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 over-the-counter (OTC) channels, we have nationwide coverage, serving 5,000 top-tier chains and reaching over 400,000 retail stores. Especially in areas with well-developed chain pharmacies such as East China, Hunan Province, Hubei Province, and Yunnan Province, the Company has achieved the high coverage, the penetration rate, and strong market control capabilities, and implemented the special marketing cooperation under the principle of “One Province, One Strategy” or even “One Chain Store, One Strategy”. The Company also has conducted extensive cooperation with major e-commerce platforms such as Alibaba, JD.com, and Douyin, for expansion of online OTC sales channels, and achieved efficient reach to modern consumers by virtue of customized digital marketing.

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

Baiyao's market competitiveness, laying the foundation for the Company to continuously commercialize new products.

III. Analysis on Principal Businesses

Overview: Refer to relevant contents of "I. Principal Businesses of the Company during the Reporting Period."

1. Year-on-year changes in the key financial data

Unit: RMB

	The reporting period	The same period of the previous year	Year-on-year increase/decrease	Reasons for changes
Operating revenue	20,455,286,287.52	20,309,372,850.07	0.72%	Mainly due to increase in industrial sales revenue by RMB 154 million
Operating cost	14,462,809,950.85	14,713,232,267.40	-1.70%	Mainly due to decrease in industrial sales cost by RMB 183 million and decrease in commercial sales cost by RMB 64 million during the reporting period.
Sales expenses	2,296,821,490.59	2,257,688,549.69	1.73%	Sales volume and sales expenses increased during this period.
Administrative expenses	327,410,020.48	344,443,810.40	-4.95%	No significant changes.
Financial expenses	-129,619,278.35	-105,990,570.67	-22.29%	Mainly due to YOY increase in interest income by RMB 48 million.
Income tax expenses	482,065,489.87	477,020,837.61	1.06%	Corresponding increase in income tax expenses caused by increase in total profits during the reporting period.
R&D investment	148,043,019.34	144,819,933.66	2.23%	Increase in R&D investments during the reporting period.
Net cash flows from operating activities	3,261,617,391.99	2,251,951,370.10	44.84%	Mainly due to increase in the cash received from sales of goods or rendering of services during the reporting period by RMB 1.389 billion compared to the same period last year and increase in the cash paid for goods purchased and services received during the reporting period by RMB 349 million compared to the same period last year.
Net cash flows from investing activities	-205,582,688.32	307,088,767.49	-166.95%	The main reasons are as follows: cash received from investment recovery decreased by RMB 966 million compared to the same period last year, mainly due to the cash received from the disposal of funds; cash received from other investment-related activities increased by RMB 3.444 billion compared to the same period last year, mainly due to the cash recovered from maturing time deposits; cash paid for investments increased by RMB 831 million compared to the same period last year, mainly due to cash used for purchasing financial products; cash paid for other investment-related activities increased by RMB 2.24 billion compared to the same period last year, mainly due to cash deposited into time deposits.

Net cash flows from financing activities	-3,145,514,928.97	-3,107,700,963.75	-1.22%	Mainly due to cash received from borrowing increased by RMB 895 million compared to the same period last year; cash paid for dividend distribution, profit sharing, or interest payments increased by RMB 990 million compared to the same period last year.
Net increase in cash and cash equivalents	-89,528,803.06	-543,421,662.08	83.52%	Mainly due to increase in the net cash flows from operating activities during the reporting period compared to the previous period.

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

Applicable Not applicable

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

2. Operating revenue structure

Unit: RMB

	The reporting period		The same period of the previous year		Year-on-year increase/decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	20,455,286,287.52	100%	20,309,372,850.07	100%	0.72%
By industries					
Income from industrial sales	7,652,967,384.61	37.41%	7,498,960,250.10	36.92%	2.05%
Income from commercial sales	12,742,489,364.88	62.29%	12,771,903,564.67	62.89%	-0.23%
Technical service	13,419,064.28	0.07%	2,184,678.61	0.01%	514.24%
Hospitality industry	6,332,847.91	0.03%	7,304,629.14	0.04%	-13.30%
Income from plantation sales	2,387,937.40	0.01%	1,449,878.20	0.01%	64.70%
Income from other businesses	37,689,688.44	0.18%	27,569,849.35	0.14%	36.71%
By products					
Industrial products (Self-made)	7,652,967,384.61	37.41%	7,498,960,250.10	36.92%	2.05%
Wholesale and retail	12,742,489,364.88	62.29%	12,771,903,564.67	62.89%	-0.23%
Agricultural products	2,387,937.40	0.01%	1,449,878.20	0.01%	64.70%
Others	19,751,912.19	0.10%	9,489,307.75	0.05%	108.15%
Income from other businesses	37,689,688.44	0.18%	27,569,849.35	0.14%	36.71%
By regions					
Domestic	20,241,882,062.31	98.96%	19,913,147,313.47	98.05%	1.65%
Overseas	213,404,225.21	1.04%	396,225,536.60	1.95%	-46.14%

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

Applicable Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross margin	Increase/decrease of operating revenue compared with the same period of the previous year	Increase/decrease of operating cost compared with the same period of the previous year	Increase/decrease of gross margin compared with the same period of the previous year
By industries						
Income from industrial sales	7,652,967,384.61	2,497,275,449.58	67.37%	2.05%	-6.81%	3.10%
Income from commercial sales	12,742,489,364.88	11,940,543,065.08	6.29%	-0.23%	-0.53%	0.28%
By products						
Industrial products (Self-made)	7,652,967,384.61	2,497,275,449.58	67.37%	2.05%	-6.81%	3.10%
Wholesale and retail	12,742,489,364.88	11,940,543,065.08	6.29%	-0.23%	-0.53%	0.28%
By regions						
Domestic	20,241,882,062.31	14,261,235,522.19	29.55%	1.65%	-0.57%	1.58%

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

Applicable Not applicable

IV. Analysis on Non-principal Businesses

Applicable Not applicable

Unit: RMB

	Amount	Proportion in total profits	Reasons	Whether it is sustainable
Investment income	477,498,314.49	13.00%	Mainly consisted of investment income from Shanghai Pharmaceuticals Holding Co., Ltd ("Shanghai Pharma").	No
Profits and losses from changes in fair value	4,596,876.81	0.13%	Mainly consisted of the change in fair value of the Company's financial assets held for trading and other non-current financial assets.	No
Non-operating revenue	4,431,701.71	0.12%	Mainly consisted of income from activities unrelated to the Company's daily business activities.	No
Non-operating expenses	4,755,624.76	0.13%	Mainly consisted of expenses not related to daily business activities.	No
Other income	47,920,871.74	1.31%	Mainly consisted of government subsidies.	No
Credit impairment losses	-82,762,335.12	-2.25%	Mainly consisted of provision for bad debt for accounts receivable in the commercial sector.	No

Asset impairment losses	-3,578,594.53	-0.10%	Mainly consisted of the provision for inventory write-downs.	No
Income from disposal of assets	-1,592,134.63	-0.04%	Mainly consisted of proceeds from the disposal of non-current assets and proceeds from the disposal of right of use assets.	No

V. Analysis on Assets and Liabilities

1. Significant changes in assets composition

Unit: RMB

	End of the reporting period		End of the previous year		Increase/decrease in proportion	Statement on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Cash and bank balance	14,719,563,531.35	27.07%	14,218,343,076.67	26.44%	0.63%	No significant changes.
Accounts receivable	10,105,457,470.63	18.59%	9,966,170,447.21	18.53%	0.06%	No significant changes.
Inventories	5,988,059,390.20	11.01%	6,442,194,823.67	11.98%	-0.97%	No significant changes.
Investment property	47,029,107.86	0.09%	44,104,145.97	0.08%	0.01%	No significant changes.
Long-term equity investments	11,770,384,034.03	21.65%	11,536,660,992.93	21.45%	0.20%	No significant changes.
Fixed assets	2,601,062,934.15	4.78%	2,662,900,014.03	4.95%	-0.17%	No significant changes.
Construction in progress	713,596,692.91	1.31%	529,708,553.58	0.98%	0.33%	Increased investment in construction in progress during the reporting period.
Right-of-use assets	270,258,242.13	0.50%	258,319,485.58	0.48%	0.02%	No significant changes.
Short-term loans	1,144,447,669.32	2.11%	1,747,303,700.34	3.25%	-1.14%	No significant changes.
Contractual liabilities	1,762,470,306.12	3.24%	1,739,865,228.75	3.23%	0.01%	Mainly due to increase in advance payments received by Pharmaceutical Business Group.
Long-term loans	2,100,000.00	0.00%	2,100,000.00	0.00%	0.00%	No significant changes.
Leasing liabilities	193,456,851.84	0.36%	172,347,309.72	0.32%	0.04%	No significant changes.
Financial assets held for trading	1,046,815,045.34	1.93%	149,366,687.56	0.28%	1.65%	Mainly due to the purchase of financial products during the period.
Notes receivable	346,072,424.86	0.64%	227,542,572.56	0.42%	0.22%	Mainly due to the increase in bankers' acceptances held at the end of the period.
Other receivables	364,961,972.39	0.67%	104,050,709.53	0.19%	0.48%	Mainly due to an increase in dividends receivable.
Non-current assets due within one year		0.00%	442,772,777.78	0.82%	-0.82%	Initial term deposit converted to current deposit upon maturity.

Other current assets	1,830,161,506.46	3.37%	2,862,076,217.20	5.32%	-1.95%	Mainly due to the conversion of initial term deposit to current deposit upon maturity.
Receipts in advance	2,045,212.68	0.00%	486,612.12	0.00%	0.00%	Increased rent in advance during the reporting period.
Taxes payable	515,227,950.50	0.95%	339,670,850.02	0.63%	0.32%	Income tax and VAT payable outstanding at the end of the period increased.
Other payables	1,380,365,853.97	2.54%	1,025,085,879.54	1.91%	0.63%	Mainly due to an increase in accrued and unpaid expenses.
Other current liabilities	1,698,311,110.99	3.12%	532,943,904.40	0.99%	2.13%	Mainly due to the issuance of ultra short-term financing bonds during the period.
Estimated liabilities	16,050,005.49	0.03%		0.00%	0.03%	Reclassification of returns payable.
Other non-current liabilities	1,931,554.36	0.00%	17,296,814.41	0.03%	-0.03%	Reclassification of returns payable.
Treasury stock		0.00%	707,428,892.15	1.32%	-1.32%	Treasury stock written off during the period.

2. Major overseas assets

Applicable Not applicable

3. Assets and liabilities at fair value

Applicable Not applicable

Unit: RMB

Item	Opening balance	Profits or losses on changes in fair value during the reporting period	Cumulative changes in fair value included in equity	Impairment accrued during the reporting period	Purchase amount during the reporting period	Sales amount during the reporting period	Other changes	Closing balance
Financial assets								
1. Financial assets held for trading (derivative financial assets excluded)	149,366,687.56	16,811,914.40			900,000,000.00	16,133,556.62	-3,230,000.00	1,046,815,045.34

2. Other equity instrument investments	71,745,000.00							71,745,000.00
3. Other non-current financial assets	324,674,379.63	-12,215,037.59						312,459,342.04
Subtotal of financial assets	545,786,067.19	4,596,876.81			900,000,000.00	16,133,556.62	-3,230,000.00	1,431,019,387.38
Total	545,786,067.19	4,596,876.81			900,000,000.00	16,133,556.62	-3,230,000.00	1,431,019,387.38
Financial liabilities	0.00							0.00

Note: The increase in purchases of financial assets held for trading during the period was mainly due to the purchase of financial products during the reporting period, please refer to “V. Analysis on Assets and Liabilities 1. Significant changes in assets composition” for details.

Other variations: None.

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

Yes No

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

Item	Closing book value (RMB)	Reason for restriction
Cash and bank balance	2,643,785.07	Earmarked for housing maintenance in reformed housing
Cash and bank balance	500,000.00	The lawsuit in question has been won, and the lifting of the freeze and other related matters are in progress
Cash and bank balance	46,583,430.74	Guarantee deposits, banker's acceptance deposits, performance bonds, etc.
Assets in special account for system reform	607,599,650.11	Special fund for paying the cost of employee status conversion in state-owned enterprises
Long-term equity investments	11,770,370,976.32	The holdings shall not be transferred within 36 months since the ending date of the private placement by Shanghai Pharma in 2021
Total	12,427,697,842.24	--

VI. Investment Analysis**1. Overview**

Applicable Not applicable

Investment during the reporting period (RMB)	Investment during the same period of the previous year (RMB)	Percentage of change
4,085,229,378.59	1,041,333,795.16	292.31%

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	87,706,087.92	655,131,190.91	Self-raised	61.00%			N/A	June 9, 2021	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1210206330&orgId=gsz0000538&announcementTime=2021-06-09
Yunnan Baiyao R&D Platform - Kunming Center Construction Project	Self-established	Yes	Pharmaceuticals	33,799,180.03	120,995,985.93	Self-raised	40.00%			N/A		
Total	--	--	--	121,505,267.95	776,127,176.84	--	--	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	115,996,160.00	2,652,240.00				2,652,240.00	118,648,400.00	Other non-current financial assets	Self-raised
Domestic and overseas stocks	HK.02161	JBM (Healthcare)	25,039,800.00	Fair value	72,221,202.90	514,829.70				514,829.70	72,736,032.60	Financial assets held for trading	Self-raised
Domestic and overseas stocks	HK.03681	SinoMab BioScience	354,119,828.19	Fair value	72,545,484.66	13,012,784.70			16,133,556.62	24,768.48	69,424,712.74	Financial assets held for trading	Self-raised
Total			617,858,828.19	--	260,762,847.56	16,179,854.40	-	-	16,133,556.62	3,191,838.18	260,809,145.34	--	--

Note: The Company's shares in Jacobson Pharma and SinoMab BioScience were subscribed in the form of strategic investment in September 2018 and October 2019; the Company acquired the shares of JBM (Healthcare) distributed to the Company by Jacobson Pharma in 2021 and 2023, respectively, as a result of the Company's shares in Jacobson Pharma.

(2) Investments in derivatives

Applicable Not applicable

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

5. Use of proceeds

Applicable Not applicable

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

VII. Significant Assets and Equity Sales

1. Significant assets sales

Applicable Not applicable

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

2. Significant equity sales

Applicable Not applicable

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

Applicable Not applicable

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

Unit: RMB

Company name	Company type	Principal businesses	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Yunnan Pharmaceutical Co., Ltd.	Subsidiary	Wholesale and retail of pharmaceuticals	1,000,000,000.00	16,965,236,193.51	6,158,248,210.23	12,329,242,791.12	337,269,422.60	286,490,361.99
Yunnan Baiyao Group Health Products Co., Ltd.	Subsidiary	Production and sales of oral hygiene products	84,500,000.00	9,836,431,237.28	7,753,449,669.89	3,148,545,484.92	1,432,853,923.98	1,216,170,372.04
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	3,702,788,059.00	221,335,871,829.06	82,228,621,195.06	139,413,145,524.43	4,830,896,881.37	3,597,363,036.62

		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.						
--	--	--	--	--	--	--	--	--

Acquisition and disposal of subsidiaries during the reporting period

 Applicable Not applicable

Company name	Approaches of acquiring and disposing of subsidiaries during the reporting period	Influences on overall production, operation and performance
Hangzhou Shanqi Health Industry Co., Ltd.	Newly incorporated	No significant influence.
Yunnan Pharmaceutical Zhaotong Co., Ltd.	Newly incorporated	No significant influence.
Ban Loong Capital GP	Cancelled	No significant influence.

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

IX. Structured Entities Controlled by the Company

Applicable Not applicable

See Section X “X. Interest in Other Entities”

X. Risks and Countermeasures

(I) Policy changes

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

(II) Market uncertainties

Due to rising raw material costs, price controls on pharmaceutical products, and slowing growth at the terminal level, the pharmaceutical industry is experiencing significant operational pressure. Health consumer products are facing challenges from increasingly rational consumer behavior and fragmented demand. In response to these pressures, the Company will continue to leverage its full industry chain competitiveness and innovation as key drivers. By continuously enhancing operational efficiency and refining management of channels and retail, the Company aims to deepen its innovation, cost, and channel advantages, which enables the Company to navigate through economic cycles and achieve sustainable, high-quality development in the competitive market.

(III) Transformation of innovation and R&D achievements

In pursuit of fulfilling technological advantages and enhancing core competitiveness, the Company has consistently escalated its investment in drug R&D over recent years. Generally, new drug R&D is featured with large amount of investment, long R&D cycle, less-than-expected industry transformation rate, market uncertainty after industrialization in the future, etc. Any changes in relevant policies and market demands will be likely to affect the commercial value of the products under R&D. Upon completion of R&D, the successful commercialization of a new drug stands as an important factor influencing R&D yields. The Company is poised to meticulously assess the R&D projects of novel drugs within the framework of its strategic direction. Resources will be apportioned to key projects, bolstering risk management capabilities throughout the R&D. Collaborative IUR efforts will be fortified, optimizing the transformation of achievements and reducing the uncertainties associated with R&D investments.

(IV) External expansion

By implementing an industrial development strategy to seek both internal growth and external expansion, the Company actively advances towards its strategic goals and strives to inject new momentum into sustainable development. In the process of pursuing external expansion, a key challenge for the Company is how to leverage

investment and innovation to introduce new variables, build a new Baiyao platform, integrate more external resources, and develop a complete industry chain, to ultimately establish a strong foothold in a highly competitive and rapidly changing market. The Company will continue to be guided by its strategy and focus on the needs of users, constantly enhance its market insights, and construct an industry portfolio system, management system and capability system, which are suitable for its healthy and sustainable development. Also, the Company will control risks in external expansion by adhering to a scientific and standardized risk management system. It will cautiously make overall arrangement and constantly adjust short-, medium-, and long-term strategies to drive the achievement of its strategic goals.

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

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

Yes No

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

In the first half of 2024, the Company focused on its core businesses, continuously optimizing its business structure, with contribution to profit from the industrial revenue steadily increasing. During the reporting period, the Company achieved operating revenue of RMB 20.455 billion, a 0.72% increase compared to the same period last year. Among this, the proportion of industrial revenue in total operating revenue further rose to 37.41%, an increase of 0.49 percentage points compared to the same period of previous year; industrial revenue growth rate reached 2.05%; and the industrial gross profit margin was 67.37%, up 3.10 percentage points year-on-year.

While maintaining steady growth in operating performance, the Company focused on unleashing potential and enhancing efficiency across the entire value chain, with operational quality and efficiency continuing to improve. During the reporting period, the Company achieved a net profit attributable to the parent company of RMB 3.189 billion, a 12.76% increase from RMB 2.828 billion in the same period last year, setting a new historical high for the period; the weighted average return on net assets was 7.93%, up 0.76 percentage points from the previous year; basic earnings per share were RMB 1.79, a 13.29% increase year-on-year; net cash flow from operating activities was RMB 3.262 billion, up 44.84% year-on-year; and management expenses decreased by 4.95% year-on-year. At the end of the reporting period, the Company’s total assets were RMB 54.368 billion, an increase of 1.08% from the beginning of the period; and the cash and bank balance were RMB 14.720 billion, up 3.53% from the beginning of the period.

During the reporting period, the Company implemented cash dividends and completed cancellation of repurchased share, continually enhancing shareholder returns. 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. The annual equity distribution was completed on May 10, 2024. On February 23, 2024, The Company’s shareholders’ meeting considered and approved the cancellation of 12,599,946 repurchased shares and a corresponding reduction in the Company’s registered capital. The cancelled shares represent approximately 0.7015% of the Company’s total share capital, with repurchase costs exceeding RMB 700 million. In April 2024, the Company completed the cancellation procedures for the 12,599,946 repurchased shares. 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.

The Company will set the strategic goal of “driving Yunnan Baiyao, a century-old pharmaceutical brand, to become a leading Chinese and world-class modern pharmaceutical industry group, achieving reasonable growth in scale, steady improvement in efficiency, and continuous optimization of industrial and product structures for high-quality development,” steadfastly deepen its roots in the “pharmaceutical” industry, and drive its each business to focus on its advantageous fields in Big Health industry to constantly enhance its leading industry position. While continuously enhancing core competencies, the Company is also advancing the development of new business growth drivers in a scientific, prudent, and effective manner. The Company will stabilize its core foundation through internal growth and, via external expansion, integrate advantageous resources to optimize and enhance its industry portfolio, rapidly advancing its growth trajectory to lay a solid foundation for medium- to long-term strategic development. Specifically, from an industry perspective, the company will focus on internal growth by: 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. From an investment perspective, the Company will focus on external expansion by: making up for the insufficiency in internal growth by introducing new platforms centering on industrial strategic orientation for achieving 1+1>2, to rapidly build a health industry system and establish a stronger foundation for future high-quality 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. Annual General Meeting and Extraordinary General Meeting Held during the Reporting Period

1. Shareholders' meetings during the reporting period

Sessions	Meeting type	Proportion of attendance of the investors	Meeting date	Disclosure date	Resolutions
First Extraordinary General Meeting for 2024	Extraordinary General Meeting	63.39%	February 23, 2024	February 24, 2024	The following proposals had been considered and approved: 1. <i>Proposal on Election of Non-Independent Directors for the Tenth Board of Directors</i> ; 2. <i>Proposal on Change of Use of Repurchased Shares and Cancellation</i>
2023 Annual General Meeting	Annual General Meeting	62.19%	April 23, 2024	April 24, 2024	The following proposals had been considered and approved: 1. <i>Proposal on the 2023 Annual Work Report of the Board of Directors</i> ; 2. <i>Proposal on the 2023 Annual Work Report of the Supervisory Committee</i> ; 3. <i>Proposal on the 2023 Final Financial Report</i> ; 4. <i>Proposal on the 2023 Annual Report and its Summary</i> ; 5. <i>Proposal on the 2023 Profit Distribution Plan</i> ; 6. <i>Proposal on the 2024 Financial Budget Report</i> ; 7. <i>Proposal on Estimated Routine Related Party Transactions for 2024</i> ; 8. <i>Proposal on Revising the "Yunnan Baiyao Board Meeting Rules"</i>
Second Extraordinary General Meeting for 2024	Extraordinary General Meeting	55.89%	June 11, 2024	June 12, 2024	The following proposals had been considered and approved: 1. <i>Proposal on Election of Shareholder Supervisors for the Tenth Supervisory Committee</i> ; 2. <i>Proposal on Election of Non-Independent Directors for the Tenth Board of Directors</i>

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

Applicable Not applicable

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

Applicable Not applicable

Name	Position held	Type	Date	Reason
Zhang Wenxue	Chairman	Elected	February 23, 2024	Elected as Chairman to further improve the Company's board governance structure
Yin Pinyao	Former Chief Operating Officer and Senior Vice President	Dismissed	February 7, 2024	Resigned as Chief Operating 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

Chen Fashu	Former Director	Resigned	May 22, 2024	Resigned as Director of the Tenth Board of Directors, Chairman of the Strategy Committee, and Member of the Remuneration and Appraisal Committee due to job adjustments
Lu Hongdong	Former Director	Resigned	May 22, 2024	Resigned as Director of the Tenth Board of Directors and Member of the Strategy Committee due to job adjustments
Chen Yanhui	Former Director	Resigned	May 22, 2024	Resigned as Director of the Tenth Board of Directors and Member of the Nomination Committee due to job adjustments
You Guanghui	Former Chairman of the Supervisory Committee	Resigned	May 22, 2024	Resigned as Supervisor and Chairman of the Tenth Supervisory Committee of Yunnan Baiyao due to job adjustments
Zhong Jie	Former Vice Chairman of the Supervisory Committee	Resigned	June 11, 2024	Resigned as Supervisor, Vice Chairman of the Tenth Supervisory Committee, and all positions at Yunnan Baiyao and its controlling subsidiaries upon reaching the mandatory retirement age
Guo Xin	Director	Elected	June 11, 2024	Recommended by the shareholder Yunnan State-owned Equity Operation Management Co., Ltd (“Yunnan State-owned Equity Operation Management Company”), nominated by the Company’s Board of Directors, and elected at the Second Extraordinary General Meeting for 2024
Shangguan Changchuan	Director	Elected	June 11, 2024	Recommended by the shareholder New Huadu Industrial Group Co., Ltd (“New Huadu”), nominated by the Company’s Board of Directors, and elected at the Second Extraordinary General Meeting for 2024
You Guanghui	Director	Elected	June 11, 2024	Recommended by the shareholder New Huadu, nominated by the Company’s Board of Directors, and elected at the Second Extraordinary General Meeting for 2024
Dai Pujun	Vice Chairman of the Supervisory Committee	Elected	June 11, 2024	Recommended by the shareholder Yunnan State-owned Equity Operation Management Company, nominated by the Company’s Supervisory Committee, and elected at the Second Extraordinary General Meeting for 2024

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

Applicable Not applicable

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

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

Applicable Not applicable

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

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

1. Environmental protection related policies and industry standards

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

2. Administrative permits for environmental protection

(1) Yunnan Baiyao Group

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

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

Pollution Discharge Permit No.: 9153000021652214XX001Q, valid from July 2, 2023 to July 1, 2028

(2) Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.

EIA Approvals: YH Review [2009] No. 261 and YHSH Approval [2014] No. 1

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

Pollution Discharge Permit No.: 91530100216583890U001U, valid from May 13, 2024 to May 12, 2029

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

EIA Approvals: DH Review [2010] No. 21

Approval for Acceptance of Completed Environmental Protection Projects: DH Review [2015] No. 32

Pollution Discharge Permit No.: 91532900218671552P001V, valid from August 5, 2022 to August 4, 2027

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

EIA Approvals: WSHH [2017] No. 53

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

Pollution Discharge Permit No.: 91532600709893942X002R, valid from August 3, 2021 to August 2, 2026

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

Name of Company or Subsidiary	Types of Main Pollutants and Characteristic Pollutants	Names of Main Pollutants and Characteristic Pollutants	Emission Method	Number of Discharge Outlets	Distribution of Discharge Outlets	Emission Concentration/Intensity	Pollutant Emission Standards Implemented	Total Emissions	Approved Total Emissions	Emissions Exceeding Standards
Yunnan Baiyao Group Co., Ltd.	Exhaust gas	Particulate matter, non-methane total hydrocarbon	Particulate matter, non-methane total hydrocarbon	Organized emissions	4	Alcohol extraction exhaust gas discharge outlet	Alcohol extraction exhaust gas discharge outlet 1 (particulate matter 3.6mg/m ³); alcohol extraction exhaust gas discharge outlet 2 (particulate matter 3.6mg/m ³); alcohol extraction exhaust gas discharge outlet 3 (particulate matter 3.3mg/m ³); alcohol extraction exhaust gas discharge outlet 4 (particulate matter 3.4mg/m ³); alcohol extraction exhaust gas discharge outlet 1 (non-methane total hydrocarbon 2.44mg/m ³); alcohol extraction exhaust gas discharge outlet 2 (non-	<i>Standards for the Emission of Air Pollutants in the Pharmaceutical Industry</i> (GB37823-2019): particulate matter<30mg/m ³ , non-methane total hydrocarbon<100mg/m ³	No total emission indicator available	Unassessed

							methane total hydrocarbon 4.45mg/m ³ ; alcohol extraction exhaust gas discharge outlet 3 (non-methane total hydrocarbon 2.37mg/m ³); alcohol extraction exhaust gas discharge outlet 4 (non-methane total hydrocarbon 3.82mg/m ³)			
Yunnan Baiyao Group Co., Ltd.	Exhaust gas	NOx, particulate matter, SO2	Organized emissions	3	Main discharge outlet of boiler exhaust gas	4t/h boiler (NOx 50mg/m ³); 10t/h boiler (NOx 66.2mg/m ³); 15t/h boiler (NOx 82mg/m ³); 4t/h boiler (particulate matter 5.7mg/m ³); 10t/h boiler (particulate matter 5.3mg/m ³); 15t/h boiler (particulate matter 5.3mg/m ³); 4t/h boiler (SO2<3mg/m ³); 10t/h boiler (SO2<3mg/m ³); 15t/h boiler (SO2<3mg/m ³)	<i>Standards for the Emission of Air Pollutants for Boilers</i> (GB13271-2014): NOx <400mg/m ³ ; particulate matter<30mg/m ³ ; SO2<100mg/m ³	In 1H 2024, the NOx emissions amount was 1.142t	The annual total NOx emissions amount was 11.0667t	Within the standard
Yunnan Baiyao Group Co., Ltd.	Wastewater	Total nitrogen, ammonia nitrogen, COD, suspended solids, BOD5, TP	Drainage outlet	1	Main drainage outlet	Total nitrogen 1.69mg/L; ammonia nitrogen 1.79mg/L; COD 38.96mg/L; suspended solids<4mg/L; BOD 52.43mg/L; TP 5.53mg/L	<i>Wastewater Quality Standards for Discharge to Municipal Sewers</i> (GB/T 31962-2015); <i>Integrated Wastewater Discharge Standard</i> (GB8978-1996): total nitrogen<70mg/L; ammonia	No total emission indicator available	Unassessed	Within the standard

							nitrogen<45mg/L; COD <500mg/L; suspended solids<400mg/L; BOD5 <350mg/L; TP <8mg/L			
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	Exhaust gas	Non-methane total hydrocarbon	Organized	1	Combustion exhaust gas discharge outlet	Non-methane total hydrocarbon 3.97mg/m ³	<i>Standards for the Emission of Air Pollutants in the Pharmaceutical Industry (GB37823-2019): non-methane total hydrocarbon<100mg/m³</i>	No total emission indicator available	Unassessed	Within the standard
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	Exhaust gas	Particulate matter	Organized	5	Pulverization discharge outlet	Pulverization discharge outlet 1 (particulate matter 22.4 mg/m ³); pulverization discharge outlet 2 (particulate matter 7 mg/m ³); pulverization discharge outlet 3 (particulate matter 7.4 mg/m ³); pulverization discharge outlet 4 (particulate matter 4.6 mg/m ³); pulverization discharge outlet 5 (Particulate matter 2.8 mg/m ³)	<i>Standards for the Emission of Air Pollutants in the Pharmaceutical Industry (GB37823-2019): particulate matter<30mg/m³</i>	No total emission indicator available	Unassessed	Within the standard
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	Exhaust gas	SO ₂ , NO _x , particulate matter, Lingeman blackness	Organized	3	Main discharge outlet for boiler exhaust gas	SO ₂ <2mg/m ³ ; NO _x 70.28mg/m ³ ; particulate matter 2.5mg/m ³ ; Lingeman blackness< Grade1	<i>Standards for the Emission of Air Pollutants from Boilers (GB13271-2014): SO₂<50mg/m³; NO_x <200mg/m³; particulate matter<20mg/m³;</i>	In 1H 2024, the NO _x emissions amount was 2.259t	The annual total NO _x emissions amount was 32.18t	Within the standard

							Lingeman blackness Grade 1			
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	Wastewater	Total nitrogen, ammonia nitrogen, COD, suspended solids, BOD5, TP	Drainage outlet	1	Main drainage outlet	Total nitrogen 3.27mg/L; ammonia nitrogen 0.29mg/L; COD 58.07mg/L; suspended solids 23.7mg/L; BOD5 3.2mg/L; TP 2.34mg/L	Wastewater Quality Standards for Discharge to Municipal Sewers GB/T 31962-2015; Integrated Wastewater Discharge Standard GB8978-1996: total nitrogen <70mg/L; ammonia nitrogen<45mg/L; COD <500mg/L; suspended solids<400mg/L; BOD5 <350mg/L; TP <8mg/L	No total emission indicator available	Unassessed	Within the standard
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	Exhaust gas	SO2, NOx, particulate matter, Lingeman blackness	Organized emissions	1	Main discharge outlet for boiler exhaust gas	SO2<3mg/m ³ ; NOx 51mg/m ³ ; particulate matter 7.2mg/m ³ ; Lingeman blackness<1	Standards for the Emission of Air Pollutants from Boilers (GB13271-2014): SO2<50mg/m ³ ; NOx <200mg/m ³ ; particulate matter<20mg/m ³ ; Lingeman blackness Grade 1	No total emission indicator available	Unassessed	Within the standard
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	Wastewater	COD, suspended solids, BOD5, ammonia nitrogen, total nitrogen, TP	Drainage outlet	1	Main drainage outlet	COD 43mg/L; suspended solids 4 mg/L; BOD5 14 mg/L; ammonia nitrogen 6.92 mg/L; total nitrogen 8.96 mg/L; TP 0.46 mg/L	Discharge Standards for Water Pollutants from the Pharmaceutical Industry for Mixed Formulation Products (GB21908-2008): COD<60mg/L; suspended	No total emission indicator available	Unassessed	Within the standard

							solids<30mg/L; BOD5<15mg/L; ammonia nitrogen<10 mg/L; total nitrogen<20 mg/L; TP<0.5 mg/L			
Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	Exhaust gas	Particulate matter, SO2, NOx, smoke blackness	Organized emissions	2	Main discharge outlet for boiler exhaust gas	Boiler 2 (particulate matter 2.3mg/m ³); boiler 3 (particulate matter 2.2mg/m ³); boiler 2 (SO2<3mg/m ³); boiler 3 (SO2<3mg/m ³); boiler 2 (NOx 45mg/m ³); boiler 3 (NOx 51mg/m ³); boiler 2 (smoke blackness <1); boiler 3 (smoke blackness <1)	<i>Standards for the Emission of Air Pollutants from Boilers</i> (GB13271-2014): SO2<50mg/m ³ ; NOx <200mg/m ³ ; particulate matter<20mg/m ³ ; Lingeman blackness Grade 1	In 1H 2024, the emissions amount: sulfur dioxide 0.038t; nitrogen oxide 0.622t; particulate matter 0.029t	Annual emissions amount: sulfur dioxide 0.3t; nitrogen oxide 14.02t; particulate matter 2.14t	Within the standard
Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	Wastewater	Total nitrogen, ammonia nitrogen, COD, suspended solids, BOD5, TP	Drainage outlet	1	Sewage main outlet	Total nitrogen 4.04mg/L; ammonia nitrogen 1.30mg/L; COD 67mg/L; suspended solids 13mg/L; BOD5 19.4mg/L; TP 0.53mg/L	<i>Wastewater Quality Standards for Discharge to Municipal Sewers</i> GB/T 31962-2015; <i>Integrated Wastewater Discharge Standard</i> GB8978-1996: total nitrogen<70mg/L; ammonia nitrogen<45mg/L; COD<500mg/L; suspended solids<400mg/L; BOD5<300mg/L; TP<8mg/L	No total emission indicator available	Unassessed	Within the standard

4. Treatment of pollutants

The Company strictly follows the requirements of EIA in construction of pollution prevention and control facilities, and has obtained complete related environmental protection approvals. In the first half of 2024, the Company and its subsidiaries actively carried out third-party environmental testing, showing the emissions of various pollutants such as wastewater, exhaust gas, solid waste and noise, were in strict line with the standards.

(1) Yunnan Baiyao Group Co., Ltd.

The Company has commissioned a third party, Yunnan Chenqing Environmental Monitoring Co., Ltd, to conduct environmental monitoring according to the *Yunnan Baiyao Group Self-Monitoring Plan* and to provide monitoring reports, ensuring that monitoring indicators and tasks are strictly completed.

1) Exhaust gas: The exhaust gas meets discharge standards after treatment by exhaust gas treatment facilities.

2) Wastewater:

The sewage treatment plant is located in the southwest corner of the plant area, using the A2O process. The designed treatment capacity for Phase I is 800 m³/d, and for Phase II is 1,200 m³/d. The combined treatment capacity for both phases is 750 m³/d.

Pre-treatment System: The system removes suspended solids, phosphorus, and some COD from wastewater to facilitate subsequent biological treatment. Main facilities include collection wells, screens, primary settling tanks, adjustment tanks, and emergency tanks.

Biological Treatment System: The A²O biochemical process is adopted. Wastewater undergoes treatment in anaerobic tanks, anoxic tanks, and aerobic tanks with different environmental conditions and microbial communities to remove most COD, phosphorus, and ammonia nitrogen. Treated water is discharged into the municipal sewage system. Main facilities include anaerobic tanks, aerobic tanks, anoxic tanks, and secondary settling tanks.

Advanced Treatment System: The system uses coagulation sedimentation, ozone oxidation, and aeration biological filtration for advanced treatment, ensuring that the treated water meets reuse requirements. Main facilities include coagulation sedimentation tanks, aeration biological filters, and reclaimed water storage tanks.

3) Noise

Noise mainly originates from transport vehicles, pumps, and fans. Effective noise reduction measures include soundproofing of plant buildings and vibration isolation foundations. Furthermore, low-noise equipment is used to minimize environmental noise pollution.

4) Hazardous and solid waste

Solid waste is classified and managed into general solid waste and hazardous waste with strict differentiation. Hazardous waste is managed by designated personnel, with established records, proper labeling, and compliant temporary storage facilities to prevent leakage, rain, theft, and dispersion. Sludge and pharmaceutical residues are disposed of by qualified third parties. Hazardous waste liquids and solids are managed through a rigorous selection process of enterprises meeting national standards.

(2) Yunnan Baiyao Group Wenshan Qihua Co., Ltd.:

1) The 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 traditional Chinese medicine pharmaceuticals and mainly has the following characteristics:

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

2) 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.

3) 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.

5. Emergency plans for sudden environmental events

The Company has prepared the *Yunnan Baiyao Group Emergency Plan for Environmental Incidents (2021 Edition)* (530114-2021-006-L) and has submitted it for record to the environmental protection department.

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. The change was completed on July 15, 2024, and filed with the Wenshan Branch of the Wenshan Prefecture Ecological Environment Bureau, No. 532621-2024-037-L.

6. Investments in environmental governance and protection and payment of environmental protection taxes

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

7. Self-environmental monitoring plan

The Yunnan Baiyao Group Self-Monitoring Plan for 2024 has been submitted and disclosed, and it is being strictly implemented.

8. Administrative punishments for environmental issues during the reporting period: None.

9. Other environmental information that should be disclosed: None.

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

Applicable Not applicable

11. Other environmental protection related information: None.

II. Social Responsibility

In the first half of 2024, Yunnan Baiyao, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, has thoroughly implemented the decisions and deployments of the Central Committee of the Communist Party of China, the State Council, as well as the provincial Party committee and provincial

governments regarding rural revitalization. Leveraging its own advantages and focusing on key objectives, Yunnan Baiyao has developed a task list, detailed work measures, and concentrated on rural revitalization and the development of TCM materials. By integrating the planning and layout of the entire TCM industrial chain, the Company has consistently increased its support for Chazhiluo Village and Xinle Village in Pantiange Township, Weixi Lisu Autonomous County, Diqing Tibetan Autonomous Prefecture, and has effectively achieved its phase-specific objectives.

Yunnan Baiyao fully leverages the advantages of the entire TCM industrial chain. By considering the actual conditions of Xinle Village and Chazhiluo Village in Pantiange Township, the Company promotes rural revitalization through the cultivation of Yunmuxiang. On one hand, the Company has provided training in “Yunmuxiang Cultivation Technology” for local farmers and developed a *Special Technical Solution for Yunmuxiang Cultivation*. On the other hand, Yunnan Baiyao has offered comprehensive guidance on the variety, cultivation water and fertilizer management, pesticide use, and pest and disease control of Yunmuxiang to further improve planting efficiency. Meanwhile, Yunnan Baiyao has invested in optimizing and upgrading the convenience service center, supported the construction of Chazhiluo Village Party Member Activity Room/Display Hall of State-Level Intangible Cultural Heritage Peacock Dance, and renovated the Party activity base in Xinle Village. The Company has also purchased video equipment and educational materials for Party members, creating a base for Party activities. Efforts have been made to strengthen grassroots organization, improve village appearance, preserve intangible cultural heritage and protect the unique local ethnic culture. The village work team regularly conducts comprehensive analysis and assessment on poverty relapse warning and monitoring, as well as delivery of the “Two Assurances and Three Guarantees.” The team actively works on preventing mountain floods, landslides, debris flows, landslides, and forest fires, and continuously focus on improving village appearance, revising village regulations and agreements, visiting and assisting disadvantaged groups, and mediating village disputes. By deepening, solidifying, and refining their work with the community, the team ensures the safety and stability of the support areas.

Yunnan Baiyao is committed to continuously exploring new paths and models for rural revitalization through multiple channels and diversification, concentrating more resources on enhancing the internal development momentum of support areas, and accelerating industry development and continuous income growth in targeted support regions, thereby making a substantial contribution to the rural revitalization.

Section VI Significant Events

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

Applicable Not applicable

Commitments	Commitment Party	Commitment Type	Contents	Commitment Time	Commitment Period	Performance Status
Commitments made in the acquisition report or equity change report	Yunnan Provincial Investment Holdings Group Co., Ltd (“Yunnan Investment Holdings Group”)	Commitments regarding horizontal competition	1. Our company is not engaged in any business or activity that is the same as, similar to, or resembling, and constitutes or may constitute directly or indirectly a competition in any aspect with, the listed company's any existing business, nor will we actively provide, in any way, any assistance in finance, business, management, etc or any trade secrets such as technical information, business operations, sales channels, to any enterprises, agencies or other economic organizations that compete with the listed company in any of its existing business. 2. As of the date of issuance of this commitment letter, our company will legally take necessary and possible measures to avoid, and urge any other enterprises under our actual control to avoid, any businesses or activities that may in any way substantially or potentially constitute a horizontal competition or a conflict of interest, with the principal businesses of the listed company. If, in the future, a material conflict of interest arising from substantial or potential horizontal competition between our company and any enterprises under our control and the listed company, our company and such enterprises under our actual control will give up that business opportunity that may result in a material horizontal competition and thus lead to a substantial conflict of interest or take appropriate measures permitted by other laws and regulations to eliminate the potential impact of material horizontal competition. 3. Our company will not, by virtue of any information learned or known from the listed company, assist our company itself or any third party in engaging in any business activities that may in any way substantially or potentially constitute a horizontal competition with the principal businesses of the listed company.	December 10, 2021	Remain effective during the period of holding indirect stake in Yunnan Baiyao	In progress
Commitments made in the acquisition	Yunnan Investment Holdings Group	Commitments to maintain the independence	In order to protect the legitimate rights and interest of any and all of the shareholders of the listed company, our company undertakes to warrant: 1. The personnel independence of the listed company, that is: (1) The general	December 10, 2021	Remain effective during the period of	In progress

report or equity change report		of the listed company	<p>manager, deputy general manager, CFO, secretary of the Board of Directors, and other senior management personnels of the listed company will work full-time and receive compensation in the listed company, with holding no positions other than directors or supervisors or receiving no compensation in any other enterprises under the control of our company, for continuously maintaining the independence of personnel of the listed company; (2) The listed company has a complete and independent labor, personnel, and salary management system, which is fully independent from our company and any other enterprises under our control; (3) The directors, supervisors, and senior management personnels of the listed company are elected or appointed in accordance with legal procedures, and our company will not interfere with the personnel appointment and removal decisions already made by the Board of Directors and the general meeting of the listed company. 2. The asset independence of the listed company, that is: (1) The listed company has independent and complete assets, all of which are under the control of the listed company and are independently owned and operated by the listed company; (2) Our company and any other enterprises under our control do not and will not in any way occupy the funds, assets, and other resources of the listed company in violation of laws and regulations; (3) Our company and any other enterprises under our control will not use the assets of the listed company as guarantee for our and their debts in violation of regulations. 3. The financial independence of the listed company, that is: (1) The listed company continues to maintain its independent financial department and independent financial accounting system; (2) The listed company opens an independent bank account and does not share a bank account with our company or any other enterprises under our control; (3) The listed company is able to make independent financial decisions, without our company's illegal interference with its asset utilization scheduling; (4) The independence of the listed company's financial personnels who will not work part-time or receive remuneration in any other enterprises under our control; (5) The listed company legally pays taxes independently. 4. The institutional independence of the listed company, that is: (1) The listed company continues to maintain a sound corporate governance structure and has an independent and complete organizational structure; (2) The general meeting, Board of Directors, independent directors, Supervisory Committee, general manager, etc of the 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</p>		holding indirect stake in Yunnan Baiyao	
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			<p>other enterprises under our control. 5. The business independence of the listed company, that is: (1) The listed company has the assets, personnels, qualifications, and capabilities to independently carry out business activities, and also has the capabilities to independently and continuously operate in the market; (2) The listed company has minimized related party transactions between our company and any other enterprises under our control and the listed company as much as possible, and fairly carry out necessary and inevitable related party transactions at fair prices in accordance with market-oriented principles, with transaction procedures and information disclosure obligations fulfilled in accordance with relevant laws, regulations, and normative documents. 6. The listed company maintains independence from our company and any other enterprises under our control in any other aspects.</p>			
<p>Commitments made in the acquisition report or equity change report</p>	<p>Yunnan Investment Holdings Group</p>	<p>Commitments regarding related party transactions</p>	<p>1. After the completion of this equity transfer, our company will consciously safeguard the interest of the listed company and any and all of its shareholders, and minimize and avoid related party transactions with the listed company. We will not, by virtue of our indirect stake in the listed company, seek for improper benefits or harm any interest of the listed company and any and all of its shareholders in related party transactions. 2. Our company does not and will not, by virtue of our indirect stake in the listed company and its own controlling influence, seek from the listed company for better commercial terms for business cooperation than that given to the third parties in the market for itself or for any other enterprises under our control. 3. Our company does not and will not, by virtue of our indirect stake in the listed company and its own controlling influence, seek for privileges for itself or any other enterprises under our control to enter into transactions with the listed company. 4. After completing this equity transfer, our company will strictly adhere to the provisions of the <i>Company Law of the People's Republic of China</i>, the <i>Articles of Association of Yunnan Baiyao Group</i>, the <i>Rules of Procedure for General Meetings</i>, and the <i>Decision System for Related Party Transactions of the Listed Company</i> when engaging in inevitable related party transactions with the listed company. We are committed to conducting these transactions in a 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</p>	<p>December 10, 2021</p>	<p>Remain effective during the period of holding indirect stake in Yunnan Baiyao</p>	<p>In progress</p>

			company and any other enterprises under our control will not illegally occupy the funds and assets of the listed company, and under no circumstances will the listed company be required to provide any form of guarantees to our company or any other enterprises under our control.			
Commitments made in the acquisition report or equity change report	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government ("SASAC of Yunnan Province"), New Huadu	Commitments regarding horizontal competition	In the future, when the time is ripe, SASAC of Yunnan Province and New Huadu shall urge Yunnan Baiyao Holdings Co., Ltd ("Baiyao Holdings") to gradually inject the high-quality assets related to Yunnan Baiyao's existing business and future development areas into Yunnan Baiyao Group. Both SASAC of Yunnan Province and New Huadu will also strictly comply with the regulations to avoid horizontal competition.	March 23, 2017	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress
Commitments made in the acquisition report or equity change report	New Huadu	Commitments regarding related party transactions	1. New Huadu and any other enterprises under our control will try the best to avoid related party transactions with Yunnan Baiyao. For inevitable related party transactions or those occurring for reasonable reasons, New Huadu will undertake to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based on the reasonable prices recognized in the market. 2. New Huadu and any other enterprises under our control will strictly comply with the avoidance provisions on related party transactions set out in Yunnan Baiyao's articles of association and in other relevant regulations. All related party transactions involved will be carried out in accordance with the decision-making procedures for related party transactions for Yunnan 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	Yunnan State-owned Equity Operation	Commitments regarding	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	October 31, 2018	Remain effective during the period of	In progress

asset restructuring	Management Company, New Huadu and its acting-in-concert parties	related party transactions	<p>Province will try its best to avoid related party transactions with the listed company. For inevitable related party transactions or those occurring for reasonable reasons, SASAC of Yunnan Province will undertake to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based on the reasonable prices recognized in the market. SASAC of Yunnan Province will strictly comply with the provisions of relevant laws, regulations, normative documents, and the articles of association of the listed company, perform the decision-making procedures and information disclosure obligations for related party transactions, and warrant not to harm any legitimate rights and interest of the listed company and any other shareholders through related party transactions. This commitment letter shall come into effect and be irrevocable as of the date of official signature by SASAC of Yunnan Province. SASAC of Yunnan Province warrants the effective fulfillment of these commitments, and the listed company has the right to supervise its fulfillment of this commitment letter. If SASAC of Yunnan Province fails to effectively fulfill this commitment letter, leading to any actual losses to the listed company, SASAC of Yunnan Province will compensate for any and all of such direct or indirect losses so caused to the listed company.</p> <p>2. New Huadu and its acting-in-concert parties undertake that: after the completion of this merger and overall listing, our company/I and any enterprises under our/my control will try the best to avoid related party transactions with the listed company. For inevitable related party transactions or those occurring for reasonable reasons, our company/I undertake(s) to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based on the reasonable prices recognized in the market. Our company/I and any other enterprises under our/my control will strictly comply with the provisions of relevant laws, 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</p>		holding the shares of Yunnan Baiyao (directly and indirectly)	
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			fulfill this commitment letter, leading to any actual losses to the listed company, our company/I will compensate for any and all of such direct or indirect losses so caused to the listed company.			
Commitments made during asset restructuring	Jiangsu Yuyue Science & Technology Development Co., Ltd (“Jiangsu Yuyue”)	Commitments regarding related party transactions	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.	October 31, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	Completed
Commitments made during asset restructuring	Yunnan State-owned Equity Operation Management Company, New Huadu	Commitments to maintain the independence of the listed company	After the completion of this merger and overall listing, our company/institution will maintain independence from the listed company in terms of personnel, assets, business, institutions, and finance in accordance with relevant laws, regulations, and normative documents. We will not, by virtue of the identity as a related party of the listed company, engage in the acts that affect the independence of the listed company’s personnel, assets, business, institutions, and finances, or harm any rights and interest of the listed company and any other shareholders. Instead, we will effectively ensure the independence of the listed company in terms of personnel, assets, business, institutions, finance, etc. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company/institution. Our company/institution warrants the effective fulfillment of these commitments, and the listed company has the right to supervise the fulfillment of this commitment letter. If our company/institution fails to effectively fulfill this commitment letter,	October 31, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress

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

Commitments made during asset restructuring	Directors and senior management of the listed company	Commitments regarding real estate business	If Yunnan Baiyao and its subsidiaries within the scope of its consolidated financial statements, and, Baiyao Holdings and its subsidiaries within the scope of its consolidated financial statements engaged in any illegal activities in the domestic real estate development business during the reporting period, such as undisclosed land vacancy, speculation of land, property hoarding, and price gouging, which have caused any losses to Yunnan Baiyao and investors, I will bear any and all of the corresponding compensation liabilities for such losses as required by relevant laws, regulations and securities regulatory authorities.	December 11, 2018	Remain effective	In progress
Commitments made during asset restructuring	Baiyao Holdings, Yunnan State-owned Equity Operation Management Company, New Huadu	Commitments regarding compensatory measures after dilution of immediate returns	<ol style="list-style-type: none"> 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	Jiangsu Yuyue	Commitments regarding compensatory measures after dilution of immediate returns	<ol style="list-style-type: none"> 1. Our company/institution will not interfere with any operation and management activities of the listed company beyond authority, nor will it encroach on any interest of the listed company. 2. After the date of issuance of this commitment letter, if the securities regulatory authorities make other regulatory requirements regarding compensatory measures and related commitments, and the above commitments fail to meet such new regulatory regulations of the securities regulatory authorities, our company/institution will undertake to issue supplementary commitments in accordance with their then latest relevant regulations. 3. Our company/institution undertakes to effectively fulfill the relevant compensatory measures formulated by the listed company and the relevant commitments made by our company/institution. If our company/institution violates these commitments and causes any losses to the listed company or 	December 11, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	Completed

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

			<p>After the completion of this transaction, our company and any enterprises under our control will not directly or indirectly engage in any form (including but not limited to investment, M&A, affiliation, joint ventures, cooperation, partnership, contracting or leasing operations, and equity participation) in businesses that are the same as or similar to, and constitute a competition with, the principal businesses of the listed company, nor will we directly or indirectly own any absolute or relative control over any other companies, enterprises or operating entities that engage in businesses that are the same as or similar to, and constitute a competition with the principal businesses of the listed company.</p> <p>During the commitment period mentioned above, if the listed company actually further expands its existing principal businesses, and our company and any enterprises under our control have not yet engaged in production or operation of such new businesses, our company and any enterprises under our control will not engage in such new businesses that compete with the principal businesses of the listed company unless the listed company notifies us in writing that it would no longer engage in such new businesses.</p> <p>During the aforementioned commitment period, if our company and any enterprises under our control obtain from any third party any business opportunity that competes or may compete with the principal businesses of the listed company, we shall immediately notify the listed company. If the listed company provides a positive response that it is willing to take advantage of that business opportunity within the reasonable period specified in the notice, our company and any enterprises under our control will abandon that business opportunity.</p> <p>If our company and any enterprises under our control violate any of the above statements and commitments, leading to any damages to any rights and interest of the listed company, our company agrees to bear any and all of the corresponding compensation liabilities for such damages so caused to the listed company.</p>			
Commitments made during asset restructuring	Directors, supervisors, and senior management of the listed company	Commitments regarding the authenticity, accuracy, and completeness of the information provided	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	June 10, 2021	Remain effective	In progress

			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 China Securities Regulatory Commission (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.			
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	June 10, 2021	Remain effective	In progress

			the facts that occurred. According to the progress of this transaction, our company and our acting-in-concert parties will provide relevant information and documents in a timely manner in accordance with relevant laws, regulations, rules, and relevant provisions of the CSRC and the stock exchange, and ensure that the information and documents to be constantly provided still meet the requirements of authenticity, accuracy, completeness, and effectiveness. Our company and our acting-in-concert parties undertake and warrant the information provided or disclosed in this significant asset restructuring is authentic, accurate, complete, and effective, without false records, misleading statements, or material omissions, and are willing to bear any and all of the corresponding individual and joint legal liabilities for that.			
Commitments made during asset restructuring	Directors, supervisors, and senior management of the listed company	Commitments regarding compensatory measures after diluting immediate returns by this restructuring	1. I undertake not to transfer benefits to any other units or individuals without compensations or under unfair conditions, nor to harm any interest of the listed company in any other way. 2. I undertake to restrain my official consumption 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 to maintain the independence of the listed company, reduce and	1. On October 31, 2018, SASAC of Yunnan Province, as a shareholder of the listed company, issued the <i>Commitment Letter of SASAC of Yunnan Province on Maintaining the Independence of the Listed Company</i> , <i>Commitment Letter of SASAC of Yunnan Province on Reducing and Regulating Related Party Transactions</i> , and <i>Commitment Letter of SASAC of Yunnan Province on Avoiding Horizontal Competition</i> . On April 7, 2020, our company issued	June 10, 2021	Remain effective	In progress

		regulate related party transactions, and avoid horizontal competition	the <i>Commitment Letter of Yunnan State-owned Equity Operation Management Company on Its Undertaking of the Relevant Commitments Made in the Process of Yunnan Baiyao's Merger Transaction by SASAC of Yunnan Province</i> (hereinafter referred to as the " <i>Commitment Letter on Undertaking</i> "), committing to fully undertake, as of the date of completion of this equity transfer (calculated from the date of registration of the underlying equity in the name of our company), the responsibilities and obligations specified in the commitment documents previously made by SASAC of Yunnan Province and continuously effective at the time of this equity transfer as set out in the following list. The list includes the foregoing three commitment letters issued by SASAC of Yunnan Province. 2. As of the date of signing this commitment letter, our company has always strictly fulfilled the commitments to maintain the independence of the listed company, reduce and regulate related party transactions, and avoid horizontal competition in accordance with the requirements of the <i>Commitment Letter on Undertaking</i> , and has not violated any of the commitments made. After the completion of this transaction, our company will continue to strictly fulfill the <i>Commitment Letter on Undertaking</i> to safeguard the interest of the listed company and any and all of its shareholders.			
Commitments made during asset restructuring	New Huadu and its acting-in-concert parties	Commitments to maintain the independence of the listed company, reduce and regulate related party transactions, and avoid horizontal competition	<p>1. As of the date of signing this commitment letter, our company has always strictly fulfilled the <i>Commitment Letter on Maintaining the Independence of the Listed Company</i>, <i>Commitment Letter on Reducing and Regulating Related Party Transactions</i>, and <i>Commitment Letter on Avoiding Horizontal Competition</i> all issued on October 31, 2018. Our company's acting-in-concert parties have always strictly fulfilled the <i>Commitment Letter on Reducing and Regulating Related Party Transactions</i> issued on October 31, 2018, and have not violated any of the commitments made. After the completion of this transaction, our company and our acting-in-concert parties will continue to strictly fulfill this commitment letter to safeguard the interest of the listed company and any and all of its shareholders.</p> <p>2. After the completion of this transaction, our company's acting-in-concert parties will maintain independence from the listed company in terms of personnel, assets, business, institutions, and finance in accordance with relevant laws, regulations, and normative documents, and will not, by virtue of the identity as a shareholder and a related party of the listed company, engage in the acts that affect the independence of the listed company's personnel, assets, business, institutions, and finances, or harm any rights and interest of the listed company and other shareholders. Instead, they will</p>	June 10, 2021	Remain effective	In progress

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

			of this commitment letter. If our company fails to effectively fulfill this commitment letter, leading to any actual losses to Shanghai Pharma, our company will compensate for any and all of such direct or indirect losses so caused to Shanghai Pharma.			
Commitments made during asset restructuring	Listed company	Commitments regarding lock-up shares	Shanghai Pharma's shares subscribed by our company through this transaction shall not be transferred within 36 months from the end of the issuance of these shares. After the expiration of the aforementioned lockup period, the transfer and trading of such shares shall be handled in accordance with the then effective laws and regulations, as well as the regulations and rules of the CSRC, Shenzhen Stock Exchange (SZSE), and Shanghai Stock Exchange (SHSE). After the completion of this transaction, our company will also arrange a lockup period as described above for our any increased stake in Shanghai Pharma after it issues bonus shares or convert public reserve funds into share capital.	May 11, 2021	Thirty-six months from the end of the issuance of new shares by Shanghai Pharma	In progress
Whether the commitments are fulfilled as scheduled	Yes					

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

Applicable Not applicable

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

III. Non-compliant Provision of External Guarantees

Applicable Not applicable

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

IV. Engagement and Disengagement of Auditor

Whether the interim financial statements were audited or not

Yes No

The Company's interim financial statements were unaudited.

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

Applicable Not applicable

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

Applicable Not applicable

VII. Bankruptcy and Reorganization

Applicable Not applicable

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

VIII. Legal Matters

Significant lawsuits and arbitrations

Applicable Not applicable

There was no significant lawsuits and arbitrations during the reporting period.

Other lawsuits

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
Contract Dispute of Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd (one of the Company's subsidiaries) vs Chuxiong Linxin Mushroom Developing Co., Ltd	368.60	No	The Supreme People's Court has disallowed the request for a retrial by Chuxiong Linxin Mushroom Developing Co., Ltd.	If payments of both parties payable to each other can be offset against each other, in accordance with the content of the civil judgments, Chuxiong Linxin Mushroom Developing Co., Ltd shall also need to pay Yunnan Baiyao Group 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. A total of RMB 34.8934 million was offset, with a remaining RMB 3.686 million pending further asset discovery for execution. (In the case of final execution, if any executable assets are discovered, the execution process will be resumed.)	March 31, 2023	Annual Report for 2022, Interim Report for 2023 and Annual Report for 2023. For details, please refer to http://www.cninfo.com.cn

Summary of other events not meeting the disclosure standards for being included in significant litigation (arbitration)	85,567.79	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	/
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IX. Punishments and Rectifications

Applicable Not applicable

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

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

Applicable Not applicable

XI. Significant Related Party Transactions

1. Related party transactions related to daily operations

Applicable Not applicable

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

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

Applicable Not applicable

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

3. Related party transactions regarding joint investments in third parties

Applicable Not applicable

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

4. Amounts due to and from related parties

Applicable Not applicable

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

5. Transactions with related finance companies

Applicable Not applicable

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

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

Applicable Not applicable

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

7. Other significant related party transactions

Applicable Not applicable

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

XII. Major Contracts and Their Performance**1. Entrustment, contracting and leases****(1) Entrustment**

Applicable Not applicable

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

(2) Contracting

Applicable Not applicable

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

(3) Leases

Applicable Not applicable

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

2. Major guarantees

Applicable Not applicable

Unit: RMB'0,000

Guarantees for others by the Company and its subsidiaries (excluding those provided by the Company for its subsidiaries)										
Guaranteed party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Actual occurrence date	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Fulfilled or not	Guarantee for a related party or not
Yunnan Yuncheng Hospital Management Co., Ltd.	November 24, 2017			150,000	Joint and several liability guarantee			12 years	No	No

Total approved limit for guarantees for others during the reporting period (A1)		0	Total amount of guarantees for others incurred during the reporting period (A2)		0					
Total approved limit for guarantees for others at the end of the reporting period (A3)		150,000	Total actual balance of guarantees for others at the end of the reporting period (A4)		150,000					
Guarantees by the Company to subsidiaries										
Guaranteed party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Actual occurrence date	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Fulfilled or not	Guarantee for a related party or not
None										
Total approved limit for guarantees for subsidiaries during the reporting period (B1)		0	Total amount of guarantees for subsidiaries incurred during the reporting period (B2)		0					
Total approved limit for guarantees for subsidiaries at the end of the reporting period (B3)		0	Total actual balance of guarantees for subsidiaries at the end of the reporting period (B4)		0					
Guarantees by subsidiaries to another 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
None										
Total approved limit for guarantees for subsidiaries during the reporting period (C1)		0	Total amount of guarantees for subsidiaries incurred during the reporting period (C2)		0					
Total approved limit for guarantees for subsidiaries at the end of the reporting period (C3)		0	Total actual balance of guarantees for subsidiaries at the end of the reporting period (C4)		0					
The Company's total guarantee amount (total amount of the first three major items)										
Total approved guarantee limit during the reporting period (A1+B1+C1)		0	Total actual amount of guarantee incurred during the reporting period (A2+B2+C2)		0					
Total approved guarantee limit at the end of the reporting period (A3+B3+C3)		150,000	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)		150,000					
The proportion of actual total guarantee amount (i.e. A4+B4+C4) to the Company's net assets					3.81%					
Of which:										
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.

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

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

3. Cash entrusted for wealth management

Applicable Not applicable

Unit: RMB*0,000

Type	Source of funding	Amount	Undue amount	Unrecovered overdue amount	Provision for impairment on unrecovered overdue amount
Bank financial products	Self-owned	100,690.20	100,690.20	0	0
Other type	Self-owned	0	0	0	0
Total		100,690.20	100,690.20	0	0

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

Applicable Not applicable

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

Applicable Not applicable

4. Other Significant Contracts

Applicable Not applicable

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

XIII. Explanations to Other Significant Events

Applicable Not applicable

(I) System updates

1. On March 28, 2024, the Company held the third session of the Tenth Board of Directors for 2024, at which the *Proposal on Revising the Rules of Procedure for the Board of Directors* and the *Proposal on Revising the Rules of Procedure for Office Meetings* had been considered and approved. More details can be found in the *Announcement on Resolutions of the Third Session of the Tenth Board of Directors for 2024* (Announcement No. 2024-15), the *Rules of Procedure for the Board of Directors* and the *Rules of Procedure for Office Meetings* disclosed by the Company at <http://www.cninfo.com.cn> on March 30, 2024.

2. On April 26, 2024, the Company held the fourth session of the Tenth Board of Directors for 2024, at which the *Proposal on Formulating the Yunnan Baiyao Group's Compliance Management Measures (Trial)* had been

considered and approved. More details can be found in the *Announcement on Resolutions of the Fourth Session of the Tenth Board of Directors for 2024* (Announcement No. 2024-23), and *Yunnan Baiyao Group's Compliance Management Measures (Trial)* disclosed by the Company at <http://www.cninfo.com.cn> on April 27, 2024.

(II) Changes in shareholdings of shareholders

1. Expiration of the shareholder's shareholding reduction plan

On January 17, 2024, the Company disclosed the *Announcement on the Expiration of the Shareholder's Shareholding Reduction Plan* (Announcement No.: 2014-01) and received from its shareholder Jiangsu Yuyue, the *Notice on Voluntary Information Disclosure Regarding the Expiration of Bidding-based Shareholding Reduction Plan and Shareholding Reduction Implementation Progress*, stating that as of January 13, 2024, Jiangsu Yuyue's shareholding reduction plan had expired and it had completed the shareholding reduction plan. From July 17, 2023 to January 13, 2024, Jiangsu Yuyue accumulatively reduced, by means of centralized bidding trading, its shareholding in the Company by 35,936,638 shares not subject to trading moratorium, accounting for 1.99997% of the Company's total share capital, indicating that its shareholding reduction was consistent with the previously disclosed shareholding reduction plan, and that the shareholding reduction quantity fell within the quantity scope of the shareholding reduction plan.

2. Shareholders' partial share pledge and release of pledge

(1) On February 28, 2024, the Company disclosed the *Announcement on the Release of Shareholders' Partial Share Pledge* (Announcement No. 2024-10). On February 27, 2024, the Company received a notice from its shareholder Yunnan State-owned Equity Operation Management Company, stating that Yunnan State-owned Equity Operation Management Company had released the pledge on its 71,400,000 shares held in the Company (accounting for 3.97% of the Company's total share capital).

(2) On May 17, 2024, the Company disclosed the *Announcement on Shareholders' Partial Share Pledge* (Announcement No.: 2024-29). In the past few days, the Company received a notice from its shareholder New Huadu, stating that New Huadu set up a pledge on its 46,380,000 shares held in the Company (accounting for 2.60% of the Company's total share capital).

(III) Change of use of repurchased shares and cancellation

On February 8, 2024, the Company disclosed the *Announcement on Change of Use of Repurchased Shares and Cancellation* (Announcement No.: 2024-04), stating that the Company intends to change the use of repurchased shares for the purpose of safeguarding the interests of investors. The use of such repurchased shares is changed from "for the implementation of employee stock ownership plan or equity incentive plan" to "for cancellation to reduce the registered capital." That is, the Company intends to cancel all 12,599,946 shares in the special securities account for stock repurchase and reduce the Company's registered capital accordingly.

The above matters had been considered and approved at the first session of the Company's Tenth Board of Directors for 2024 on February 7, 2024 and the Company's first extraordinary general meeting for 2024 on February 23, 2024. More details can be found in the *Announcement on Resolutions of the First Session of the Tenth Board of Directors for 2024* (Announcement No. 2024-03), *Announcement on Change of Use of Repurchased Shares and Cancellation* (Announcement No. 2024-04), *Announcement on Resolutions of the First Extraordinary General*

Meeting for 2024 (Announcement No. 2024-07), and *Announcement on Change of Use of Repurchased Shares and Cancellation and Notice to Creditors* (Announcement No. 2024-08) disclosed at <http://www.cninfo.com.cn>.

On April 23, 2024, the Company disclosed the *Announcement on Cancellation of Repurchased Shares and Change in Shareholding* (Announcement No.: 2024-21). On April 19, 2024, the Company completed the cancellation of the above 12,599,946 repurchased shares with the Shenzhen Branch of China Securities Depository and Clearing Corporation. The Company has 1,784,262,603.00 shares in total after this cancellation.

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

On February 26, 2024, the Company received the *Notice of Acceptance of Registration* (Zhongshi Xiezhuzhu [2024] No. SCP63) issued by National Association of Financial Market Institutional Investors (“NAFMII”), stating its agreement to accept the Company’s registration of ultra short-term financing bonds. According to the above *Notice of Acceptance of Registration*, the Company’s registered amount of ultra short-term financing bonds is RMB 3 billion, in which the registration limit remains valid within two (2) years as of the signature of the *Notice*, with Industrial and Commercial Bank of China Limited as the lead underwriter. The Company may issue ultra short-term financing bonds in installments during the effective registration period. After the issuance, the issuance results will be disclosed through channels NAFMII recognizes. More details can be found in the *Announcement on Approval on Registration of Issuance of Ultra-short-term Financing Bonds* (Announcement No. 2024-11) disclosed by the Company at <http://www.cninfo.com.cn> on February 28, 2024.

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 at <http://www.cninfo.com.cn> on March 21, 2024.

(V) R&D projects

1. On May 11, 2024, the Company disclosed the *Announcement on the Approval of INR101 Injection for Drug Clinical Trials* (Announcement No. 2024-26). Recently, Yunhe Pharmaceutical (Tianjin) Co., Ltd (“Yunhe Pharmaceutical”), a wholly-owned subsidiary of the Company, received the *Notice of Approval for Clinical Drug Trial* (Notice No.: 2024LP01109) issued by the National Medical Products Administration, stating that after review, the application for INR101 injection (hereinafter referred to as “this product”) to be used for clinical trials by Yunhe Pharmaceutical meets the relevant requirements for drug registration, so this product is approved for clinical trials in healthy individuals and patients with prostate cancer.

2. On May 11, 2024, the Company disclosed the *Announcement on the Approval of Flurbiprofen Cataplasms for Drug Clinical Trials* (Announcement No. 2024-27). Recently, Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd, a wholly-owned subsidiary of the Company, received the *Notice of Approval for Clinical Drug Trial* (Notice No.: 2024LP00886) issued by the National Medical Products Administration, stating that after review, Flurbiprofen Cataplasms are approved for clinical trials to relieve pains.

3. On June 27, 2024, the Company held the seventh session of the Tenth Board of Directors for 2024, at which the *Proposal on Introducing KA-1641 Projects* had been considered and approved, and it is agreed to introduce the relevant patents of antibody drug KA-1641 (hereinafter referred to as the “target product”) from Kyinno

Biotechnology Co., Ltd for the Company, and perform R&D, production, and commercialization activities on the target product worldwide. More details can be found in the *Announcement on Resolutions of the Seventh Session of the Tenth Board of Directors for 2024* (Announcement No. 2024-38), and *Announcement on Introducing KA-1641 Projects* (Announcement No. 2024-39) disclosed by the Company at <http://www.cninfo.com.cn>.

XIV. Significant Events of the Company's Subsidiaries

Applicable Not applicable

On January 30, 2024, YNBY International Limited (“YNBY International”) made a public disclosure as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the laws of Hong Kong. As of the date of this announcement, YNBY International has met the requirements under the resumption guidance. At the request of YNBY International, trading of its shares was suspended on Hong Kong Stock Exchange from 9:00 am on June 21, 2022. YNBY International has fully met the requirements under the resumption guidance to the satisfaction of Hong Kong Stock Exchange. Therefore, YNBY International has applied to Hong Kong Stock Exchange for resumption of trading of its shares from 9:00 am on January 31, 2024. More details can be found in the *Announcement on Progress of Relevant Matters of YNBY International Limited* (Announcement No. 2024-02) disclosed by the Company at <http://www.cninfo.com.cn>. on February 1, 2024.

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	11,567,358	0.64%	0	0	0	3,295,210	3,295,210	14,862,568	0.83%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned legal persons	0	0.00%	0	0	0	0	0	0	0.00%
3. Shares held by other domestic shareholders	11,567,358	0.64%	0	0	0	3,295,210	3,295,210	14,862,568	0.83%
Of which: shares held by domestic legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic natural persons	11,567,358	0.64%	0	0	0	3,295,210	3,295,210	14,862,568	0.83%
4. Foreign-invested shares	0	0.00%	0	0	0	0	0	0	0.00%
Of which:	0	0.00%	0	0	0	0	0	0	0.00%

shares held by overseas legal persons									
Shares held by overseas natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares not subject to trading moratorium	1,785,295,191	99.36%	0	0	0	- 15,895,156	- 15,895,156	1,769,400,035	99.17%
1. RMB-denominated ordinary share	1,785,295,191	99.36%	0	0	0	- 15,895,156	- 15,895,156	1,769,400,035	99.17%
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	- 12,599,946	- 12,599,946	1,784,262,603	100.00%

Reasons for changes in shareholdings

Applicable Not applicable

To safeguard the interests of investors, the Company held a shareholders' meeting in February 2024 and approved to change the use of the 12,599,946 repurchased shares to "for cancellation to reduce the registered capital," which accounted for 0.7015% of the total share capital of the Company, and the Company completed the cancellation procedures of the 12,599,946 repurchased shares in April 2024, which accounted for 0.7015% of the total share capital of the Company. In April 2024, the Company completed the cancellation procedures for the 12,599,946 repurchased shares.

Approval of changes in shareholdings

Applicable Not applicable

At the first session of the Tenth Board of Directors of the Company for 2024 held on February 7, 2024 and the first extraordinary general meeting of the Company for 2024 held on February 23, 2024, the Company considered and approved the *Proposal on Change of Use of Repurchased Shares and Cancellation*, and agreed that the Company should change the use of the above 12,599,946 repurchased shares in the special securities account for repurchase, and change the use of the repurchased shares from "for the implementation of employee stock ownership

plan or equity incentive plan” to “for cancellation to reduce the registered capital.” On April 19, 2024, the Company completed the cancellation procedures of 12,599,946 shares in the special securities account for repurchase at the Shenzhen Branch of China Securities Depository and Clearing Corporation.

Transfers for changes in shareholdings

Applicable Not applicable

Implementation of share repurchases

Applicable Not applicable

Implementation of reduction in share repurchases by means of centralized bidding

Applicable Not applicable

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

Applicable Not applicable

To safeguard the interests of investors, the Company held a shareholders’ meeting in February 2024 and approved to change the use of the 12,599,946 repurchased shares to “for cancellation to reduce the registered capital,” which accounted for 0.7015% of the total share capital of the Company, and the Company completed the cancellation procedures of the 12,599,946 repurchased shares in April 2024, which accounted for 0.7015% of the total share capital of the Company. In April 2024, the Company completed the cancellation procedures for the 12,599,946 repurchased shares.

The total share capital of the Company was 1,796,862,549 shares prior to the completion of the write-off, and the total share capital of the Company was 1,784,262,603 shares after the completion of the write-off. Based on the total share capital before the completion of the write-off, the Company’s basic earnings per share for the first half of 2024 will be RMB 1.77/share, diluted earnings per share will be RMB 1.77/share, and the net assets per share attributable to the Company’s ordinary shareholders will be RMB 21.91/share; based on the total share capital after the completion of the write-off, the Company’s basic earnings per share will be RMB 1.79/share, diluted earnings per share will be RMB 1.79/share, and the net assets per share attributable to the Company’s ordinary shareholders will be RMB 22.06/share.

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

Applicable Not applicable

2. Changes in shares subject to trading moratorium

Applicable Not applicable

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the reporting period	Number of shares released from trading moratorium during the reporting period	Increase in shares subject to trading moratorium during the reporting period	Number of shares subject to trading moratorium at the end of the reporting period	Reason for moratorium	Date of shares released from trading moratorium
Dong Ming	9,960	0	0	9,960	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements

Zhu Zhaoyun	42,000	0	0	42,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
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 Jing	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
Chen Fashu	9,395,621	0	3,131,874	12,527,495	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Chen Yanhui	133,009	0	44,336	177,345	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Yin Pinyao	252,000	0	84,000	336,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Yu Juan	105,000	0	35,000	140,000	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
Total	11,567,358	0	3,295,210	14,862,568	--	--

II. Issuance and Listing of Securities

Applicable Not applicable

III. Number of Shareholders of the Company and Their Shareholdings

Unit: Share

Total number of ordinary shareholders at the end of the reporting period	177,126	Total number of preferred shareholders with resumed voting rights at the end of the reporting period (if any)	0
Shareholdings of ordinary shareholders holding more than 5% of the shares or the top 10 ordinary shareholders (excluding lending of shares through securities finance)			
			Pledged, marked or frozen

Name of shareholder	Nature of shareholder	Shareholding ratio	Number of ordinary shares held at the end of the reporting period	Change during the reporting period	Number of ordinary shares subject to trading moratorium	Number of ordinary shares not subject to trading moratorium	Status	Quantity
Yunnan State-owned Equity Operation Management Co., Ltd.	State-owned legal person	25.20%	449,624,311	0	0	449,624,311	Pledged	119,343,840
New Huadu Industrial Group Co., Ltd.	Domestic non-state-owned legal person	24.42%	435,742,244	0	0	435,742,244	Pledged	336,894,000
Yunnan Hehe (Group) Co., Ltd.	State-owned legal person	8.19%	146,185,851	0	0	146,185,851	NA	0
Hong Kong Securities Clearing Company Limited	Overseas legal person	3.87%	69,040,056	2,178,991	0	69,040,056	NA	0
China Securities Finance Corp.	Domestic non-state-owned legal person	2.09%	37,373,108	0	0	37,373,108	NA	0
Central Huijin Investment Ltd.	State-owned legal person	0.93%	16,617,440	0	0	16,617,440	NA	0
UBS Asset Management (Singapore) Ltd. - UBS Lux Investment SICAV	Overseas legal person	0.88%	15,691,628	-577,000	0	15,691,628	NA	0
China Construction Bank Corporation—E Fund CSI 300 Medical and Healthcare Trading Open-End Index Securities Investment Fund	Others	0.74%	13,167,666	1,867,900	0	13,167,666	NA	0
Chen Fashu	Domestic natural person	0.70%	12,527,495	0	12,527,495	0	NA	0
National Social Security Fund 110	Others	0.68%	12,151,514	354,656	0	0	NA	0
Strategic investors or general legal persons who become the top 10 ordinary 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 <i>Administrative Measures for Information Disclosure of Changes in Shareholdings of Listed Companies</i> .							

Above shareholders involved in entrusting/being entrusted with voting rights and giving up voting rights	Not applicable		
Special account for share repurchases (if any) among the top 10 shareholders	Not applicable		
Shareholdings of the top 10 ordinary shareholders not subject to trading moratorium (excluding lending of shares through securities finance, and locked-up shares held by senior management)			
Name of shareholder	Number of ordinary shares not subject to trading moratorium held at the end of the reporting period	Type of shares	
		Type	Quantity
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	69,040,056	RMB-denominated ordinary share	69,040,056
China Securities Finance Corp.	37,373,108	RMB-denominated ordinary share	37,373,108
Central Huijin Investment Ltd.	16,617,440	RMB-denominated ordinary share	16,617,440
UBS Asset Management (Singapore) Ltd. – UBS Lux Investment SICAV	15,691,628	RMB-denominated ordinary share	15,691,628
China Construction Bank Corporation – E Fund CSI 300 Health Care Index ETF	13,167,666	RMB-denominated ordinary share	13,167,666
National Social Security Fund 110	12,151,514	RMB-denominated ordinary share	12,151,514
Industrial and Commercial Bank of China Limited – Huatai-pinebridge CSI 300 Trading Open-End Index Securities Investment Fund	10,729,483	RMB-denominated ordinary share	10,729,483
Related or acting-in-concert parties among the top 10 ordinary shareholders not subject to trading moratorium, and the top 10 ordinary shareholders not subject to trading moratorium and the top 10 ordinary shareholders	Whether there is any related relationship between the above shareholders or concerted action as stipulated in the <i>Administrative Measures for Disclosure of Changes in Shareholdings of Listed Companies</i> is not known.		
Top 10 ordinary shareholders involved in securities margin trading (if any)	Not applicable		

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

Applicable Not applicable

Unit: Share

Shareholders holding more than 5% of shares, top 10 shareholders and top 10 shareholders with shares not subject to trading moratorium participating in the lending of shares in the transfer and financing business								
Name of shareholder (full name)	General and credit account holdings at the beginning of the period		Refinancing shares lent at the beginning of the period and not yet returned		General and credit account holdings at the end of the period		Refinancing shares lent at the end of the period and not yet returned	
	Total	Percentage of total share capital	Total	Percentage of total share capital	Total	Percentage of total share capital	Total	Percentage of total share capital
China Construction Bank Corporation—E Fund CSI 300 Medical and Healthcare Trading Open-End Index Securities Investment Fund	11,299,766	0.63%	2,242,900	0.12%	13,167,666	0.74%	271,600	0.02%
Industrial and Commercial Bank of China Limited—Huatai-pinebridge CSI 300 Trading Open-End Index Securities Investment Fund	6,490,784	0.36%	312,300	0.02%	10,729,483	0.61%	3,600	0.00%

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

Applicable Not applicable

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

Yes No

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

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

Applicable Not applicable

There was no change in the shareholdings of the directors, supervisors, and senior management of the Company during the reporting period. For details, please refer to the 2023 Annual Report.

V. Changes in Controlling Shareholders or De Facto Controllers

Changes in controlling shareholders during the reporting period

Applicable Not applicable

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

Change of de facto controllers during the reporting period

Applicable Not applicable

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

Section VIII Preference Shares

Applicable Not applicable

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

Section IX Bonds

Applicable Not applicable

I. Enterprise bonds

Applicable Not applicable

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

II. Corporate bonds

Applicable Not applicable

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

III. Debt financing instruments for non-financial enterprises

Applicable Not applicable

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

Unit: RMB 0'000

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

Overdue bonds

Applicable Not applicable

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

Applicable Not applicable

3. Adjustments to credit rating results during the reporting period

Applicable Not applicable

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

Applicable Not applicable

IV. Convertible corporate bonds

Applicable Not applicable

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

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

Applicable Not applicable

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

Unit: RMB 0'000

Item	At the end of the reporting period	At the end of the previous year	Increase/decrease at the end of the reporting period compared to the end of the previous year
Current ratio	2.6405	2.8510	-7.38%
Gearing ratio	27.55%	25.80%	1.75%
Quick ratio	2.2066	2.3453	-5.91%
	The reporting period	The same period last year	Increase/decrease in the reporting period over the same period last year
Net profit after extraordinary profits and losses	313,614.83	273,530.30	14.65%
EBITDA total debt ratio	25.86%	25.30%	0.56%
Interest coverage multiple	148.73	176.72	-15.84%
Cash interest coverage multiple	200.41	159.65	25.53%
EBITDA interest coverage multiple	155.84	186.79	-16.57%
Loan repayment ratio	100.00%	100.00%	0.00%
Interest repayment ratio	100.00%	100.00%	0.00%

Section X Financial Statements

I. Auditors' Report

Whether the Interim Report has been audited

Yes No

The Company's interim financial statements were unaudited.

II. Financial Statements

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

1. Consolidated balance sheet

Prepared by: Yunnan Baiyao Group Co., Ltd.

June 30, 2024

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Cash and bank balance	14,719,563,531.35	14,218,343,076.67
Provision of settlement fund		
Placements with banks and other financial institutions		
Financial assets held for trading	1,046,815,045.34	149,366,687.56
Derivative financial assets		
Notes receivable	346,072,424.86	227,542,572.56
Accounts receivable	10,105,457,470.63	9,966,170,447.21
Accounts receivable financing	1,723,807,715.55	1,590,749,810.74
Prepayment	309,222,685.06	312,298,727.01
Premium receivable		
Reinsurance premium receivable		
Reserves for reinsurance contract receivable		
Other receivables	364,961,972.39	104,050,709.53
Including: Interest receivable		
Dividends receivable	272,906,986.36	4,531,100.00
Financial assets held under resale agreements		
Inventory	5,988,059,390.20	6,442,194,823.67
Including: Data resources		
Contractual assets		
Held-for-sales assets		
Non-current assets due within one year		442,772,777.78
Other current assets	1,830,161,506.46	2,862,076,217.20
Total current assets	36,434,121,741.84	36,315,565,849.93
Non-current assets:		

Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	11,770,384,034.03	11,536,660,992.93
Investment in other equity instruments	71,745,000.00	71,745,000.00
Other non-current financial assets	312,459,342.04	324,674,379.63
Investment properties	47,029,107.86	44,104,145.97
Fixed assets	2,601,062,934.15	2,662,900,014.03
Construction in progress	713,596,692.91	529,708,553.58
Productive biological assets	902,474.79	988,424.85
Oil and gas assets		
Right-of-use assets	270,258,242.13	258,319,485.58
Intangible assets	570,976,982.20	583,372,000.59
Including: Data resources		
Development expenses	22,488,583.70	14,452,474.57
Including: Data resources		
Goodwill	104,121,771.67	104,121,771.67
Long-term deferred expenses	88,313,398.34	105,335,550.31
Deferred income tax assets	798,191,932.10	690,869,209.12
Other non-current assets	561,892,994.48	541,475,331.17
Total non-current assets	17,933,423,490.40	17,468,727,334.00
Total assets	54,367,545,232.24	53,784,293,183.93
Current liabilities:		
Short-term loans	1,144,447,669.32	1,747,303,700.34
Borrowings from the central bank		
Placements from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	1,851,834,540.05	1,850,863,313.78
Accounts payable	4,511,428,127.33	4,359,632,642.20
Receipts in advance	2,045,212.68	486,612.12
Contractual liabilities	1,762,470,306.12	1,739,865,228.75
Financial assets sold under repurchase agreements		
Deposits from customers and interbank		
Customer brokerage deposits		
Acting underwriting of securities		
Payroll payable	863,101,527.50	1,067,190,665.08
Taxes and duties payable	515,227,950.50	339,670,850.02
Other payables	1,380,365,853.97	1,025,085,879.54

Including: Interest payable		
Dividends payable	87,345,672.28	86,490,742.04
Fees and commissions payable		
Reinsurance amounts payable		
Held-for-sales liabilities		
Non-current liabilities due within one year	68,739,138.20	74,736,102.58
Other current liabilities	1,698,311,110.99	532,943,904.40
Total current liabilities	13,797,971,436.66	12,737,778,898.81
Non-current liabilities:		
Reserves for insurance contract		
Long-term loans	2,100,000.00	2,100,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	193,456,851.84	172,347,309.72
Long-term payables	612,220,198.12	631,735,908.04
Long-term payroll payable	4,044,355.72	4,090,687.99
Estimated liabilities	16,050,005.49	
Deferred income	258,295,711.44	238,811,111.04
Deferred income tax liabilities	91,307,338.06	74,772,071.70
Other non-current liabilities	1,931,554.36	17,296,814.41
Total non-current liabilities	1,179,406,015.03	1,141,153,902.90
Total liabilities	14,977,377,451.69	13,878,932,801.71
Owners' equity:		
Share capital	1,784,262,603.00	1,796,862,549.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	17,567,398,358.39	18,246,619,742.09
Less: Treasury stock		707,428,892.15
Other comprehensive income	-97,906,037.73	-89,538,172.13
Special reserves		
Surplus reserves	2,530,458,968.58	2,530,458,968.58
Provision for general risk		
Undistributed profit	17,585,064,312.79	18,102,147,836.12
Total owners' equity attributable to parent company	39,369,278,205.03	39,879,122,031.51
Minority interests	20,889,575.52	26,238,350.71
Total owners' equity	39,390,167,780.55	39,905,360,382.22
Total liabilities and owners' equity	54,367,545,232.24	53,784,293,183.93

Legal representative: Dong Ming

Accounting officer: Ma Jia

Head of accounting center: Xu Jing

2. Balance sheet of parent company

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Cash and bank balance	10,694,741,380.08	11,558,478,370.89
Financial assets held for trading	972,790,332.60	72,221,202.90
Derivative financial assets		
Notes receivable	49,901,491.15	6,112,294.09
Accounts receivable	1,741,700,162.89	1,330,908,560.96
Accounts receivable financing	780,279,415.32	602,881,796.61
Prepayment	1,417,634,473.46	1,600,931,041.18
Other receivables	6,389,820,006.77	4,127,088,902.76
Including: Interest receivable		
Dividends receivable	272,906,986.36	4,531,100.00
Inventory	1,193,583,333.68	1,462,389,548.82
Including: Data resources		
Contractual assets		
Held-for-sales assets		
Non-current assets due within one year		442,772,777.78
Other current assets	1,920,776,647.02	3,156,374,029.15
Total current assets	25,161,227,242.97	24,360,158,525.14
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	14,116,277,031.67	13,882,263,332.22
Investment in other equity instruments		
Other non-current financial assets	311,959,342.04	324,174,379.63
Investment properties	319,374,073.80	319,279,203.56
Fixed assets	1,370,356,779.09	1,406,905,437.93
Construction in progress	195,596,927.19	127,864,253.80
Productive biological assets		
Oil and gas assets		
Right-of-use assets	199,204,552.73	259,635,687.65
Intangible assets	276,983,642.95	283,913,499.08
Including: Data resources		
Development expenses	22,488,583.70	14,452,474.57
Including: Data resources		
Goodwill		
Long-term deferred expenses	17,137,953.28	19,333,368.56

Deferred income tax assets	415,141,588.71	374,888,819.41
Other non-current assets	474,139,553.78	467,069,694.11
Total non-current assets	17,718,660,028.94	17,479,780,150.52
Total assets	42,879,887,271.91	41,839,938,675.66
Current liabilities:		
Short-term loans	248,155,931.32	19,002,863.01
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	3,734,040,440.23	3,247,231,002.57
Receipts in advance	2,008,625.40	368,860.80
Contractual liabilities	1,360,965,799.79	1,316,384,668.74
Payroll payable	672,286,505.42	742,388,264.48
Taxes and duties payable	202,578,430.89	53,940,771.05
Other payables	10,980,899,000.41	9,513,887,394.94
Including: Interest payable		
Dividends payable	86,490,742.04	86,490,742.04
Held-for-sales liabilities		
Non-current liabilities due within one year	16,345,705.75	17,766,112.27
Other current liabilities	1,088,480,198.01	86,664,716.45
Total current liabilities	18,305,760,637.22	14,997,634,654.31
Non-current liabilities:		
Long-term loans	1,100,000.00	1,100,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	190,885,020.32	247,778,172.74
Long-term payables	612,220,198.12	631,735,908.04
Long-term payroll payable		
Estimated liabilities		
Deferred income	166,165,129.66	147,405,764.87
Deferred income tax liabilities	34,442,391.21	48,751,418.36
Other non-current liabilities	1,931,554.36	1,931,554.36
Total non-current liabilities	1,006,744,293.67	1,078,702,818.37
Total liabilities	19,312,504,930.89	16,076,337,472.68
Owners' equity		
Share capital	1,784,262,603.00	1,796,862,549.00
Other equity instruments		
Including: Preferred shares		

Perpetual bonds		
Capital reserves	17,769,789,683.33	18,449,011,067.03
Less: Treasury stock		707,428,892.15
Other comprehensive income	-60,472,160.74	-54,646,721.46
Special reserves		
Surplus reserves	2,529,297,618.08	2,529,297,618.08
Undistributed profits	1,544,504,597.35	3,750,505,582.48
Total owners' equity	23,567,382,341.02	25,763,601,202.98
Total liabilities and owners' equity	42,879,887,271.91	41,839,938,675.66

3. Consolidated income statement

Unit: RMB

Item	1H 2024	1H 2023
I. Total operating revenue	20,455,286,287.52	20,309,372,850.07
Including: Operating revenue	20,455,286,287.52	20,309,372,850.07
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating cost	17,225,017,022.40	17,462,566,820.49
Including: Operating cost	14,462,809,950.85	14,713,232,267.40
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	119,551,819.49	108,372,830.01
Selling expenses	2,296,821,490.59	2,257,688,549.69
Administrative expenses	327,410,020.48	344,443,810.40
R&D expenses	148,043,019.34	144,819,933.66
Financial expenses	-129,619,278.35	-105,990,570.67
Including: Interest expenses	27,648,907.91	18,798,896.05
Interest income	162,711,635.16	114,776,796.46
Plus: Other income	47,920,871.74	42,177,454.66
Investment income (loss is indicated with "-")	477,498,314.49	421,542,165.56
Including: Income from investment in associates and joint ventures	506,633,970.31	447,048,881.55
Investment income from derecognition of financial assets at amortized cost		
Exchange gains (loss is indicated with "-")		
Net exposure hedging income (loss is indicated with "-")		

Income from changes in fair value (loss is indicated with “-”)	4,596,876.81	53,088,928.07
Credit impairment losses (loss is indicated with “-”)	-82,762,335.12	-74,680,582.29
Asset impairment losses (loss is indicated with “-”)	-3,578,594.53	19,008,334.90
Gains from asset disposal (loss is indicated with “-”)	-1,592,134.63	5,403,078.51
III. Operating profit (loss is indicated with “-”)	3,672,352,263.88	3,313,345,408.99
Plus: Non-operating revenue	4,431,701.71	2,002,724.29
Less: Non-operating expenses	4,755,624.76	12,068,474.23
IV. Total profit (total loss is indicated with “-”)	3,672,028,340.83	3,303,279,659.05
Less: Income tax expenses	482,065,489.87	477,020,837.61
V. Net profit (net loss is indicated with “-”)	3,189,962,850.96	2,826,258,821.44
(I) Classification by operation continuity		
1. Net profit from continuing operations (net loss is indicated with “-”)	3,189,962,850.96	2,826,258,821.44
2. Net profit from discontinued operations (net loss is indicated with “-”)		
(II) Classification by ownership		
1. Net profits attributable to the shareholders of the parent company (net loss to be listed with “-”)	3,188,829,903.10	2,828,011,615.30
2. Minority interests (net loss is indicated with “-”)	1,132,947.86	-1,752,793.86
VI. Other comprehensive income, net of tax	-8,020,440.18	-28,749,435.38
Other comprehensive income attributable to owners of parent company, net of tax	-8,367,865.60	-27,537,362.56
(I) Other comprehensive income that cannot be reclassified into profits or losses	2,004,091.79	-8,119,659.75
1. Changes arising from re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into profits or losses under the equity method	2,004,091.79	-8,119,659.75
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of the enterprise’s credit risk		
5. Others		
(II) Other comprehensive income that will be reclassified into profits or losses	-10,371,957.39	-19,417,702.81
1. Other comprehensive income that can be reclassified into profits or losses under the equity method	-7,829,531.07	-14,727,792.59
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	-2,542,426.32	-4,689,910.22
7. Others		
Other comprehensive income attributable to minority interests, net of tax	347,425.42	-1,212,072.82
VII. Total comprehensive income	3,181,942,410.78	2,797,509,386.06
Total comprehensive income attributable to owners of parent company	3,180,462,037.50	2,800,474,252.74

Total comprehensive income attributable to minority interests	1,480,373.28	-2,964,866.68
VIII. Earnings per share:		
(I) Basic earnings per share	1.79	1.58
(II) Diluted earnings per share	1.79	1.58

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	1H 2024	1H 2023
I. Operating revenue	4,525,654,675.76	4,070,676,103.03
Less: Operating costs	1,899,760,551.87	1,887,507,329.14
Tax and surcharge	55,183,550.08	44,672,855.31
Selling expenses	1,249,190,451.48	1,113,001,120.00
Administrative expenses	152,522,356.56	137,464,403.96
R&D expenses	81,085,974.45	87,188,305.63
Financial expenses	-141,417,510.19	-101,225,996.11
Including: Interest expenses	8,569,478.28	78,186.12
Interest income	150,808,813.01	102,169,525.79
Plus: Other income	13,409,933.24	26,946,820.33
Investment income (loss is indicated with "-")	479,391,856.82	446,784,505.53
Including: Income from investment in associates and joint ventures	497,138,562.64	438,812,247.13
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 "-")	-11,645,907.89	51,654,189.47
Credit impairment losses (loss is indicated with "-")	-2,037,055.26	-1,916,080.56
Asset impairment losses (loss is indicated with "-")	-5,605,130.40	-4,697,182.46
Gains from asset disposal (loss is indicated with "-")	-1,085,296.81	-75,147.74
II. Operating profit (loss is indicated with "-")	1,701,757,701.21	1,420,765,189.67
Plus: Non-operating revenue	705,167.42	705,000.94
Less: Non-operating expenses	3,214,775.99	5,805,874.24
III. Total profit (total loss is indicated with "-")	1,699,248,092.64	1,415,664,316.37
Less: income tax expenses	199,335,651.34	159,983,774.67
IV. Net profit (net loss is indicated with "-")	1,499,912,441.30	1,255,680,541.70
(I) Net profit from continuing operations (net loss is indicated with "-")	1,499,912,441.30	1,255,680,541.70
(II) Net profit from discontinued operations (net loss is indicated with "-")		
V. Other comprehensive income, net of tax	-5,825,439.28	-22,847,452.34
(I) Other comprehensive income that cannot be reclassified into profits or losses	2,004,091.79	-8,119,659.75

1. Changes arising from re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into profits or losses under the equity method	2,004,091.79	-8,119,659.75
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of the enterprise's credit risk		
5. Others		
(II) Other comprehensive income that will be reclassified into profits or losses	-7,829,531.07	-14,727,792.59
1. Other comprehensive income that can be reclassified into profits or losses under the equity method	-7,829,531.07	-14,727,792.59
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	1,494,087,002.02	1,232,833,089.36
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	1H 2024	1H 2023
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	22,091,374,463.95	20,702,033,007.45
Net increase in customer deposits and placements from financial institutions		
Net increase in borrowings from the central bank		
Net increase in placements from other financial institutions		
Cash received from premiums of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits of the insured and investment		
Cash received from interest, fees and commissions		
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	5,182,541.29	4,075,145.25
Other cash receipts related to operating activities	355,397,604.71	243,193,845.25
Subtotal of cash inflows from operating activities	22,451,954,609.95	20,949,301,997.95
Cash paid for goods purchased and services received	15,211,108,311.76	14,862,338,495.13

Net increase in loans and advances to customers		
Net increase in deposits with the central bank and other financial institutions		
Cash paid for claim settlements on original insurance contract		
Net increase in placements to banks and other financial institutions		
Cash paid for interest, fees and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	1,450,599,844.70	1,247,729,927.92
Payments of all types of taxes	1,217,056,511.47	1,315,371,659.24
Other cash paid relating to operating activities	1,311,572,550.03	1,271,910,545.56
Subtotal of cash outflows from operating activities	19,190,337,217.96	18,697,350,627.85
Net cash flows from operating activities	3,261,617,391.99	2,251,951,370.10
II. Cash flows from investment activities:		
Cash received from disposal of investments	3,145,988.51	968,704,891.05
Cash received from returns on investments	69,197,636.37	16,545,231.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	262,565.39	172,440.00
Net cash received from disposal of subsidiaries and other business units		
Other cash received relating to investment activities	3,807,040,500.00	363,000,000.00
Subtotal of cash inflows from investment activities	3,879,646,690.27	1,348,422,562.65
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	248,334,378.59	275,314,995.16
Cash paid for acquisition of investments	900,000,000.00	68,700,000.00
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid relating to investment activities	2,936,895,000.00	697,318,800.00
Subtotal of cash outflows from investment activities	4,085,229,378.59	1,041,333,795.16
Net cash flows from investment activities	-205,582,688.32	307,088,767.49
III. Cash flows from financing activities:		
Cash received from absorption of investments		
Including: Cash received from subsidiaries' absorbing minority shareholder investment		
Cash received from borrowings	1,486,779,951.02	592,248,791.91
Other cash received relating to financing activities	40,525,603.23	
Subtotal of cash inflows from financing activities	1,527,305,554.25	592,248,791.91
Cash payments for settlement of debts	869,283,674.87	917,334,047.33
Cash payments for distribution of dividends and profits or repayment of interest	3,731,518,655.97	2,741,240,399.43
Including: Dividends and profits paid to minority shareholders by subsidiaries	5,974,218.23	11,316,213.63
Other cash payments relating to financing activities	72,018,152.38	41,375,308.90

Subtotal of cash outflows from financing activities	4,672,820,483.22	3,699,949,755.66
Net cash flow from financing activities	-3,145,514,928.97	-3,107,700,963.75
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-48,577.76	5,239,164.08
V. Net increase in cash and cash equivalents	-89,528,803.06	-543,421,662.08
Plus: Opening balance of cash and cash equivalents	14,151,765,468.49	13,046,160,012.47
VI. Closing balance of cash and cash equivalents	14,062,236,665.43	12,502,738,350.39

6. Cash flow statement of parent company

Unit: RMB

Item	1H 2024	1H 2023
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	4,211,532,161.23	2,961,019,462.94
Receipts from tax refunds		
Other cash receipts related to operating activities	2,318,428,479.99	2,590,203,193.90
Subtotal of cash inflows from operating activities	6,529,960,641.22	5,551,222,656.84
Cash paid for goods purchased and services received	920,909,291.39	928,869,090.40
Cash paid to and on behalf of employees	671,012,577.79	528,333,366.43
Payments of all types of taxes	426,048,880.64	451,039,753.23
Other cash paid relating to operating activities	3,435,877,770.62	2,192,698,982.19
Subtotal of cash outflows from operating activities	5,453,848,520.44	4,100,941,192.25
Net cash flows from operating activities	1,076,112,120.78	1,450,281,464.59
II. Cash flows from investment activities:		
Cash received from disposal of investments	10,000,000.00	884,291,638.76
Cash received from returns on investments	69,186,661.37	9,639,488.08
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	214,762.78	
Net cash received from disposal of subsidiaries and other business units		
Other cash received relating to investment activities	3,806,540,500.00	160,000,000.00
Subtotal of cash inflows from investment activities	3,885,941,924.15	1,053,931,126.84
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	113,441,479.45	87,181,750.91
Cash paid for acquisition of investments	900,000,000.00	100,000,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid relating to investment activities	2,936,395,000.00	696,518,800.00
Subtotal of cash outflows from investment activities	3,949,836,479.45	883,700,550.91
Net cash flows from investment activities	-63,894,555.30	170,230,575.93
III. Cash flows from financing activities:		
Cash received from absorption of investments		
Cash received from borrowings	1,247,553,068.31	19,000,000.00
Other cash received relating to financing activities	40,525,603.23	
Subtotal of cash inflows from financing activities	1,288,078,671.54	19,000,000.00
Cash payments for settlement of debts	19,000,000.00	

Cash payments for distribution of dividends and profit or repayment of interest	3,707,251,340.14	2,712,079,156.56
Other cash payments relating to financing activities	31,287,137.53	2,219,511.75
Subtotal of cash outflows from financing activities	3,757,538,477.67	2,714,298,668.31
Net cash flow from financing activities	-2,469,459,806.13	-2,695,298,668.31
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-108,231.17	-628,796.56
V. Net increase in cash and cash equivalents	-1,457,350,471.82	-1,075,415,424.35
Plus: Opening balance of cash and cash equivalents	11,541,299,802.72	10,750,790,137.56
VI. Closing balance of cash and cash equivalents	10,083,949,330.90	9,675,374,713.21

7. Consolidated statement of changes in owners' equity

Amount for the current period

Unit: RMB

Item	IH 2024													Minority interests	Total owners' equity
	Owners' equity attributable to parent company											Subtotal			
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Provision for general risk	Undistributed profits		Others		
	Preferred shares	Perpetual bonds	Others												
I. Closing balance of the previous year	1,796,862,549.00				18,246,619,742.09	707,428,892.15	-89,538,172.13		2,530,458,968.58		18,102,147,836.12		39,879,122,031.51	26,238,350.71	39,905,360,382.22
Plus: Changes in accounting policies															
Correction of errors in the prior period															
Others															
II. Opening balance of the current period	1,796,862,549.00				18,246,619,742.09	707,428,892.15	-89,538,172.13		2,530,458,968.58		18,102,147,836.12		39,879,122,031.51	26,238,350.71	39,905,360,382.22
III. Increase/decrease for the period (decrease is indicated with "-")	-12,599,946.00				-679,221,383.70	-707,428,892.15	-8,367,865.60				-517,083,523.33		-509,843,826.48	-5,348,775.19	-515,192,601.67
(I) Total comprehensive income							-8,367,865.60				3,188,829,903.10		3,180,462,037.50	1,480,373.28	3,181,942,410.78
(II) Contribution and withdrawal of capital by owners	-12,599,946.00				-694,828,946.15	-707,428,892.15									

1. Ordinary shares invested by owners															
2. Capital invested by holders of other equity instruments															
3. Amount of share payment credited to owners' equity															
4. Others	-12,599,946.00				-694,828,946.15	-707,428,892.15									
(III) Profit distribution											-3,705,913,426.43	-3,705,913,426.43	-6,829,148.47	-3,712,742,574.90	
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)											-3,705,913,426.43	-3,705,913,426.43	-6,829,148.47	-3,712,742,574.90	
4. Others															
(IV) Internal carry-over of owner's equity															
1. Transfer of capital reserves to capital (or share capital)															
2. Transfer of surplus reserves to capital (or share capital)															

3. Covering loss with surplus reserves															
4. Change of defined benefit plan carried forward to retained earnings															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserves															
1. Provision for the period															
2. Utilization for the period															
(VI) Others					15,607,562.45								15,607,562.45		15,607,562.45
IV. Closing balance for the period	1,784,262,603.00				17,567,398,358.39		-97,906,037.73		2,530,458,968.58		17,585,064,312.79		39,369,278,205.03	20,889,575.52	39,390,167,780.55

Amount for the previous year

Unit: RMB

Item	1H 2023													Minority interests	Total owners' equity
	Owners' equity attributable to parent company														
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Provision for general risk	Undistributed profits	Others	Subtotal		
Preferred shares		Perpetual bonds	Others												
I. Closing balance of the previous year	1,796,862,549.00				18,231,423,838.72	707,428,892.15	-68,087,650.95		2,530,458,968.58		16,720,444,918.66		38,503,673,731.86	23,323,529.93	38,526,997,261.79

Plus: Changes in accounting policies															
Correction of errors in the prior period															
Others															
II. Opening balance of the current year	1,796,862,549.00			18,231,423,838.72	707,428,892.15	-68,087,650.95		2,530,458,968.58		16,720,444,918.66		38,503,673,731.86		23,323,529.93	38,526,997,261.79
III. Increase/decrease for the period (decrease is indicated with "-")				5,841,351.14		-27,537,362.56				115,932,458.74		94,236,447.32		-24,799,290.64	69,437,156.68
(I) Total comprehensive income						-27,537,362.56				2,828,011,615.30		2,800,474,252.74		-2,964,866.68	2,797,509,386.06
(II) Contribution and withdrawal of capital by owners														-4,900,000.00	-4,900,000.00
1. Ordinary shares invested by owners														-4,900,000.00	-4,900,000.00
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		-16,934,423.96	-2,729,013,580.52

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	-16,934,423.96	-2,729,013,580.52
4. Others															
(IV) Internal carry-over of owners' equity															
1. Transfer of capital reserve to capital (or share capital)															
2. Transfer of surplus reserves to capital (or share capital)															
3. Covering loss with surplus reserves															
4. Change of defined benefit plan carried forward to retained earning															
5. Other comprehensive income carried forward to retained earnings															
6. Others															

(V) Special reserves															
1. Provision for the period															
2. Utilization for the period															
(VI) Others					5,841,351.14								5,841,351.14		5,841,351.14
IV. Closing balance for the period	1,796,862,549.00				18,237,265,189.86	707,428,892.15	-95,625,013.51		2,530,458,968.58		16,836,377,377.40		38,597,910,179.18	-1,475,760.71	38,596,434,418.47

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

Amount for the current period

Unit: RMB

Item	1H 2024											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
I. Closing balance of the previous year	1,796,862,549.00				18,449,011,067.03	707,428,892.15	-54,646,721.46		2,529,297,618.08	3,750,505,582.48		25,763,601,202.98
Plus: Changes in accounting policies												
Correction of errors in the prior period												
Others												
II. Opening balance of the current year	1,796,862,549.00				18,449,011,067.03	707,428,892.15	-54,646,721.46		2,529,297,618.08	3,750,505,582.48		25,763,601,202.98
III. Increase/decrease for the period (decrease is indicated with "-")	-12,599,946.00				-679,221,383.70	-707,428,892.15	-5,825,439.28			-2,206,000,985.13		-2,196,218,861.96
(I) Total comprehensive income							-5,825,439.28			1,499,912,441.30		1,494,087,002.02
(II) Contribution and withdrawal of capital by owners	-12,599,946.00				-694,828,946.15	-707,428,892.15						
1. Ordinary shares invested by owners												

2. Capital invested by holders of other equity instruments												
3. Amount of share payment credited to owners' equity												
4. Others	-12,599,946.00				-694,828,946.15	-707,428,892.15						
(III) Profit distribution										-3,705,913,426.43		-3,705,913,426.43
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)										-3,705,913,426.43		-3,705,913,426.43
3. Others												
(IV) Internal carry-over of owners' equity												
1. Transfer of capital reserves to capital (or share capital)												
2. Transfer of surplus reserves to capital (or share capital)												
3. Covering loss with surplus reserves												
4. Change of defined benefit plan carried forward to retained earning												

5. Other comprehensive income carried forward to retained earnings												
6. Others												
(V) Special reserves												
1. Provision for the period												
2. Utilization for the period												
(VI) Others					15,607,562.45							15,607,562.45
IV. Closing balance for the period	1,784,262,603.00				17,769,789,683.33		-60,472,160.74		2,529,297,618.08	1,544,504,597.35		23,567,382,341.02

Amount for the previous year

Unit: RMB

Item	1H 2023											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
I. Closing balance of the previous year	1,796,862,549.00				18,430,166,434.80	707,428,892.15	-32,221,472.36		2,529,297,618.08	5,050,873,408.22		27,067,549,645.59
Plus: Changes in accounting policies												
Correction of errors in the prior period												
Others												
II. Opening balance of the current year	1,796,862,549.00				18,430,166,434.80	707,428,892.15	-32,221,472.36		2,529,297,618.08	5,050,873,408.22		27,067,549,645.59

3. Covering loss with surplus reserves												
4. Change of defined benefit plan carried forward to retained earning												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(V) Special reserves												
1. Provision for the period												
2. Utilization for the period												
(VI) Others					5,841,351.14							5,841,351.14
IV. Closing balance for the period	1,796,862,549.00				18,436,007,785.94	707,428,892.15	-55,068,924.70		2,529,297,618.08	3,594,474,793.36		25,594,144,929.53

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 SZSE, 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 SZSE. Upon completion of this transaction, SASAC of Yunnan Province and New Huadu with its acting-in-concert parties, were equally the largest shareholder of the Company, and neither of them obtained control over the Company.

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

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

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

On April 23, 2024, the Company disclosed the *Announcement on Cancellation of Repurchased Shares and Change in Shareholding* (Announcement No.: 2024-21). On April 19, 2024, the Company completed the cancellation of the above 12,599,946 repurchased shares with the Shenzhen Branch of China Securities Depository

and Clearing Corporation. The Company has 1,784,262,603.00 shares in total after this cancellation. This cancellation will not have a substantial impact on the Company's financial position and operational results.

As of June 30, 2024, the Company's share capital is 1,784,262,603 shares, with no treasury shares. 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.

3. Business nature and principal businesses of the Company

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

4. These financial statements were approved for reporting by a resolution of the Board of Directors of the Company dated August 26, 2024.

As of June 30, 2024, 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 2 new entities included in its consolidated financial statements compared to the end of the previous year, while 1 entity was excluded. For details, please refer to Note IX "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), 40 specific accounting standards, Guidelines for the Application of Accounting Standards for Business Enterprises, interpretations of Accounting Standards for Business Enterprises and other relevant provisions promulgated and revised on and after February 15, 2006 (collectively "Accounting Standards for Business Enterprises" or "ASBEs"), as well the disclosure provisions of the *Rules Governing the Disclosure of Information by Companies Issuing Public Securities No. 15 — General Provisions for Financial Reporting (Revised in 2023)* issued by CSRC.

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

2. Going concern basis

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

V. Significant Accounting Policies and Accounting Estimates

Notes on significant accounting policies and accounting estimates:

Based on the actual production and operation characteristics and in accordance with the provisions of relevant accounting standards for enterprises, the Group has formulated a number of specific accounting policies and accounting estimates for transactions and matters such as revenue recognition and R&D expenses. For details, see the descriptions under Section 31 “Revenue” under this Note V. For the description of significant accounting judgments and estimates made by the management, please refer to Section 36 “Other Significant Accounting Policies and Accounting Estimates” under Note V.

1. Statement of compliance with the ASBEs

The financial statements prepared by the Company are in compliance with the requirements of the Accounting Standards for Business Enterprises (ASBEs), and have reflected truly and completely such relevant information as the financial positions of the Company and the Group as of June 30, 2024 as well as the business results and cash flows of the Company and the Group for 1H 2024. In addition, the financial statements of the Company and the Group also comply with the disclosure requirements of the *Rules Governing the Disclosure of Information by Companies Issuing Public Securities No. 15 — General Provisions on Financial Reporting* as amended by the 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
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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 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 “Accounting treatment for business combination under common control and not under common control” under this Note V). Where the business combination is treated as “a bundle of transactions,” the business combination shall be accounted for in accordance with the previous paragraphs and Section 17 “Long-term equity investments” of this Note V; where the business combination does not fall within “a bundle of transactions,” the business combination in the Company’s and the consolidated financial statements shall be accounted for as follows:

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

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

7. Judgement criteria of control and preparation of consolidated financial statements

(1) Judgement criteria of control

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. Among these, if the Group has current rights that enable it to direct the relevant activities of the investee, regardless of whether the Group

actually exercises those rights, it is considered that the Group has power over the investee. If the returns the Group receives from the investee are subject to variations based on the investee's performance, it is considered that the Group has variable returns. If the Group exercises decision-making authority as the main responsible party, it is considered that the Group has the ability to use its power over the investee to influence the amount of 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.

The Group assesses whether it controls the investee based on a comprehensive consideration of all relevant facts and circumstances. These relevant facts and circumstances include: the purpose of establishing the investee; the investee's relevant activities and how decisions about these activities are made; whether the rights held by the Group enable it to currently direct the relevant activities of the investee; whether the Group has variable returns from participating in the investee's relevant activities; whether the Group can influence the amount of returns from its power over the investee; and the relationships between the Group and other parties. Once any change in the facts and circumstances arises which leads to a change in the elements involved in the definition of control, the Group will conduct an assessment.

(2) Preparation of consolidated financial statements

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

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

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

The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to the Company are recognized as minority interests and profits and losses attributable to minority interests respectively, which are presented under shareholders' equity and net profit separately, in the consolidated financial statement. A subsidiary's net current profits and losses attributable to minority interests is recognized as

share of profits or losses of minority interests under net profit in the consolidated income statement. When the amount of a subsidiary's loss attributable to the minority shareholders exceeds the minority shareholders' share of the opening balance of shareholders' equity of the subsidiary, the excess is deducted from the minority interests.

In event of loss of control over a former subsidiary due to disposal of certain equity investments or other reasons, any retained equity is re-measured at its fair value on the date when the control is lost. The surplus of the aggregate considerations received upon disposal of equity plus the fair value of any retained equity less the share of net assets in the former subsidiary calculated cumulatively from the acquisition date based on the original shareholding percentage is included in the investment income for the period where the control is lost. Other comprehensive income related to the equity investment in the former subsidiary shall be accounted for on the same basis at the time of loss of control as the subsidiary directly disposed of the related asset or liability. Then, the remaining equity shall be measured subsequently in accordance with the *Accounting Standards for Business Enterprises No. 2 — Long-term Equity Investments* or *Accounting Standards for Business Enterprises No. 22 — The Recognition and Measurement of Financial Instruments* and other regulations. For details, please see Section 17 “Long-term equity investments” or Section 11 “Financial instruments” under this Note V.

For disposal of the Group's equity investments in a subsidiary in phases through multiple transactions until loss of control, it is determined based on whether such transactions should be regarded as a bundle of transactions. If the terms, conditions and economic effects of all transactions are conducted for the purpose of disposing of the equity investments in a subsidiary and meet the following one or more criteria, it is usually shown that such multiple transactions are deemed as a bundle of transactions for accounting treatment: ① These transactions were entered into at the same time or upon the consideration of the effects therebetween; ② These transactions can only generate one complete business result when conducted all together; ③ The occurrence of one transaction depends on the occurrence of at least one other transaction; and ④ One transaction alone is not economical, but is economical when considered with other transactions. When the transactions do not constitute a bundle of transactions, each transaction thereof shall be accounted in accordance with principles applicable to the “disposal of part of long-term equity investments in a subsidiary that does not result in the loss of control” (please see Item (2) ④ of Section 17 “Long-term equity investments” under this Note V for details) and “loss of control over a former subsidiary due to disposal of certain equity investments or other reasons” (please see the preceding paragraph for details). If such transactions fall under a bundle of transactions, those transactions are accounted for as one deal under which the subsidiary is disposed of and control is lost. However, before the control over the subsidiary is lost, the surplus between consideration received for each disposal and the value of corresponding share of net assets in the subsidiary entitled by the investment underlying the disposal shall be recognized as other comprehensive income in the consolidated financial statements, and, when control is lost, converted into investment income or loss for the period in which control is lost.

8. Classification of joint venture arrangements and accounting treatment method for joint operations

Joint venture arrangement means an arrangement under the common control of two or more parties. The Group classifies the joint venture arrangement into joint operations and joint ventures based on the rights and obligations it enjoys and assumes in the joint venture arrangement. Joint operation means a joint venture arrangement in which

the Group owns the assets and assumes the liabilities associated with the arrangement. Joint venture means a joint venture arrangement in which the Group only has rights to the net assets of the arrangement.

The Group's investments in joint ventures are accounted for using the equity method and are treated in accordance with the accounting policies described in Item (2) ② "Long-term equity investments accounted for using the equity method" in Section 17 "Long-term equity investments" under this Note V.

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

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

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), 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

Method for determining exchange rates for 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) Method for translating foreign currency monetary items on the balance sheet date and the treatment of exchange rate profits and losses

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

shall be recorded into current profits and losses, provided that exchange differences resulting from changes in other book balances other than amortized costs (including impairment) shall be recorded in other comprehensive income.

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

(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 below in the shareholders' equity item in the balance sheet, shall be transferred to the profits or losses of the disposal of the current period in full or in proportion to the disposal of the overseas operation.

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

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

Upon the disposal of all the owners' equity of the Group's overseas operations or the loss of control over overseas operations due to the disposal of part of the equity investment or other reasons, the translation difference of the foreign currency statement related to the owners' equity of the overseas operations attributable to the parent company, as shown below in the shareholders' equity item in the balance sheet, shall be fully transferred to the profits or losses of the disposal period.

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

related to the overseas operation shall be transferred to the profits or losses of the disposal period in full or in proportion to the disposal of the overseas operation.

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

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 and measurement of financial assets

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

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

① Financial assets at amortized cost

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

② Financial assets at fair value through other comprehensive income

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

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

③ Financial assets at fair value through profits or losses

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

(2) Classification and measurement of financial liabilities

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

① Financial liabilities at fair value through profits or losses

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

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

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

② Other financial liabilities

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

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

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

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

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

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

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

(4) Derecognition of financial liabilities

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

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

(5) Offsetting of financial assets and financial liabilities

When the Group has the legal rights to offset the financial assets and financial liabilities whose amounts have been recognized, the legal rights are currently exercisable, and the Group plans to settle with net amount or realize the financial asset and repay the financial liability simultaneously, the financial assets and financial liabilities can

be presented in the balance sheet with the net amount after they are mutually offset. Apart from this, financial assets and financial liabilities shall be presented separately in the balance sheet and not be offset against each other.

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

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

(7) Equity instruments

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

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

(8) Impairment of financial assets

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

① Recognition of provision for impairment losses

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

Credit losses represent the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Group, discounted at the original effective interest rate, i.e., the present

value of all cash shortfalls. Financial assets purchased or originated by the Group that are credit impaired shall be discounted at the credit-adjusted effective interest rate of the financial assets.

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

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

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

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

③ The portfolio-based approach to assessing expected credit risk

The Group assesses credit risk individually for financial assets with significantly different credit risks, such as receivables from related parties; receivables that are in dispute with other parties or involved in litigation or arbitration; or where there are clear indications that the debtor is likely to be unable to meet its repayment obligations.

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

④ Accounting treatment of impairment of financial assets

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

⑤ Determination of credit loss of various financial assets

a. Notes receivable

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

Item	Basis for determining the portfolio
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Banker's acceptance bill, domestic letter of credit	Banks with less credit risk in relation to acceptors and negotiation acts
Commercial acceptance bill	Divided according to the acceptor's credit risk

b. Accounts receivable

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

For the accounts receivable 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.

Aging calculation method for determining credit risk characteristics: The Group calculates the aging of receivables based on the principle of "first in, first out."

Impairment provision recognition criteria for individual receivables: The Group performs separate impairment tests for receivables with significantly different credit risk characteristics, such as significant deterioration in the debtor's credit standing, low probability of future repayment, and credit impairment 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.

Aging calculation method for determining credit risk characteristics: The Group calculates the aging of receivables based on the principle of "first in, first out."

Impairment provision recognition criteria for individual receivables: The Group performs separate impairment tests for receivables with significantly different credit risk characteristics, such as significant deterioration in the debtor's credit standing, low probability of future repayment, and credit impairment 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.

Aging calculation method for determining credit risk characteristics: The Group calculates the aging of receivables based on the principle of “first in, first out.”

Impairment provision recognition criteria for individual receivables: The Group performs separate impairment tests for receivables with significantly different credit risk characteristics, such as significant deterioration in the debtor’s credit standing, low probability of future repayment, and credit impairment occurred.

12. Notes receivable

Please refer to “11. Financial instruments.”

13. Accounts receivable

Please refer to “11. Financial instruments.”

14. Accounts receivable financing

Notes and accounts receivable at fair value through other comprehensive income are presented as accounts receivable financing if their maturities are within one year (including one year) from the initial recognition date. The Notes and accounts receivable with the maturity of more than 1 year since the initial recognition date are presented as other debt investments. For the relevant accounting policies, please refer to “11. Financial instruments” under this Note.

15. Other receivables

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

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

16. Inventories

(1) Categories of inventories

Inventories mainly include raw materials, packaging and low-value consumable goods, products in process, goods in stock, consumable biological assets, development costs, development products, etc. Contract fulfillment costs with an amortization period not exceeding one year or one operating cycle are also reported as inventory.

(2) Pricing of inventories

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

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

The net realizable value of inventories refers to the selling price deducted by estimated costs until they are made into finished goods, estimated selling expense and relevant taxes in daily activities. The determination of the

net realizable value of inventories is based on conclusive evidence obtained, taking into account the purpose for which the inventories are held and the effect of events after the balance sheet date.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value, and provision for their impairment shall be made when the net realizable value is below the cost of inventories. Provision for inventory impairment is made on the basis of the difference whereby the cost of one single inventory item exceeds its net realizable value.

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

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

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

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

17. Long-term equity investments

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

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

(1) Determination of investment cost

For long-term equity investments acquired relating to business combination under common control, the initial investment cost is determined on the date of consolidation according to the percentage of shareholders’ equity/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. 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/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. With the sum of par values of shares being issued as the share capital, the difference between the said initial investment cost and the sum of par values of shares being issued shall be adjusted against the capital reserve; or, in case of insufficient capital reserve to cover the difference, against the retained earnings accordingly.

Where a business combination under common control is achieved by acquiring the equity of a combined party under common control in phases through multiple transactions, following policies shall apply depending on whether those transactions are “a bundle of transactions”: if so, the Company shall account for all transactions together as the one deal to obtain the control; if not, the initial investment cost of the long-term equity investments shall be determined on the date of consolidation according to the percentage of shareholders’ equity/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 (if applicable) the amount of actual cash paid by the Group, the fair value of the equity securities issued by the Group, the conventional value stipulated in the investment contract or agreement, the fair value or original book value of the assets surrendered in the non-monetary assets swap transaction, the fair value of the long-term equity investments itself, and etc. The expenses, taxes and other necessary expenses directly related to the acquisition of the long-term equity investments are also included in the investment cost. For additional long-term equity investments that entitles the Company with significant influence or common control but not control over the investee, its cost of investment is the sum of fair value of equity investments that have been held plus new cost of investment pursuant to the *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instrument*.

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

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

① Long-term equity investment accounted for with cost method

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

② Long-term equity investment accounted for with equity method

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

When a long-term equity investment is accounted for with equity method, the investment income and other comprehensive income arising therefrom are recognized in accordance with the proportion of net profits or losses and other comprehensive income of the investee attributable to the investor, and the book value of long-term equity investments is adjusted accordingly; if any profit or cash dividend is declared by the investee, the book value of long-term equity investments shall be reduced according to the part of profit or dividends attributable to the investor; if there is any other changes in shareholders' equity other than net profits or losses, other comprehensive income and profit distribution, such change shall be adjusted against the book value of long-term equity investments and recognized in the capital reserve. The Group recognizes its share of the investee's net profits or losses based on fair value of the investee's identifiable assets at the time of acquisition, after making appropriate adjustments thereto. In case of any inconsistency between the accounting policies and accounting periods adopted by the investee and by the Group, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Group, and the gain on investment and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets invested or disposed of are not part of the business, the share of unrealized profits or losses arising from inter-group transactions shall be offset by the portion attributable to the Group, and the profits or losses on investment shall be recognized accordingly. However, any unrealized loss arising from inter-group transactions between the Group and an investee is not offset to the extent that the loss is impairment loss of the assets transferred. Where the Group invests to its joint ventures or associates an asset forming part of a business, giving rise to the acquisition of a long-term equity investment by the investor without obtaining control, the initial investment cost of the additional long-term equity investments shall be recognized at fair value of the business invested. The difference between initial investment cost and book value of the business invested will be fully included in current profits and losses. Where the Group disposes of an asset forming part of a business to its associates or joint ventures, the difference between the consideration received and the book value of the business shall be fully included in current profits and losses. Where the Group acquires from its associates or joint ventures an asset forming part of a business,

the profits or losses related to the transaction shall be accounted for and recognized in accordance with the *Accounting Standards for Business Enterprises No. 20 — Business Combination*.

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

③ Acquisition of minority interests

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

④ Disposal of long-term equity investments

In the consolidated financial statements, if the parent disposes part of the long-term equity investment in the subsidiary without losing its control, the difference between the disposal price and the Company's share in the net assets of the subsidiary attributable to the disposal of the long-term equity investment is recognized in the shareholders' equity; if the parent disposes part of the long-term equity investment in the subsidiary resulting in the loss of its control over the subsidiary, the accounting treatment shall be in accordance with the policies as set out in Item (2) of Section 6 "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 or losses, other comprehensive income and profit distribution shall be transferred to current profits and losses on pro rata basis.

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

In preparing separate financial statements, if control is lost over the investee upon partial disposal of equity investment, the remaining equity with common control or an ability to impose a significant influence over the

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

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

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

18. Investment properties

Measurement models of investment property

Cost model measurement

Depreciation or amortization method

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

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

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

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

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

When the use of an investment property changes to self-use, the investment property is converted to a fixed asset or an intangible asset from the date of the change. When the use of a self-use property is changed to earn rentals or for capital appreciation, the fixed assets or intangible assets are converted to investment properties from the date of change. When conversion occurs, the book value before conversion is used as the entry value after conversion for investment properties measured using the cost model, and the fair value at the date of conversion is used as the entry value after conversion for investment properties measured using the fair value model.

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 (%)
House and building for production	Straight-line method	39	5	2.44
Production machine and equipment	Straight-line method	10	5	9.5
Transportation equipment	Straight-line method	10	5	9.5
Electronic device and management tools	Straight-line method	5	5	19
Non-production machine and equipment	Straight-line method	10	5	9.5

House and building for non-production purpose	Straight-line method	45	5	2.11
Others	Straight-line method	5	5	19

Expected net residual value refers to the amount the Group obtains from the disposal of an asset, less estimated disposal costs, assuming that the asset has reached the end of its useful life and is in its expected condition at that time.

(3) Methods for impairment testing and recognizing impairment provisions for fixed assets

The methods for impairment testing and recognizing impairment provisions for fixed assets are detailed in Section 25 “Impairment of long-term assets” under Note V.

(4) Additional notes

Subsequent expenditures related to fixed assets should be included in the cost of the fixed asset if they may generate future economic benefits and their cost can be reliably measured. The book value of any replaced part should be derecognized. Subsequent expenditures other than these are recognized in profits or losses when incurred.

When a fixed asset is held for disposal or is not expected to generate future economic benefits through use or disposal, it should be derecognized. The difference between the proceeds from the sale, transfer, scrapping, or destruction of the fixed asset and its book value, less related taxes, should be recognized in profits or losses for the period.

The Group reviews the useful life, expected net residual value, and depreciation method of fixed assets at least annually. Any changes 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, and borrowing costs to be capitalized before the project is ready for its intended use and other related costs.

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

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

21. Borrowing costs

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

The actual interest cost incurred in the period of specific-purpose borrowing (net of any interest income from the borrowed funds not used and deposited in bank or any investment income from the temporary investment of those funds) shall be capitalized; the amount of interest of general-purpose borrowings to be capitalized is

determined by multiplying the weighted average of the amounts of cumulative expenses on the asset over and above the amounts of specific-purpose borrowings by the capitalization rate of the corresponding general-purpose borrowings. Capitalization rate is calculated and determined based on the weighted average rate of general-purpose borrowings.

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

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

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

22. Biological assets

(1) Consumptive biological assets

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

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

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

(2) Productive biological assets

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

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

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

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

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

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

23. Oil and gas assets

Not applicable

24. Intangible assets

(1) Useful life and the basis for its determination, estimation, amortization method or review procedures

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

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

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

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

During the end of the period, the Company shall check the useful life and the amortization method of intangible assets with limited useful life and carry out accounting estimate change in case that a change happens. In addition,

the Company shall check the useful life of intangible assets with indefinite useful life, if there are evidences showing that the intangible assets can bring economic benefit for the Company within the foreseeable period, the Company shall estimate the useful life and carry out amortization according to the amortization policy for intangible assets with finite useful life.

The Group's intangible assets include land use rights, software, franchise rights, patented technologies, non-patented technologies and trademarks, etc.; the amortization periods and status of major intangible assets are as follows:

① Land use rights are amortized on an average annual basis over the remaining useful lives of 30 to 50 years as stated in the land use rights certificates. If it is difficult to reasonably allocate the price of purchased land and buildings between land use rights and buildings, all of them are recognized as fixed assets.

② Software, patented technologies, and non-patented technologies are amortized equally over 10 years based on their estimated useful lives.

③ Franchise rights are amortized evenly over 30 years based on their estimated useful lives.

(2) Scope of R&D expenditures and the related accounting treatment

The scope of the Company's R&D expenditures is mainly formulated based on the Company's R&D projects, and mainly includes employee salaries for R&D staff, direct input expenses, 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 used if the intangible asset is to be used internally;

④ There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets;

⑤ The expense attributable to the intangible asset at its development phase can be reliably measured.

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

Specific criteria for classifying internal R&D projects into research stage and development stage: The corresponding projects of the Group enter the development stage and start to be capitalized after meeting the above conditions and undergoing evaluation and project establishment.

(3) Impairment testing methods and provision for impairment of intangible assets

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

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 reached their useful lives are tested annually for impairment regardless of whether there is an indication of impairment.

If the impairment test results show that the recoverable amount of an asset is lower than its carrying value, the impairment provision shall be made and the impairment loss shall be recorded according to the difference. The recoverable amount is the higher between the net value of the fair value of the asset less the disposal expense and the present value of the estimated future cash flow of the asset. The fair value of the asset is determined based on the sales agreement price in fair transactions. Where there is no sales agreement but there is an active market for the asset, the fair value shall be determined according to the buyer's bid for the asset. Where there is neither sales agreement nor active market for the asset, the fair value of the asset is estimated based on the best information available. Disposal costs include legal costs associated with the disposal of the asset, related taxes, removal costs and direct costs incurred to bring the asset to marketable status. The present value of the expected future cash flow of the asset shall be determined according to the discounted amount of the expected future cash flow generated by the asset in the process of continuous use and final disposal, which is converted according to the appropriate discount rate. The asset impairment provision is calculated and recognized on a single asset basis. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group to which the asset belongs shall be determined. An asset group is the smallest portfolio of assets that can independently generate cash inflows.

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

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

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 amortized expenses are mainly for house improvement and project renovation. Long-term amortized expenses are amortized on a straight-line basis over the expected 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. Post-employment benefit plans include defined contribution plans and defined benefit plans. 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 an equity instrument granted cannot be reliably measured, it is measured by the intrinsic value of the equity instrument at the date of service acquisition, at each subsequent balance sheet date and at the settlement date, with changes in intrinsic value recognized in profits or losses for the period.

② Cash-settled share-based payments

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

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

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

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

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

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

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

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

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

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

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

31. Revenue

Accounting policies for revenue recognition and measurement disclosed by business types

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

On the commencement date of the contract, the Group identifies the individual performance obligations existing in the contract and allocates the transaction price to each individual performance obligation in proportion to the individual selling price of the goods promised by each individual performance obligation. Factors such as

variable consideration, significant financing elements in the contract, non-cash consideration, and consideration payable to customers are considered in determining the transaction price.

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

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

Principles for specific revenue recognition:

(1) Domestic sales

Under sales contracts or orders with customers, where it is contractually agreed that the transfer of control occurs when the relevant products are delivered to the customer's designated location and confirmed by the customer's signature and acceptance, revenue is recognized when the relevant products are delivered to the customer's designated location and confirmed by the customer's signature and acceptance.

Under sales contracts or orders with customers, where it is contractually agreed that the transfer of control occurs when the relevant products are delivered to the customer's designated location and inspected and completed by the customer in accordance with the relevant standards, revenue is recognized when the relevant products are delivered to the customer's designated location and inspected and completed by the customer in accordance with the relevant standards.

Revenue is recognized when hotel rooms and food and beverage services have been provided and the right to receive service charges has been acquired.

(2) Overseas sales

Revenue is recognized when the related products are shipped out of the warehouse and undergo customs clearance procedures for export, if the transfer of control occurs under the sales contract or order signed with the customer and the contract stipulates that the related products will be shipped out of the warehouse and undergo customs clearance procedures for export.

Where different operating models for the same type of business involve different revenue recognition and measurement methods: Not applicable.

32. Contract cost

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

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

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

When the book value of an asset related to contract costs is greater than the difference between: (i) the remaining consideration expected to be received for the transfer of goods related to the asset; and (ii) the estimated costs to be incurred for the transfer of the related goods, an allowance for impairment is provided and an asset impairment loss is recognized. When there is a subsequent change in the factors that impaired the asset in a previous period, such that the difference between (i) and (ii) is greater than the book value of the asset, the reversal of the provision for impairment shall be recognized in current profits and losses, provided that the book value of the asset after the reversal shall not exceed the book value that would have been determined as of the date of the reversal if no provision for impairment had been made.

33. Government subsidy

Government subsidy refers to the monetary assets and non-monetary assets that the Group obtains from the government free of charge, excluding the capital invested by the government as an investor with the corresponding owners' equity. Government subsidies are divided into asset-related government subsidies and income-related government subsidies. The Group defines government subsidies obtained for the acquisition or otherwise formation of long-term assets as asset-related government subsidies. Other government subsidies are defined as income-related government subsidies. If the government document does not specify the recipients of the subsidies, the subsidies divided into asset-related government subsidies and income-related government subsidies in the following way: (1) If the government documents specify the specific project for which the subsidy is targeted, the division shall be made according to the relative proportion of the disbursement amount forming assets and the disbursement amount included in the expenses in the budget of the specific project, and the division proportion shall be reviewed on each balance sheet date and changed if necessary; (2) Where the government document only has a general description of

the purpose and no specific project is specified, it shall be regarded as an income-related government subsidy. For a government subsidy in the form of transfer of monetary assets, the subsidy is measured at the amount received or receivable. For a government subsidy in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value cannot be reliably determinable, the subsidy is measured at nominal amount. Government subsidies measured at nominal amounts are directly included in current profits and losses.

The Group usually recognizes and measures government subsidies in accordance with the amount actually received when they are actually received. However, government subsidies are recognized at the amount receivable if there is evidence that the Group can meet the relevant conditions specified in the financial support policy at the end of the period and the Group is expected to receive the financial support funds. Government subsidies measured at the amounts receivable shall also meet the following conditions: (1) The amount of the receivable subsidies has been confirmed by the competent government department, or can be reasonably calculated according to the relevant provisions of the officially issued measures for the management of financial funds, and there is no significant uncertainty in the estimated amount; (2) It is based on the financial support projects and financial fund management measures officially issued by the local financial department and actively disclosed in accordance with the provisions of the *Regulations on the Disclosure of Government Information*, and the management measures should be inclusive (that is, any enterprise that meets the prescribed conditions can apply), rather than specifically formulated for specific enterprises; (3) The relevant grant approval has clearly promised the disbursement period, and the disbursement of the amount is guaranteed by the corresponding financial budget, so it can be reasonably guaranteed that it can be received within the specified period; (4) Other relevant conditions (if any), to be fulfilled according to the specific circumstances of the Group and the subsidy.

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

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

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

In case a recognized government subsidy is required to be returned, if there is a deferred income balance, the book balance of the deferred income is reduced and the excess is recognized in the current profits and losses or (in the case of government subsidies related to assets whose book value is reduced by the initial recognition of the related asset) the book value of the asset is adjusted. 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 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

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

(1) Accounting for leases as lessee

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

① Initial measurement

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

② Subsequent measurement

The Group shall depreciate the right of use assets in accordance with the relevant depreciation provisions of *Accounting Standard for Business Enterprises No. 4 — Fixed Assets* (see Section 24 "Fixed assets" under Note V for details). If the ownership of the leased asset can be reasonably determined at the end of the lease term, the Group shall depreciate the leased asset during the remaining useful life. Where it is unable to reasonably determine the

ownership of the leased asset at the end of the and lease term, the Group shall make depreciation provision over the lease term or the remaining useful life of the leased asset, whichever is shorter.

The Group calculates the interest expense on lease liabilities for each period of the lease term at a fixed periodic rate, which is included in the current profits and losses or the related asset cost. Variable lease payments that are not included in the measurement of the lease liability are recognized in current profits and losses or the related asset cost 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 (leases with a value of less than RMB 40,000 or USD 5,000 when the individual leased asset is a brand new asset), 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 for leases as 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

Repurchase of shares

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

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

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 2024 to adjust relevant items in the financial statements at the beginning of the year of first-time implementation

Applicable Not applicable

38. Others

None.

VI. Taxation

1. Main tax types and tax rates

Tax type	Taxation basis	Tax rate
Value-added tax	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%, 10%, 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%
Yunbaiyao Hong Kong Co., Limited	16.50%
Beijing Ruiyou 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	20%
Tianjin Yunshuda Comprehensive Clinic Co., Ltd.	20%
Yunnan Tianzheng Testing Technology Co., Ltd.	20%
Shanghai Yunzhen Medical Technology Co., Ltd.	20%
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	15%
Yunnan Baiyao Group Beijing Co., Ltd.	20%
Yunnan Baiyao Group Teayield Lincang Manor Co., Ltd.	15%
Shanghai Yunzhen Clinic Co., Ltd.	20%
Shanghai Yunzhenni Medical Beauty Clinic Co., Ltd.	20%
Shanghai Yunpu Medical Technology Co., Ltd.	20%
Yunnan Baiyao Holdings Co., Ltd.	20%
Shanghai Yunyi Clinic Co., Ltd.	20%
Shanghai Yunyi Medical Technology Co., Ltd.	20%
Beijing Yunzhen Medical Beauty Clinic Co., Ltd.	20%

Beijing Branch of Yunnan Baiyao Group Co., Ltd.	20%
Shanghai Hanshi Health Consulting Co., Ltd.	20%
Xingzhong Digital Intelligence TCM Service Co., Ltd of Yunnan Baiyao Group	20%
Yunnan Yunyao Nuxiang Co., Ltd.	20%
Yunhe Pharmaceutical (Tianjin) Co., Ltd.	20%
Hangzhou Shanqi Health Industry Co., Ltd.	20%
Yunnan Pharmaceutical Dali Co., Ltd.	20%
Yunnan Pharmaceutical Zhaotong 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 Dehong Development Co., Ltd, Yunnan Pharmaceutical Xihui Co., Ltd, and Yunnan Pharmaceutical Qujing Co., Ltd enjoy the preferential tax treatment for the Western Development and pay the enterprise income tax at the tax rate of 15%.

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

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

(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.” Thirty-five companies, including Beijing Ruiyou Testing Technology Co., Ltd and Yunnan Pharmaceutical Jiayuan 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	156,115.36	258,600.92
Bank deposit	14,632,093,549.56	14,132,709,154.14
Other cash and bank balance	87,313,866.43	85,375,321.61
Total	14,719,563,531.35	14,218,343,076.67
Including: Total amount of money deposited overseas	139,023,398.61	190,267,321.90

Other explanations: None.

2. Financial assets held for trading

Unit: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profits or losses	1,046,815,045.34	149,366,687.56
Including:		
Investment in debt instruments		
Investment in equity instruments	142,160,745.34	144,766,687.56
Others	904,654,300.00	4,600,000.00
Total	1,046,815,045.34	149,366,687.56

Other explanations: None.

3. Notes receivable

(1) Notes receivable by type

Unit: RMB

Item	Closing balance	Opening balance
Banker's acceptance bill	320,572,424.86	227,542,572.56
Domestic letter of credit	25,500,000.00	
Total	346,072,424.86	227,542,572.56

(2) Disclosure by provision for bad debts

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Including:										
Bills receivable with provision for bad debts by portfolio	346,072,424.86	100.00%			346,072,424.86	227,542,572.56	100.00%			227,542,572.56
Including:										
Banker's acceptance bill	320,572,424.86	92.63%			320,572,424.86	227,542,572.56	100.00%			227,542,572.56
Domestic letter of credit	25,500,000.00	7.37%			25,500,000.00					
Total	346,072,424.86	100.00%			346,072,424.86	227,542,572.56	100.00%			227,542,572.56

Provision for bad debts made on portfolio basis:

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Banker's acceptance bill	320,572,424.86		
Domestic letter of credit	25,500,000.00		
Total	346,072,424.86		

Explanation on the basis for determining the portfolio: None.

If provision was made for bad debts of notes receivable in accordance with the general expected credit loss model:

Applicable Not applicable**(3) Provision for bad debts accrued, recovered or reversed during the reporting period: 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	5,964,981.45	
Domestic letter of credit		
Total	5,964,981.45	

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

4. Accounts receivable

(1) Disclosure of accounts receivable by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive of 1 year)	9,841,385,438.50	9,849,981,025.64
1 to 2 years	998,675,101.32	830,787,332.12
2 to 3 years	149,264,417.35	86,210,266.13
Above 3 years	39,100,926.65	33,448,661.91
Total	11,028,425,883.82	10,800,427,285.80

(2) Disclosure by provision for bad debts

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Accounts receivable with provision for bad debts on individual basis	5,666,188.00	0.05%	5,666,188.00	100.00%		7,404,800.00	0.07%	7,404,800.00	100.00%	
Including:										
Accounts receivable with provision for bad debts on individual basis	5,666,188.00	0.05%	5,666,188.00	100.00%		7,404,800.00	0.07%	7,404,800.00	100.00%	
Accounts receivable with provision for bad debts on portfolio basis	11,022,759,695.82	99.95%	917,302,225.19	8.32%	10,105,457,470.63	10,793,022,485.80	99.93%	826,852,038.59	7.66%	9,966,170,447.21
Including:										
Aging portfolio	11,022,759,695.82	99.95%	917,302,225.19	8.32%	10,105,457,470.63	10,793,022,485.80	99.93%	826,852,038.59	7.66%	9,966,170,447.21
Total	11,028,425,883.82	100.00%	922,968,413.19	8.37%	10,105,457,470.63	10,800,427,285.80	100.00%	834,256,838.59	7.72%	9,966,170,447.21

Provision for bad debts made on individual basis:

Unit: RMB

Name	Opening balance		Closing balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision proportion	Reason for provision
Ningbo Qingbing Biotechnology Co., Ltd.	5,666,188.00	5,666,188.00	7,404,800.00	7,404,800.00	100.00%	The possibility of recovery is minimal
Total	5,666,188.00	5,666,188.00	7,404,800.00	7,404,800.00		

Provision for bad debts made on portfolio basis:

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Aging portfolio	11,022,759,695.82	917,302,225.19	8.32%
Total	11,022,759,695.82	917,302,225.19	

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 made during the reporting period:

Unit: RMB

Category	Opening balance	Changes in amount for the period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Aging portfolio	826,852,038.59	90,450,186.60				917,302,225.19
Accounts receivable with provision for bad debts on individual basis	7,404,800.00		1,738,612.00			5,666,188.00
Total	834,256,838.59	90,450,186.60	1,738,612.00	0.00	0.00	922,968,413.19

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

(4) Actual write-off of accounts receivable for the period: None.**(5) Top five customers with 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	Closing balance of provision for bad debt of accounts receivable and provision for impairment of contractual assets
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				receivable and contractual assets	
Customer A	579,199,157.84		579,199,157.84	5.25%	29,047,575.78
Customer B	517,022,973.03		517,022,973.03	4.69%	25,851,148.65
Customer C	502,808,431.77		502,808,431.77	4.56%	108,369,219.66
Customer D	455,792,184.11		455,792,184.11	4.13%	45,957,928.05
Customer E	353,041,718.38		353,041,718.38	3.20%	82,687,528.92
Total	2,407,864,465.13		2,407,864,465.13	21.83%	291,913,401.06

5. Accounts receivable financing

(1) Accounts receivable financing by type

Unit: RMB

Item	Closing balance	Opening balance
Banker's acceptance bill	1,140,931,312.92	1,081,485,346.18
Domestic letter of credit	582,876,402.63	509,264,464.56
Total	1,723,807,715.55	1,590,749,810.74

(2) Disclosure by provision for bad debts: None.

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

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

(5) Accounts receivable financing 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	5,014,471,087.65	
Domestic letter of credit	428,749,627.34	
Total	5,443,220,714.99	

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

(7) Changes in accounts receivable financing and changes in fair value: None.

(8) Other explanations: None.

6. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable	272,906,986.36	4,531,100.00
Other receivables	92,054,986.03	99,519,609.53
Total	364,961,972.39	104,050,709.53

(1) Interest receivable: None.**(2) Dividends receivable****1) Dividends receivable by type**

Unit: RMB

Project (or investee)	Closing balance	Opening balance
Jacobson Pharma Corporation Limited		4,531,100.00
Shanghai Pharmaceuticals Holding Co., Ltd.	272,906,986.36	
Total	272,906,986.36	4,531,100.00

2) Major dividends receivable aged over one year: None.**3) Disclosure by provision for bad debts**Applicable Not applicable**4) Provision for bad debts accrued, recovered or reversed during the reporting period: None.****5) Actual write-off of dividends receivable for the period: None.****(3) Other receivables****1) Other receivables by nature**

Unit: RMB

Nature of payment	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Deposits and guarantees	271,086,306.89	292,908,411.96
Petty cash	14,514,146.62	12,098,577.52
Others	293,308,162.54	286,715,486.83
Borrowings	6,177,211.78	6,777,211.78
Total	585,085,827.83	598,499,688.09

2) Disclosure by aging

Unit: RMB

Aging	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Within 1 year (inclusive of 1 year)	76,290,677.20	76,994,145.16
1 to 2 years	23,680,741.28	24,492,402.85
2 to 3 years	101,922,421.37	101,816,008.74
Above 3 years	383,191,987.98	395,197,131.34
Total	585,085,827.83	598,499,688.09

3) Disclosure by provision for bad debtsApplicable Not applicable

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

Unit: RMB

Provision for bad debts	Phase I	Phase II	Phase III	Total
	Expected credit losses for the next 12 months	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	
Balance as of January 1, 2024	228,060,024.02		270,920,054.54	498,980,078.56
Balance as of January 1, 2024 in the current period				
Current provision			340,620.00	340,620.00
Current reversal	6,289,856.76			6,289,856.76
Balance at of June 30, 2024	221,770,167.26		271,260,674.54	493,030,841.80

Basis for classification of phases and percentage 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 reporting period**

Provision for bad debts during the reporting period:

Unit: RMB

Category	Opening balance	Changes in amount for the period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Other accounts receivable with provision for bad debts on portfolio basis by credit risk characteristics	498,980,078.56	960,487.19	6,909,723.95			493,030,841.80
Total	498,980,078.56	960,487.19	6,909,723.95			493,030,841.80

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

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

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

Unit: RMB

Entity name	Nature of payment	Closing balance	Aging	Percentage of total of closing balance of other receivables	Closing balance of provision for bad debt
Entity A	Deposits and guarantees	100,000,000.00	Above 3 years	17.09%	100,000,000.00
Entity B	Deposits and guarantees	30,000,000.00	Above 3 years	5.13%	30,000,000.00
Entity C	Deposits and guarantees	18,000,000.00	Above 3 years	3.08%	18,000,000.00
Entity D	Deposits and guarantees	9,702,000.00	2 to 3 years	1.66%	5,821,200.00
Entity E	Deposits and guarantees	9,500,000.00	Above 3 years	1.62%	9,500,000.00
Total		167,202,000.00		28.58%	163,321,200.00

7) Those reported as 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	272,218,145.20	88.03%	274,935,247.83	88.04%
1 to 2 years	29,355,426.17	9.49%	31,179,366.00	9.98%
2 to 3 years	2,865,167.44	0.93%	2,366,049.64	0.76%
Above 3 years	4,783,946.25	1.55%	3,818,063.54	1.22%
Total	309,222,685.06		312,298,727.01	

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

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

Series No.	Entity name	Book balance	Proportion in prepayments (%)
1	Supplier A	57,097,512.00	18.46%
2	Supplier B	10,457,050.72	3.38%
3	Supplier C	10,277,234.50	3.32%
4	Supplier D	9,181,015.15	2.97%
5	Supplier E	7,399,634.16	2.39%
Total		94,412,446.53	30.53%

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 fulfilment costs	Book value	Book balance	Provision for inventory impairment or provision for impairment of contract performance costs	Book value
Raw materials	1,556,678,122.35	48,190,168.24	1,508,487,954.11	1,850,907,681.12	71,368,550.13	1,779,539,130.99
Work in process	208,274,907.52		208,274,907.52	192,411,841.66		192,411,841.66
Finished goods	4,193,814,378.67	55,452,145.59	4,138,362,233.08	4,444,660,840.07	67,539,262.09	4,377,121,577.98
Consumptive biological assets	26,863,773.82		26,863,773.82	28,031,085.47		28,031,085.47
Materials outsourced for processing	186,319.48		186,319.48	185,148.88		185,148.88
Packaging materials and low value consumables	107,855,253.58	1,971,051.39	105,884,202.19	67,439,762.34	2,533,723.65	64,906,038.69
Total	6,093,672,755.42	105,613,365.22	5,988,059,390.20	6,583,636,359.54	141,441,535.87	6,442,194,823.67

(2) Data sources for inventory recognition: None.

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

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Others	Reversal or reselling	Others	
Raw materials	71,368,550.13	-2,801,788.94		20,376,592.95		48,190,168.24
Stocks	67,539,262.09	7,929,480.21		20,016,596.71		55,452,145.59
Packaging materials and low value consumables	2,533,723.65	334,023.17		896,695.43		1,971,051.39
Total	141,441,535.87	5,461,714.44		41,289,885.09		105,613,365.22

Provision for inventory impairment on portfolio basis: None.

Standards for provision for inventory impairment on portfolio basis: None.

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

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

9. Non-current assets due within one year

Unit: RMB

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

(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	1,137,418,680.41	2,219,049,423.96
Input tax to be deducted and certified	378,378,785.52	397,271,600.13
Cost of returned goods receivable	264,837,682.23	147,880,091.79
Prepaid taxes and fees	11,931,972.82	90,685,070.74
Others	37,594,385.48	7,190,030.58
Total	1,830,161,506.46	2,862,076,217.20

Other explanations: None.

11. Other equity instrument investments

Unit: RMB

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

Derecognition during the reporting period: None.

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

Other explanations: None.

12. Long-term equity investments

Unit: RMB

Investee	Opening balance (book value)	Opening balance of 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 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												
Shanghai Pharmaceuticals Holding Co., Ltd.	11,536,646,559.56				496,849,279.95	-5,825,439.28	15,607,562.45	272,906,986.36			11,770,370,976.32	
Ban Loong Jacobson JBM Pharma Limited	14,433.37				-1,474.23					98.57	13,057.71	
Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.												
Lijiang Changgengming Trading Co., Ltd.												
Subtotal	11,536,660,992.93				496,847,805.72	-5,825,439.28	15,607,562.45	272,906,986.36		98.57	11,770,384,034.03	
II. Associates												
Total	11,536,660,992.93				496,847,805.72	-5,825,439.28	15,607,562.45	272,906,986.36		98.57	11,770,384,034.03	

The recoverable amount is determined by the net amount of fair value minus disposal expenses

Applicable Not applicable

The recoverable amount is determined by the present value of expected 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: For details of Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd and Lijiang Changgengming Trading Co., Ltd, please refer to “X. Rights and interests in other entities - 3. Rights and interests in joint venture arrangements or associates.”

13. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Category of financial assets at fair value through profits or losses	312,459,342.04	324,674,379.63
Total	312,459,342.04	324,674,379.63

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	54,966,967.28	32,184,799.93		87,151,767.21
2. Increase in the current period	10,927,186.70	345,728.96		11,272,915.66
(1) Outsourcing				0.00
(2) Transfer from inventory\fixed assets\construction in progress	10,927,186.70	345,728.96		11,272,915.66
(3) Increase in business combination				
3. Decrease in the current period				
(1) Disposal				
(2) Other transfer out				
4. Closing balance	65,894,153.98	32,530,528.89		98,424,682.87
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	35,754,013.96	4,855,547.93		40,609,561.89
2. Increase in the current period	7,415,468.75	932,485.02		8,347,953.77
(1) Provision or amortization	888,953.46	728,839.73		1,617,793.19
(2) Transfer from inventory\fixed assets\construction in progress	6,526,515.29	203,645.29		6,730,160.58
3. Decrease in the current period				
(1) Disposal				
(2) Other transfer out				
4. Closing balance	43,169,482.71	5,788,032.95		48,957,515.66
III. Provision for impairment				0.00
1. Opening balance	2,438,059.35			2,438,059.35

2. Increase in the current period				
(1) Provision				
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				0.00
1. Closing book value	20,286,611.92	26,742,495.94		47,029,107.86
2. Opening book value	16,774,893.97	27,329,252.00		44,104,145.97

The recoverable amount is determined by the net amount of fair value minus disposal expenses

Applicable Not applicable

The recoverable amount is determined by the present value of expected 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 measured at fair value: 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	2,600,945,569.94	2,662,805,209.03
Liquidation of fixed assets	117,364.21	94,805.00
Total	2,601,062,934.15	2,662,900,014.03

(1) Fixed assets

Unit: RMB

Item	Houses and buildings	Machinery and equipment	Transportation vehicles	Electronic equipment	Others	Total
I. Original book value:						
1. Opening balance	2,549,592,791.40	1,603,570,594.77	65,896,843.49	158,127,736.24	1,257,593.86	4,378,445,559.76

2. Increase in the current period	15,957,607.45	25,861,820.46	1,023,547.34	6,511,207.31	15,214.12	49,369,396.68
(1) Purchase		16,782,824.59	1,023,547.34	6,511,207.31	15,214.12	24,332,793.36
(2) Transfer from construction in progress	15,957,607.45	9,078,995.87				25,036,603.32
(3) Increase in business combination						
3. Decrease in the current period	10,927,186.70	7,980,227.02	252,461.33	6,207,211.19		25,367,086.24
(1) Disposal or scrapping		7,980,227.02	252,461.33	6,207,211.19		14,439,899.54
(2) Other transfer out	10,927,186.70					10,927,186.70
4. Closing balance	2,554,623,212.15	1,621,452,188.21	66,667,929.50	158,431,732.36	1,272,807.98	4,402,447,870.20
II. Accumulated depreciation						
1. Opening balance	558,119,997.35	953,150,208.31	34,737,774.48	101,583,125.64	1,036,398.21	1,648,627,503.99
2. Increase in the current period	32,070,020.90	56,439,334.24	1,820,275.92	10,551,064.12	32,577.92	100,913,273.10
(1) Provision	32,070,020.90	56,439,334.24	1,820,275.92	10,551,064.12	32,577.92	100,913,273.10
3. Decrease in the current period	6,526,515.29	2,405,695.42	236,208.79	2,421,659.81		11,590,079.31
(1) Disposal or scrapping		2,405,695.42	236,208.79	2,421,659.81		5,063,564.02
(2) Other transfer out	6,526,515.29					6,526,515.29
4. Closing balance	583,663,502.96	1,007,183,847.13	36,321,841.61	109,712,529.95	1,068,976.13	1,737,950,697.78
III. Provision for impairment						
1. Opening balance	60,577,222.16	2,268,381.89		4,167,242.69		67,012,846.74
2. Increase in the current period		1,910.41				1,910.41
(1) Provision		2.61				2.61
(2) Other changes		1,907.80				1,907.80
3. Decrease in the current period		10,535.86		3,452,618.81		3,463,154.67
(1) Disposal or scrapping		10,535.86		3,452,618.81		3,463,154.67
4. Closing balance	60,577,222.16	2,259,756.44		714,623.88		63,551,602.48
IV. Book value						
1. Closing book value	1,910,382,487.03	612,008,584.64	30,346,087.89	48,004,578.53	203,831.85	2,600,945,569.94
2. Opening book value	1,930,895,571.89	648,152,004.57	31,159,069.01	52,377,367.91	221,195.65	2,662,805,209.03

(2) Temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks
Machinery and equipment	5,838,401.68	3,871,066.26		1,967,335.42	
Electronic equipment	823,296.25	590,571.22		232,725.03	
Houses and buildings	60,378.56	18,585.39		41,793.17	

(3) Fixed assets leased out 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 (comprehensive workshop)	256,800.64	For historical legacy issues, and under application
Yunjian Assets	2,111,319.44	Obtained through judicial auction, with land certificate and property ownership certificate
Drug Division of Dali Pharmaceutical Economic Development Zone	26,700,297.84	Under application
Buildings in planting base of Yunquan	1,216,295.57	The land is a leased land
Overall relocation project of Wenshan Qihua	32,288,696.44	Some title certificates have been obtained, and the rest is under application

Other explanations: None.

(5) Impairment tests of fixed assetsApplicable Not applicable**(6) Liquidation of fixed assets**

Unit: RMB

Item	Closing balance	Opening balance
Machinery and equipment	114,865.58	94,206.37
Electronic equipment	2,498.63	598.63
Total	117,364.21	94,805.00

Other explanations: None.

16. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	713,596,692.91	529,708,553.58
Total	713,596,692.91	529,708,553.58

(1) Construction in progress

Unit: RMB

Project	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Shanghai International Center project of Yunnan Baiyao	477,104,952.25		477,104,952.25	389,398,864.33		389,398,864.33
Yunnan Baiyao R&D Platform - Kunming center construction project	116,377,501.13		116,377,501.13	82,578,321.10		82,578,321.10
Optimization project of new factory of Yunnan Baiyao toothpaste	26,285,681.51		26,285,681.51	23,403,647.03		23,403,647.03
Yunnan Baiyao Group Traditional Chinese Medicine Pharmaceutical Service (Kunming) Center Project	23,886,242.55		23,886,242.55	2,667,581.02		2,667,581.02
Granules Production Increase and Expansion Project of Pharmaceutical Business Group of Yunnan Baiyao Group	22,571,802.90		22,571,802.90	16,649,408.02		16,649,408.02
Radiopharmaceutical Drug R&D Center (Tianjin)	12,839,406.86		12,839,406.86	1,339,572.56		1,339,572.56
Aesthetics Medicine Supporting Commercial and Office Project for Yunyi Outpatient Department	6,572,529.70		6,572,529.70	654,989.92		654,989.92
Shanghai Yunzhen Outpatient Supporting Commercial and Office Project	4,912,949.64		4,912,949.64			
Dali Company's Production Line Equipment Upgrade and Renovation Project	3,580,443.02		3,580,443.02			
Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang	3,361,170.33		3,361,170.33	5,655,808.43		5,655,808.43

Ecological Science and Technology Industrial Park (Phase I)						
Health Industry Project (Phase I) of Yunnan Baiyao	2,972,865.07		2,972,865.07	593,826.74		593,826.74
Relocation project engineering	1,804,452.92		1,804,452.92	510,675.30		510,675.30
Renovation project of fire protection facilities and outdoor pipeline network in the old factory of Economic Development Zone	1,544,624.34		1,544,624.34			
Yunnan Baiyao Wenshan Sanqi Smart Technology Park Project	1,081,007.34		1,081,007.34	1,081,007.34		1,081,007.34
Near-infrared online detection equipment project	1,060,758.00		1,060,758.00			
Others	7,640,305.35		7,640,305.35	5,174,851.79		5,174,851.79
Total	713,596,692.91		713,596,692.91	529,708,553.58		529,708,553.58

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

Unit: RMB

Project name	Budget amount	Opening balance	Increase in the current period	Transfer to fixed assets in the current period	Other decrease in the current period	Closing balance	Proportion of total project investment in budget	Project progress	Accumulated amount of interest capitalized	Including: Amount of interest capitalized for the period	Capitalization rate of interest for the period	Source of funds
Shanghai International Center project of Yunnan Baiyao	1,389,170,500.00	389,398,864.33	87,706,087.92			477,104,952.25	50.32%	61.00%				Others
Yunnan Baiyao R&D Platform - Kunming center construction project	921,670,000.00	82,578,321.10	33,799,180.03			116,377,501.13	12.63%	40.00%				Others
Optimization project of new factory of Yunnan Baiyao toothpaste	38,000,000.00	23,403,647.03	2,882,034.48			26,285,681.51	77.97%	99.00%				Others
Yunnan Baiyao Group Traditional Chinese Medicine Pharmaceutical Service (Kunming) Center Project	68,096,000.00	2,667,581.02	21,218,661.53			23,886,242.55	85.00%	85.00%				Others
Granules Production Increase and Expansion Project of Pharmaceutical Business Group of Yunnan Baiyao Group	31,989,300.00	16,649,408.02	5,922,394.88			22,571,802.90	70.56%	95.00%				Others

Radiopharmaceutical Drug R&D Center (Tianjin)	101,750,000.00	1,339,572.56	11,499,834.30			12,839,406.86	12.62%	55.00%				Others
Health Industry Project (Phase I) of Yunnan Baiyao	1,158,174,400.00	593,826.74	18,336,645.78	15,957,607.45		2,972,865.07	90.59%	99.00%				Others
Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase I)	17,860,000.00	5,655,808.43	2,306,246.88	4,600,884.98		3,361,170.33	59.74%	60.00%				Others
Total	3,726,710,200.00	522,287,029.23	183,671,085.80	20,558,492.43	0.00	685,399,622.60						

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

(4) Impairment tests of construction in progress

Applicable Not applicable

(5) Project materials: None.

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

☑Applicable ☐Not applicable

Unit: RMB

Item	Planting	Total
	Tea 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	1,590,075.15	1,590,075.15
2. Increase in the current period	85,950.06	85,950.06
(1) Provision	85,950.06	85,950.06
3. Decrease in the current period		
(1) Disposal		
(2) Others		
4. Closing balance	1,676,025.21	1,676,025.21
III. Provision for impairment		
1. Opening balance		
2. Increase in the current period		
(1) Provision		
3. Decrease in the current period		
(1) Disposal		
(2) Others		
4. Closing balance		
IV. Book value		
1. Closing book value	902,474.79	902,474.79
2. Opening book value	988,424.85	988,424.85

(2) Adoption of the cost measurement model and impairment tests for productive biological assets

☐Applicable ☑Not applicable

(3) Adoption of the fair value measurement model for productive biological assets□Applicable Not applicable**18. Right-of-use assets****(1) Right-of-use assets**

Unit: RMB

Item	Houses and buildings	Machinery	Total
I. Original book value			
1. Opening balance	505,660,305.98		505,660,305.98
2. Increase in the current period	74,826,379.08	614,167.92	75,440,547.00
(1) Leased in	74,826,379.08	614,167.92	75,440,547.00
3. Decrease in the current period	36,660,187.33		36,660,187.33
(1) Disposal	28,233,389.97		28,233,389.97
(2) At maturity	8,426,797.36		
4. Closing balance	543,826,497.73	614,167.92	544,440,665.65
II. Accumulated depreciation			
1. Opening balance	247,340,820.40		247,340,820.40
2. Increase in the current period	42,312,258.35	102,361.32	42,414,619.67
(1) Provision	42,312,258.35	102,361.32	42,414,619.67
3. Decrease in the current period	15,573,016.55		15,573,016.55
(1) Disposal	7,146,219.19		7,146,219.19
(2) At maturity	8,426,797.36		8,426,797.36
4. Closing balance	274,080,062.20	102,361.32	274,182,423.52
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	269,746,435.53	511,806.60	270,258,242.13
2. Opening book value	258,319,485.58		258,319,485.58

(2) Impairment tests of right-of-use assets□Applicable Not applicable

Other explanations: None.

19. Intangible assets**(1) Intangible assets**

Unit: RMB

Item	Land use rights	Patent right	Non-patent technology	Software	Trademark	Franchise rights	Total
I. Original book value							
1. Opening balance	689,468,137.84	34,492,676.60	2,150,381.86	75,464,152.76	20,000.00	154,081,682.57	955,677,031.63
2. Increase in the current period							
(1) Purchase							
(2) Internal R&D							
(3) Increase in business combination							
3. Decrease in the current period	464,996.96						464,996.96
(1) Disposal	119,268.00						119,268.00
(2) Other transfer out	345,728.96						345,728.96
4. Closing balance	689,003,140.88	34,492,676.60	2,150,381.86	75,464,152.76	20,000.00	154,081,682.57	955,212,034.67
II. Accumulated amortization							
1. Opening 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
2. Increase in the current period	6,991,875.97	1,401,483.96		3,764,530.31	1,111.11		12,159,001.35
(1) Provision	6,991,875.97	1,401,483.96		3,764,530.31	1,111.11		12,159,001.35
3. Decrease in the current period	228,979.92						228,979.92
(1) Disposal	25,334.63						25,334.63
(2) Other transfer out	203,645.29						203,645.29
4. Closing balance	164,487,563.71	28,259,090.75	2,150,381.86	28,869,621.10	4,258.88	17,664,216.34	241,435,132.64
III. Provision for impairment							
1. Opening balance	6,382,453.60					136,417,466.23	142,799,919.83
2. Increase in the current period							

(1) Provision							
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	518,133,123.57	6,233,585.85		46,594,531.66	15,741.12		570,976,982.20
2. Opening book value	525,361,016.58	7,635,069.81		50,359,061.97	16,852.23		583,372,000.59

Proportion of intangible assets generated through internal R&D of the Company in the balance of intangible assets at the end of the reporting period: 0.00%

(2) Data sources for intangible asset recognition: None.

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

(4) Impairment tests of intangible assets

Applicable Not applicable

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.	26,904,931.64			26,904,931.64
Lijiang Yunquan Biological Development Co., Ltd.	721,770.39			721,770.39
Total	605,231,911.87			605,231,911.87

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

(4) Specific methods for determination of recoverable amount

The recoverable amount is determined by the net amount of fair value minus disposal expenses

Applicable Not applicable

The recoverable amount is determined by the present value of expected 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.

(5) Fulfillment of undertakings and goodwill impairment

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

Applicable Not applicable

Other explanations: None

21. Long-term deferred expenses

Unit: RMB

Item	Opening balance	Increase in the current period	Amortization in the current period	Other decrease	Closing balance
Building decoration and project renovation	96,424,121.71	10,054,846.45	16,039,597.82	7,873,676.12	82,565,694.22
Nanping Street renovation project of Yunnan Baiyao	6,499,119.51		1,772,487.18		4,726,632.33
Others	2,412,309.09	202,470.04	1,593,707.34		1,021,071.79
Total	105,335,550.31	10,257,316.49	19,405,792.34	7,873,676.12	88,313,398.34

Other explanations: None.

22. Deferred income tax assets/deferred income tax liabilities**(1) Deferred income tax assets before offset**

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	94,950,178.73	20,046,384.05	149,391,736.51	29,733,789.86
Unrealized profits of intra-group transactions	373,963,733.44	59,427,815.02	355,719,960.08	56,616,299.10
Deductible losses	173,478,236.66	30,834,440.01	85,261,634.28	12,772,083.95
Deferred income	193,888,523.91	29,052,480.59	174,855,238.93	26,308,248.51
Contractual liabilities	1,005,253,429.78	150,788,014.47	927,324,390.56	139,098,658.58
Payroll payable and long-term employee benefits payable	443,778,383.41	66,724,145.66	442,302,070.56	66,345,310.57
Expenses beyond overall planning for employee status conversion expenses of state-owned enterprises and social security expenses of retirees	469,594,015.39	70,439,102.31	488,564,678.84	73,284,701.83
Lease liabilities	244,846,919.18	38,361,704.37	247,083,412.30	33,532,096.13
Changes in fair value	43,420,767.36	6,513,115.10	31,774,859.47	4,766,228.92
Other payables	662,864,423.63	101,581,569.98	390,202,998.08	58,530,449.71
Provision for credit impairment	1,131,173,216.64	171,733,540.63	1,031,702,042.48	155,456,724.98
Others	55,340,811.63	8,301,121.76	56,028,058.38	8,404,208.76
Estimated income from returned goods	296,803,860.50	44,388,498.15	172,763,638.76	26,020,408.22
Total	5,189,356,500.26	798,191,932.10	4,552,974,719.23	690,869,209.12

(2) Deferred income tax liabilities before offset

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Appreciation of asset valuation	4,385,832.97	1,096,458.23	5,464,293.67	1,366,073.41
Right-of-use assets	260,488,790.14	39,155,436.49	258,319,485.58	34,427,707.34
Fixed assets subject to one-time pre-tax deduction	26,760,390.32	4,014,058.55	26,760,390.32	4,014,058.55

Investment income from business combination not under common control achieved in stages	2,282,373.90	570,593.48	2,282,373.90	570,593.48
Others	30,411,388.68	4,561,708.30	65,373,768.09	9,806,065.22
Cost of returned goods receivable	277,176,643.38	41,909,083.01	163,264,685.39	24,587,573.70
Total	601,505,419.39	91,307,338.06	521,464,996.95	74,772,071.70

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

Unit: RMB

Item	Offsetting amount of deferred income tax assets and deferred income tax liabilities at the end of the reporting period	Closing balance of deferred income tax assets or liabilities after offset	Offsetting amount of deferred income tax assets and deferred income tax liabilities at the beginning of the reporting period	Opening balance of deferred income tax assets or liabilities after offset
Deferred income tax assets		798,191,932.10		690,869,209.12
Deferred income tax liabilities		91,307,338.06		74,772,071.70

(4) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	669,166,284.63	697,042,370.78
Provision for asset impairment	441,959,815.03	505,835,499.95
Deferred income	64,407,187.53	63,955,872.11
Others	67,690.70	10,735,715.83
Total	1,175,600,977.89	1,277,569,458.67

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

Unit: RMB

Year	Closing balance	Opening balance	Remarks
2024	4,973,973.57	18,092,739.35	
2025	9,432,032.24	20,152,321.40	
2026	130,419,997.71	136,477,740.18	
2027	138,513,645.91	202,345,894.66	
2028	258,242,487.52	299,773,438.15	
2029	104,682,520.91	1,476,119.82	
2030	4,028,298.39	4,028,298.39	

2031	12,861,719.12	12,861,719.12	
2032	1,599,912.28	1,599,912.28	
2033	234,187.43	234,187.43	
2034	4,177,509.55		
Total	669,166,284.63	697,042,370.78	

Other explanations: None.

23. Other non-current assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Cost of returned goods receivable	15,183,305.19		15,183,305.19	15,394,540.30		15,394,540.30
Time deposit and interest	478,279,569.78		478,279,569.78	913,499,670.63		913,499,670.63
Stocks of special materials	42,000,723.80		42,000,723.80	42,000,723.80		42,000,723.80
Value-added tax credit refund	21,189,358.91		21,189,358.91	9,867,575.47		9,867,575.47
Advance payment for the purchase of fixed assets	5,240,036.80		5,240,036.80	3,485,598.75		3,485,598.75
Less: the part due within 1 year				-442,772,777.78		-442,772,777.78
Total	561,892,994.48		561,892,994.48	541,475,331.17		541,475,331.17

Other explanations: None.

24. Assets with restricted ownership or use rights

Unit: RMB

Item	At the end of the reporting period				At the beginning of the reporting period			
	Book balance	Book value	Type of restriction	Restriction	Book balance	Book value	Restriction type	Restriction
Cash and bank balance	2,643,785.07	2,643,785.07	Special use	Earmarked for housing maintenance in reformed housing	2,643,393.65	2,643,393.65	Special use	Earmarked for housing maintenance in reformed housing
Cash and bank balance	500,000.00	500,000.00	Property preservation	The lawsuit in question has been won, and the lifting of the freeze and other related matters are in progress	500,000.00	500,000.00	Property preservation	The lawsuit in question has been won, and the lifting of the freeze and other related matters are in progress
Cash and bank balance	46,583,430.74	46,583,430.74	Security deposit	Guarantee deposits, banker's acceptance	48,618,045.43	48,618,045.43	Security deposit	Guarantee deposits, banker's acceptance

				deposits, performance bonds, etc.				deposits, performance bonds, etc.
Assets in special account for system reform	607,599,650.11	607,599,650.11	Special use	Special fund for paying the cost of employee status conversion in state-owned enterprises	627,116,169.10	627,116,169.10	Special use	Special fund for paying the cost of employee status conversion in state-owned enterprises
Long-term equity investments	11,770,370,976.32	11,770,370,976.32	Restricted	The holdings shall not be transferred within 36 months since the ending date of the private placement in 2021	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
Total	12,427,697,842.24	12,427,697,842.24			12,215,524,167.74	12,215,524,167.74		

Other explanations: None.

25. Short-term loans

(1) Classification of short-term loans

Unit: RMB

Item	Closing balance	Opening balance
Loan in credit	734,723,013.84	1,014,634,728.09
Discounted internal bills	409,724,655.48	732,668,972.25
Total	1,144,447,669.32	1,747,303,700.34

Explanation on classification of short-term loans: None.

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

26. Notes payable

Unit: RMB

Type	Closing balance	Opening balance
Banker's acceptance bill	1,851,834,540.05	1,850,863,313.78
Total	1,851,834,540.05	1,850,863,313.78

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

27. Accounts payable**(1) Accounts payable**

Unit: RMB

Item	Closing balance	Opening balance
Payment for engineering projects	28,493,511.72	33,522,218.09
Payment for goods	4,482,934,615.61	4,326,110,424.11
Total	4,511,428,127.33	4,359,632,642.20

(2) Major accounts payable aged over one year or overdue:

Unit: RMB

Item	Closing balance	Reasons for not paying it or carrying it forward
Sichuan Kete Air Conditioning Purification Co., Ltd.	5,352,541.97	Payment terms have not been met yet
Total	5,352,541.97	

Other explanations: None.

28. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Dividends payable	87,345,672.28	86,490,742.04
Other payables	1,293,020,181.69	938,595,137.50
Total	1,380,365,853.97	1,025,085,879.54

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

Unit: RMB

Item	Closing balance	Opening balance
State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government, New Huadu Industrial Group, Co., Ltd.	86,490,742.04	86,490,742.04
Dali Hongxu Trading Co., Ltd.	854,930.24	
Total	87,345,672.28	86,490,742.04

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

Unit: RMB

Item	Closing balance	Opening balance
------	-----------------	-----------------

Business promotion expenses and other marketing expenses	781,077,229.91	459,313,752.19
Deposits and guarantees	278,550,605.54	266,970,613.85
Other current accounts	103,660,093.46	81,677,453.94
Management fee payable to hospitals	79,272,300.90	70,325,588.08
Collection and payment	23,738,339.39	20,013,555.07
Others	26,721,612.49	40,294,174.37
Total	1,293,020,181.69	938,595,137.50

29. Receipts in advance**(1) Receipts in advance**

Unit: RMB

Item	Closing balance	Opening balance
Receipts in advance - lease	2,045,212.68	486,612.12
Total	2,045,212.68	486,612.12

(2) Major receipts in advance aged over one year or overdue: None.**30. Contractual liabilities**

Unit: RMB

Item	Closing balance	Opening balance
Receipts in advance - goods contract	1,761,226,572.16	1,737,952,687.45
Others	1,243,733.96	1,912,541.30
Total	1,762,470,306.12	1,739,865,228.75

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

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

31. Payroll payable**(1) Payroll payable**

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term compensation	1,020,249,830.45	1,130,776,610.84	1,336,027,853.77	814,998,587.52
II. Welfare after demission - defined contribution plan	46,884,565.10	88,385,196.91	87,199,741.22	48,070,020.79
III. Dismissal welfare	56,269.53	2,786,350.85	2,809,701.19	32,919.19
Total	1,067,190,665.08	1,221,948,158.60	1,426,037,296.18	863,101,527.50

(2) Short-term compensation

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Salary, bonus, allowance, and subsidy	534,578,291.58	846,479,385.35	1,081,584,323.36	299,473,353.57
2. Staff welfare	16,108,411.77	69,932,308.49	67,863,167.89	18,177,552.37
3. Social insurance contribution	287,344.93	49,292,809.27	48,642,814.38	937,339.82
Including: Medical insurance premiums	252,139.10	44,649,079.18	44,049,028.68	852,189.60
Work injury insurance premiums	8,887.25	2,975,853.74	2,945,240.37	39,500.62
Maternity insurance premiums	26,318.58	1,667,876.35	1,648,545.33	45,649.60
Others				
4. Housing provident fund	406,947.66	53,225,271.86	52,385,257.65	1,246,961.87
5. Union dues and staff training fees	30,572,145.70	16,046,600.96	9,609,810.88	37,008,935.78
7. Short-term profit-sharing plan	438,112,558.54			438,112,558.54
8. Others	184,130.27	95,800,234.91	75,942,479.61	20,041,885.57
Total	1,020,249,830.45	1,130,776,610.84	1,336,027,853.77	814,998,587.52

(3) Defined contributing plans

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	520,689.77	83,765,398.78	82,613,729.20	1,672,359.35
2. Unemployment insurance premiums	20,881.05	3,370,120.72	3,327,022.21	63,979.56
3. Corporate pension payment	46,342,994.28	1,249,677.41	1,258,989.81	46,333,681.88
Total	46,884,565.10	88,385,196.91	87,199,741.22	48,070,020.79

Other explanations: None.

32. Tax payables

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	146,584,441.71	74,507,524.44
Cooperate income tax	305,194,951.74	215,055,624.82
Individual income tax	3,613,571.71	13,584,778.64
Urban maintenance and construction tax	10,833,320.99	5,944,928.97
Property tax	10,753,160.37	11,470,392.03

Land use tax	5,312,150.19	5,324,861.58
Stamp duty	5,735,331.86	5,765,684.18
Consumption tax	921.44	9,690.71
Education surcharge	4,666,609.36	2,628,898.41
Local education surcharge	3,108,511.96	1,752,038.22
Collected and remitted taxes and fees	19,376,620.46	3,611,481.85
Environmental protection tax	14,468.89	10,222.02
Water conservancy fund	33,889.82	4,724.15
Total	515,227,950.50	339,670,850.02

Other explanations: None.

33. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Lease liabilities due within one year	68,739,138.20	74,736,102.58
Total	68,739,138.20	74,736,102.58

Other explanations: None.

34. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term bonds payable	1,006,516,666.68	
Returns payable	289,101,964.37	157,398,378.74
Transfer to output tax	400,892,479.94	373,745,525.66
Special financial support funds of “transferring loan to subsidy” for the use of intelligent voice cluster development base in the R&D project of intelligent medical devices based on medical big data	1,800,000.00	1,800,000.00
Total	1,698,311,110.99	532,943,904.40

Changes in short-term bonds payable:

Unit: RMB

Bond name	Par value	Nominal rate	Date of issuance	Bond duration	Amount issued	Opening balance	Issued in the current period	Interest accrued by par value	Premium and discount amortization	Repayment in the current period	Closing balance	Default or not
2024 First Tranche of Ultra-short-term Financing Bonds (Sci-Tech Notes/Rural Revitalization) of Yunnan	1,000,000,000.00	2.30%	March 18, 2024	270 days	1,000,000,000.00		1,000,000,000.00	6,516,666.68			1,006,516,666.68	No

Baiyao Group Co., Ltd.												
Total					1,000,000,000.00		1,000,000,000.00	6,516,666.68			1,006,516,666.68	

Other explanations: None.

35. Long-term loans

(1) Long-term loans by type

Unit: RMB

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

Explanation on classification of long-term loans: None.

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

36. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Buildings and structures	261,577,325.56	247,083,412.30
Equipment	618,664.48	
Less: Non-current liabilities reclassified to liabilities due within one year	-68,739,138.20	-74,736,102.58
Total	193,456,851.84	172,347,309.72

Other explanations: None.

37. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	607,381,613.96	626,897,323.88
Special payables	4,838,584.16	4,838,584.16
Total	612,220,198.12	631,735,908.04

(1) Long-term payables by nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Expenses beyond overall planning for employee status conversion expenses of state-owned enterprises and social security expenses of retirees	607,381,613.96	626,897,323.88

Other explanations: None.

(2) Special payables

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Preliminary funds for major technological transformation projects	888,468.00			888,468.00	Transfer from Baiyao Holdings due to merger by absorption
Fulintang chain operating funds	500,000.00			500,000.00	Transfer from Baiyao Holdings due to merger by absorption
Funds for Kunming medicine distribution center	500,000.00			500,000.00	Transfer from Baiyao Holdings due to merger by absorption
Yunnan Sanqi brand registration project	164,272.00			164,272.00	Transfer from Baiyao Holdings due to merger by absorption
Group company management information system project	250,978.00			250,978.00	Transfer from Baiyao Holdings due to merger by absorption
Group company technology center construction expenses	231,265.00			231,265.00	Transfer from Baiyao Holdings due to merger by absorption
Nefuramide oxalate project funding	85,426.00			85,426.00	Transfer from Baiyao Holdings due to merger by absorption
Yunnan Natural Medicine Engineering Center project	998,506.00			998,506.00	Transfer from Baiyao Holdings due to merger by absorption
New drug research project for treatment of back pulp injury	472,062.56			472,062.56	Transfer from Baiyao Holdings due to merger by absorption
Material purchase project research expense	489,575.00			489,575.00	Transfer from Baiyao Holdings due to merger by absorption
R&D of new drugs for treating cardiovascular and cerebrovascular diseases (TCM)	258,031.60			258,031.60	Transfer from Baiyao Holdings due to merger by absorption
Total	4,838,584.16			4,838,584.16	

Other explanations: None.

38. Long-term payroll payable**(1) Details of long-term payroll payable**

Unit: RMB

Item	Closing balance	Opening balance
I. Termination benefits	362,900.72	409,232.99
II. Other long-term benefits	3,681,455.00	3,681,455.00
Total	4,044,355.72	4,090,687.99

(2) Change of defined benefit plan: None.**39. Estimated liabilities**

Unit: RMB

Item	Closing balance	Opening balance	Reasons
Returns payable	16,050,005.49		
Total	16,050,005.49		

Other explanations, including on important assumptions and estimates related to major 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	80,923,393.38	28,218,600.00	2,616,008.60	106,525,984.78	
Government subsidies related assets	157,887,717.66	4,665,700.00	10,783,691.00	151,769,726.66	
Total	238,811,111.04	32,884,300.00	13,399,699.60	258,295,711.44	

Other explanations: None.

41. Other non-current liabilities

Unit: RMB

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

Other explanations: None.

42. Share capital

Unit: RMB

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

Other explanations:

Reasons for the decrease in the current period: At the first session of the Tenth Board of Directors of the Company for 2024 held on February 7, 2024 and the first extraordinary general meeting of the Company for 2024 held on February 23, 2024, the Company considered and approved the *Proposal on Change of Use of Repurchased Shares and Cancellation*, and agreed that the Company should change the use of the above 12,599,946 repurchased shares in the special securities account for repurchase, and change the use of the repurchased shares from “for the implementation of employee stock ownership plan or equity incentive plan” to “for cancellation to reduce the registered capital.” In April 2024, the Company completed the cancellation procedures for the 12,599,946 repurchased shares.

43. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (equity premium)	18,175,016,281.26		694,828,946.15	17,480,187,335.11
Other capital reserves	71,603,460.83	15,607,562.45		87,211,023.28
Total	18,246,619,742.09	15,607,562.45	694,828,946.15	17,567,398,358.39

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

(1) Reasons for the increase in the current period:

During the reporting period, the Company recognized the changes in other equity in joint ventures, coupled with passive dilution of shares due to exercise of rights and issuance of new shares, leading to an increase in capital reserves - Other capital reserves by RMB 15,607,562.45 according to the shareholding ratio.

(2) Reasons for the decrease in the current period: At the first session of the Tenth Board of Directors of the Company held on February 7, 2024 and the first extraordinary general meeting of the Company held on February 23, 2024, the Company considered and approved the *Proposal on Change of Use of Repurchased Shares and Cancellation*, and agreed that the Company should change the use of the above 12,599,946 repurchased shares in the special securities account for repurchase, and change the use of the repurchased shares from “for the

implementation of employee stock ownership plan or equity incentive plan” to “for cancellation to reduce the registered capital.” This led to a decrease in capital reserves - capital (equity) premium by RMB 694,828,946.15.

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:

Reasons for the decrease in the current period: At the first session of the Tenth Board of Directors of the Company for 2024 held on February 7, 2024 and the first extraordinary general meeting of the Company for 2024 held on February 23, 2024, the Company considered and approved the *Proposal on Change of Use of Repurchased Shares and Cancellation*, and agreed that the Company should change the use of the above 12,599,946 repurchased shares in the special securities account for repurchase, and change the use of the repurchased shares from “for the implementation of employee stock ownership plan or equity incentive plan” to “for cancellation to reduce the registered capital.” In April 2024, the Company completed the cancellation procedures for the 12,599,946 repurchased shares.

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 parent company after tax	That attributable to minority interests after tax	
I. Other comprehensive income that will not be reclassified into profits or losses	450,547.51	2,004,091.79				2,004,091.79		2,454,639.30
Other comprehensive income that cannot be transferred to profits or losses under equity method	450,547.51	2,004,091.79				2,004,091.79		2,454,639.30

II. Other comprehensive income to be reclassified into profits and losses	-89,988,719.64	-10,024,531.97				-10,371,957.39	347,425.42	- 100,360,677.03
Including: Other comprehensive income that can be transferred to profits or losses under equity method	-56,428,881.64	-7,829,531.07				-7,829,531.07		-64,258,412.71
Exchange differences from translation of financial statements denominated in foreign currencies	-33,559,838.00	-2,195,000.90				-2,542,426.32	347,425.42	-36,102,264.32
Total other comprehensive income	-89,538,172.13	-8,020,440.18				-8,367,865.60	347,425.42	-97,906,037.73

Other explanations, including adjustment 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 changers 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	18,102,147,836.12	16,720,444,918.66
Undistributed profit at the beginning of the period after adjustment	18,102,147,836.12	16,720,444,918.66
Plus: Net profits attributable to equity owners of the parent company in the current period	3,188,829,903.10	4,093,782,074.02
Less: ordinary share dividends payable	3,705,913,426.43	2,712,079,156.56
Undistributed profit at the end of the period	17,585,064,312.79	18,102,147,836.12

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

- 1) Due to retrospective adjustments in accordance with *Accounting Standards for Business Enterprises* and relevant new provisions, the undistributed profits at the beginning of the period were affected by RMB 0.
- 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	20,417,596,599.08	14,450,146,794.38	20,281,803,000.72	14,692,689,825.40
Other businesses	37,689,688.44	12,663,156.47	27,569,849.35	20,542,442.00
Total	20,455,286,287.52	14,462,809,950.85	20,309,372,850.07	14,713,232,267.40

Details of operating revenue and operating cost:

Unit: RMB

Type of contract	Drug sales		Health and daily chemical products		TCM resources		Drug circulation		Others		Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type	4,357,321,920.76	1,362,387,438.11	3,153,242,986.36	1,034,582,426.01	809,479,617.18	686,242,173.73	11,786,476,329.97	11,088,546,093.63	348,765,433.25	291,051,819.37	20,455,286,287.52	14,462,809,950.85
Including:												
Industry sales income	4,357,321,920.76	1,362,387,438.11	3,153,242,986.36	1,034,582,426.01	131,505,728.25	96,665,457.34			10,896,749.24	3,640,128.12	7,652,967,384.61	2,497,275,449.58
Commercial sales income					675,585,951.53	588,436,358.58	11,786,476,329.97	11,088,546,093.63	280,427,083.38	263,560,612.87	12,742,489,364.88	11,940,543,065.08
Technical services									13,419,064.28	5,859,542.82	13,419,064.28	5,859,542.82
Hotel catering industry									6,332,847.91	5,328,379.09	6,332,847.91	5,328,379.09
Planting sales income					2,387,937.40	1,140,357.81					2,387,937.40	1,140,357.81
Others									37,689,688.44	12,663,156.47	37,689,688.44	12,663,156.47
Classified by operating areas	4,357,321,920.77	1,362,387,438.11	3,153,242,986.36	1,034,582,426.01	809,479,617.17	686,242,173.73	11,786,476,329.97	11,088,546,093.63	348,765,433.25	291,051,819.37	20,455,286,287.52	14,462,809,950.85
Including:												
In Yunnan province	601,511,952.04	161,682,800.79	133,373,837.42	61,899,727.58	470,946,442.81	363,850,640.19	11,752,210,908.12	11,054,874,446.84	75,471,651.67	27,561,693.78	13,033,514,792.06	11,669,869,309.18
Outside Yunnan province (excluding overseas)	3,745,879,615.87	1,198,132,644.19	3,018,185,145.72	971,258,034.20	305,317,133.17	289,780,876.79	34,265,421.85	33,671,646.79	104,719,953.64	98,523,011.04	7,208,367,270.25	2,591,366,213.01
Overseas	9,930,352.86	2,571,993.13	1,684,003.22	1,424,664.23	33,216,041.19	32,610,656.75			168,573,827.94	164,967,114.55	213,404,225.21	201,574,428.66

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.

Other explanations: None.

Information related to the transaction price allocated to the remaining performance obligations: The amount of income corresponding to the performance obligations that have been contracted but not yet performed or not yet completed at the end of the reporting period is RMB 0.

Information about variable consideration in the contract: None.

Major contractual changes or significant transaction price adjustments: None.

49. Taxes and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Consumption tax	295,265.87	887,115.80
Urban maintenance and construction tax	52,049,849.11	46,983,220.42
Education surcharge	22,660,975.14	20,401,524.88
Property tax	10,775,652.51	8,886,349.82
Land use tax	5,485,490.94	5,619,552.59
Vehicle and vessel use tax	69,522.55	74,430.93
Stamp duty	12,923,290.36	11,827,075.83
Local education surcharge	15,105,396.00	13,619,043.57
Others	186,377.01	74,516.17
Total	119,551,819.49	108,372,830.01

Other explanations: None.

50. Administrative expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	191,576,372.21	176,232,082.40
Depreciation and amortization	43,832,506.15	59,917,023.23
Agency service fee	20,230,312.27	29,142,812.97
Lease costs	3,395,107.79	5,900,244.74
Office expenses	4,949,786.19	13,834,059.14
Travel expenses	8,435,899.68	9,036,707.10
Afforestation and pollution discharge fee	1,715,840.75	1,747,910.19
Security and cleaning fee	4,039,639.25	5,041,654.57
Maintenance costs	891,388.27	1,655,191.36
Utilities and property management	5,258,288.01	3,844,442.60
Business entertainment fee	6,728,550.46	6,962,426.80
Others	36,356,329.45	31,129,255.30
Total	327,410,020.48	344,443,810.40

Other explanations: None.

51. Selling expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	749,306,402.13	777,770,443.04
Business promotion expenses	390,144,815.09	418,015,306.70
Advertising expenses	232,981,754.87	132,347,367.85
Display fee	220,335,729.24	208,641,966.12
Marketing service expenses	139,408,237.22	134,835,007.61

Sales promotion expenses	66,618,496.13	2,159,257.96
Travel expenses	64,843,756.03	28,765,406.92
Conference fee	49,109,828.44	44,490,605.23
Depreciation and amortization	39,895,219.37	33,584,977.25
Others	344,177,252.07	477,078,211.01
Total	2,296,821,490.59	2,257,688,549.69

Other explanations: None.

52. R&D expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	68,904,549.49	63,827,625.06
Commissioned R&D cost	32,142,383.35	34,101,127.85
Materials consumption and inspection fee	22,733,275.03	25,507,999.95
Depreciation and amortization	5,687,670.77	4,753,074.27
New product design fee	4,615,013.16	2,732,730.98
Information technology R&D expenses	8,893,284.22	4,155,924.21
Labor expenses		1,372,659.54
Others	5,066,843.32	8,368,791.80
Total	148,043,019.34	144,819,933.66

Other explanations: None.

53. Financial expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest expenses	27,648,907.91	18,798,896.05
Less: Interest income	162,711,635.16	114,776,796.46
Net loss on foreign exchange	-1,841,489.74	-21,031,853.69
Bank charges	7,284,938.64	4,460,210.16
Others		6,558,973.27
Total	-129,619,278.35	-105,990,570.67

Other explanations: None.

54. Other income

Unit: RMB

Other sources of income	Amount for the current period	Amount for the previous period
Government subsidies directly included in the profits and losses of the current period	22,618,622.37	27,971,555.69
Amortization amount of government subsidies related to assets	8,683,691.00	6,654,908.45
Amortization amount of government subsidies related to income	2,563,800.24	3,196,411.77
Return of individual income tax service charge	9,581,633.20	4,117,861.85

Others	4,473,124.93	236,716.90
Total	47,920,871.74	42,177,454.66

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	16,811,914.40	55,086,478.34
Other non-current financial assets	-12,215,037.59	-1,997,550.27
Total	4,596,876.81	53,088,928.07

Other explanations: None.

56. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Gain on long-term equity investment subject to accounting with equity method	506,633,970.31	447,048,881.55
Investment income on financial assets held for trading during holding period		4,649,639.30
Investment income from disposal of financial assets held for trading	-12,988,016.22	-3,681,651.93
Investment income on other non-current financial assets during holding period	3,427,111.75	9,774,283.29
Others	-19,574,751.35	-36,248,986.65
Total	477,498,314.49	421,542,165.56

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	-88,711,574.60	-70,022,581.61
Bad debt losses on other receivables	5,949,239.48	-4,658,000.68
Total	-82,762,335.12	-74,680,582.29

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	-3,578,591.92	19,008,334.90
II. Impairment losses of fixed assets	-2.61	
Total	-3,578,594.53	19,008,334.90

Other explanations: None.

59. Gains on disposal of assets

Unit: RMB

Sources of gains on disposal of assets	Amount for the current period	Amount for the previous period
Profit from disposal of non-current assets	-552,966.50	-1,518,121.18

Profit from disposal of right-of-use assets	-1,039,168.13	6,921,199.69
Total	-1,592,134.63	5,403,078.51

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	83,877.29	118,961.77	83,877.29
Others	4,347,824.42	1,883,762.52	4,347,824.42
Total	4,431,701.71	2,002,724.29	4,431,701.71

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	3,130,241.66	1,782,430.73	3,130,241.66
Losses from destruction and scrapping of non-current assets	149,829.54	2,554,617.83	149,829.54
Others	1,475,553.56	7,731,425.67	1,475,553.56
Total	4,755,624.76	12,068,474.23	4,755,624.76

Other explanations: None.

62. Income tax expenses**(1) Table of income tax expenses**

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Current income tax expenses	572,852,946.49	466,976,774.03
Deferred income tax expenses	-90,787,456.62	10,044,063.58
Total	482,065,489.87	477,020,837.61

(2) Adjustment process of accounting profits and income tax expenses

Unit: RMB

Item	Amount for the current period
Total profits	3,672,028,340.83
Income tax expenses calculated at statutory/applicable tax rate	550,804,223.44
Effect of different tax rates applied to subsidiaries	9,889,414.52
Effect of adjusting income tax for prior periods	21,422,983.13
Effect of non-taxable income	-84,711,802.92
Effect of non-deductible costs, expenses and losses	4,892,876.32

Effect of use of deductible losses of deferred income tax assets not recognized in prior periods	-14,438,822.17
Effect of deductible temporary differences or deductible losses of deferred income tax assets not recognized in the current period	17,958,737.01
Changes in opening balance of deferred income tax assets/liabilities arising from tax rate adjustments	112,528.27
Extra tax deductions for R&D costs	-11,388,915.56
Others	-12,475,732.17
Income tax expenses	482,065,489.87

Other explanations: None.

63. Other comprehensive income

For details, please refer to Note 45 “Other comprehensive income.”

64. Cash flow statements

(1) Cash relating to operating activities

Other cash received relating to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest income	160,542,220.78	117,918,059.78
Deposits and guarantees	58,473,746.22	33,232,300.23
Government subsidy	51,052,696.48	45,035,330.05
Current account and petty cash	45,935,859.53	22,933,663.17
Others	39,393,081.70	24,074,492.02
Total	355,397,604.71	243,193,845.25

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

Other cash payments relating to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Cost expenditures	1,191,200,957.11	1,110,973,561.62
Deposits and guarantees	22,936,940.61	55,898,519.37
Current account and petty cash	87,712,907.26	84,345,105.68
Others	9,721,745.05	20,693,358.89
Total	1,311,572,550.03	1,271,910,545.56

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

(2) Cash relating to investment activities

Other cash received relating to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Principal and interest of time deposits and other financial products redeemed	3,807,040,500.00	363,000,000.00
Total	3,807,040,500.00	363,000,000.00

Major cash received relating to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Bank deposit products such as time deposits	3,807,040,500.00	363,000,000.00
Total	3,807,040,500.00	363,000,000.00

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

Other cash payments relating to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Bank deposit products such as time deposits	2,936,895,000.00	697,318,800.00
Total	2,936,895,000.00	697,318,800.00

Major cash payments relating to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Bank deposit products such as time deposits	2,936,895,000.00	697,318,800.00
Total	2,936,895,000.00	697,318,800.00

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

(3) Cash relating to financing activities

Other cash received relating to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Individual income tax on dividends and bonuses	40,525,603.23	
Total	40,525,603.23	

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

Other cash payments relating to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Lease payment	45,614,567.75	34,255,797.15
Individual income tax on dividends and bonuses	24,887,761.50	
Dividend handling fee	1,515,823.13	2,219,511.75
Return of minority equity		4,900,000.00

Total	72,018,152.38	41,375,308.90
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Explanation on other cash payments relating to financing activities: None.

Change of liabilities resulting from financing activities

Applicable Not applicable

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term loans	1,747,303,700.34	621,833,122.14	42,423,845.52	534,444,021.82	732,668,976.86	1,144,447,669.32
Dividends payable	86,490,742.04	-	14,984,329.05	14,129,398.81	-	87,345,672.28
Lease liabilities (including lease liabilities due within one year)	247,083,412.30	-	69,875,724.37	43,697,595.20	11,065,551.43	262,195,990.04
Long-term loans	2,100,000.00	-	-	-	-	2,100,000.00
Total	2,082,977,854.68	621,833,122.14	127,283,898.94	592,271,015.83	743,734,528.29	1,496,089,331.64

(4) Explanation on reporting cash flows on a net basis: None.

(5) Major activities and financial impacts that do not involve current cash inflows and outflows, but may affect the financial condition of the company or potentially impact the company's future cash flows: None.

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	3,189,962,850.96	2,826,258,821.44
Plus: Impairment provision for assets	86,340,929.65	55,672,247.39
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	103,037,172.29	105,698,740.66
Depreciation of right-of-use assets	42,414,619.67	53,794,434.08
Amortization of Intangible assets	12,159,001.35	15,220,430.41
Amortization of long-term deferred expenses	19,405,792.34	14,699,584.40
Losses on disposal of fixed assets, intangible assets, and other long-term assets (gain is indicated with "-")	1,592,134.63	-5,403,078.51
Losses on scrapping of fixed assets (gain is indicated with "-")	65,952.25	2,435,656.06
Losses on changes in fair value (gain is indicated with "-")	-4,596,876.81	-53,088,928.07
Financing expenses (gain is indicated with "-")	27,648,907.91	18,798,896.05
Investment losses (gain is indicated with "-")	-477,498,314.49	-421,542,165.56

Decrease of deferred income tax assets (increase is indicated with “-”)	-107,322,722.98	36,123,144.16
Increase of deferred income tax liabilities (decrease is indicated with “-”)	16,535,266.36	-28,402,841.52
Decrease in inventories (increase is indicated with “-”)	450,556,841.55	1,078,680,567.88
Decrease in operating receivable items (increase is indicated with “-”)	-739,995,094.96	-274,823,081.61
Increase in operating payable items (decrease is indicated with “-”)	623,860,555.14	-1,172,171,057.16
Others	17,450,377.13	
Net cash flows from operating activities	3,261,617,391.99	2,251,951,370.10
2. Major investment and financing activities irrelevant to cash income and expense:		
Conversion of debt 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	14,062,236,665.43	12,502,738,350.39
Less: Opening balance of cash	14,151,765,468.49	13,046,160,012.47
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-89,528,803.06	-543,421,662.08

(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	14,062,236,665.43	14,151,765,468.49
Including: Cash on hand	156,115.36	258,600.92
Bank deposit available for payment at any time	14,021,000,581.37	14,114,677,091.39
Other cash and bank balance available for payment at any time	41,079,968.70	36,829,776.18
III. Cash and cash equivalents at the end of the reporting period	14,062,236,665.43	14,151,765,468.49

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

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

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Reasons for not being cash or cash equivalents
Guarantee deposits, banker's acceptance deposits, performance bonds, etc.	46,583,430.74	48,618,045.43	Cannot be withdrawn at any time
Earmarked for housing maintenance in reformed housing	2,643,785.07	2,643,393.65	Cannot be withdrawn at any time
For property preservation	500,000.00	500,000.00	Cannot be withdrawn at any time
Special fund for paying the cost of employee status conversion in state-owned enterprises	607,599,650.11	14,816,169.10	Cannot be withdrawn at any time
Total	657,326,865.92	66,577,608.18	

Other explanations: None.

(7) Explanation on other major 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			162,766,821.67
Including: USD	2,976,515.26	7.12680	21,213,028.95
Euro	1,929,841.54	7.66170	14,785,866.99
HKD	137,713,107.95	0.91268	125,687,999.37
Japanese yen	8,883,065.07	0.04474	397,408.33
South Korean won	21,324,422.00	0.00519	110,643.59
THB	1,711,328.16	0.19516	333,983.13
CAD	918.00	5.22740	4,798.75
CHF	22,099.80	7.94710	175,629.32
SGD	10,885.25	5.27900	57,463.24
Accounts receivable			47,256,938.56
Including: USD	5,974,062.03	7.12680	42,575,945.24
Euro			
HKD	5,123,199.24	0.91268	4,675,841.48
SGD	975.91	5.27900	5,151.83

Other current assets			116,148,518.10
Including: HKD	10,131,172.05	0.91268	9,246,518.10
USD	15,000,000.00	7.12680	106,902,000.00
Accounts payable			409,239.59
Including: HKD	7,048.31	0.91268	6,432.86
USD	56,520.00	7.12680	402,806.74
Other receivables			31,640,749.55
Including: HKD	34,582,619.42	0.91268	31,562,865.09
THB	136,499.68	0.19516	26,639.30
CAD	966.73	5.22740	5,053.51
SGD	8,750.07	5.27900	46,191.65
Contractual liabilities			1,847,598.36
Including: HKD	2,024,365.99	0.91268	1,847,598.36
Other payables			21,517,266.51
Including: HKD	23,522,653.91	0.91268	21,468,655.77
Japanese yen	860,094.00	0.04474	38,478.67
THB	51,916.67	0.19516	10,132.07

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

Item	Amount
Variable lease payments not included in the measurement of lease liabilities	844,324.23

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

Applicable Not applicable

Item	Amount
Simplified handling of fees of short-term leasing or leasing of low value assets	9,272,419.16

After-sales leaseback transactions: None.

(2) The Company as the lessor

Operating lease as a 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	8,576,483.93	
Total	8,576,483.93	

Financial lease as a 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 distributorApplicable Not applicable**69. Others: None.****VIII. R&D Expenditure**

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	68,969,121.01	63,827,625.06
Commissioned R&D cost	39,828,301.28	37,031,505.21
Materials consumption and inspection fees	22,936,642.33	25,595,002.64
Depreciation and amortization	5,746,520.33	4,753,074.27
New product design fee	4,615,013.16	2,732,730.98
Information technology R&D expenses	8,893,284.22	4,155,924.21
Labor expenses		1,372,659.54
Others	5,090,246.14	8,375,625.27
Total	156,079,128.47	147,844,147.18
Including: Expensed R&D expenditure	148,043,019.34	144,819,933.66
Capitalized R&D expenditure	8,036,109.13	3,024,213.52

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)	14,452,474.57	8,036,109.13				22,488,583.70
Total	14,452,474.57	8,036,109.13	0.00	0.00	0.00	22,488,583.70

Important capitalized R&D projects: None.

Impairment provision for development 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 at the end of the current period of merger or on the fair value of acquirees' identifiable assets and liabilities: None.

(6) Other explanations: None.

2. Business combination under common control

(1) Business combination under common control in the current period: None.

(2) Merger cost: None.

(3) Book value of assets and liabilities of the merged entity on the date of merger: None.

3. Reverse purchase

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

4. Disposal of subsidiaries

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

Yes No

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

Yes No.

5. Changes in the consolidation scope due to other reasons

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

(1) Establishment of new subsidiaries

1) Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd made investments to set up and wholly own (i.e. 100% shareholding in) Hangzhou Shanqi Health Industry Co., Ltd with a registered capital of RMB 1 million, and included by Yunnan Baiyao in the consolidation scope since April 2024.

2) Yunnan Pharma made investments to set up and wholly own (i.e. 100% shareholding in) Yunnan Pharmaceutical Zhaotong Co., Ltd with a registered capital of RMB 1 million, and included by Yunnan Baiyao in the consolidation scope since March 2024.

(2) Cancellation of subsidiaries

Ban Loong Capital GP was cancelled in April 2024.

6. Others: None.

X. Interest in Other Entities

1. Interest in subsidiaries

(1) Composition of the Group

Unit: RMB

Subsidiary name	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 City	Kunming City	Pharmaceutical industry	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Medicine E-commerce Co., Ltd.	30,000,000.00	Kunming City	Kunming City	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 City	Wuxi City	Pharmaceutical industry	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	15,515,000.00	Dali City	Dali City	Pharmaceutical industry	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Health Products Co., Ltd.	84,500,000.00	Chuxiong City	Chuxiong City	Production and sales of health and daily chemical products	100.00%	0.00%	Set-up or investment
Yunnan Pharmaceutical Co., Ltd.	1,000,000,000.00	Kunming City	Kunming City	Pharmaceutical wholesale and retail	100.00%	0.00%	Share placement
Yunnan Institute of Materia Medica	54,080,000.00	Kunming City	Kunming City	New drug R&D	100.00%	0.00%	Business combination under common control

Yunnan Baiyao Holding Investment Co., Ltd.	100,000,000.00	Kunming City	Kunming City	Investment	100.00%	0.00%	Business combination under common control
Yunnan Baiyao Teayield Co., Ltd.	20,000,000.00	Kunming City	Kunming City	Tea	100.00%	0.00%	Business combination under common control
Yunnan Baiyao Group (Hainan) Co., Ltd.	15,000,000.00	Hainan Province	Sanya City	Import and export agency, technical services, etc.	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Shanghai Co., Ltd.	15,000,000.00	Shanghai City	Shanghai City	Technical services	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	25,970,800.00	Hefei City	Hefei City	Medical device production and sales	100.00%	0.00%	Business combination not under common control
Shanghai Yunzhen Medical Technology Co., Ltd.	900,000.00	Shanghai City	Shanghai City	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 common control
Yunnan Baiyao Tiancui Business Management Co., Ltd.	3,000,000.00	Kunming City	Kunming City	Catering	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Beijing Co., Ltd.	50,000,000.00	Beijing City	Beijing City	Technical 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 and an entrustor: None.

Other explanations: None.

(2) Key non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Percentage of shares held by minority interests	Profits and losses attributable to minority shareholders in the current period	Dividends declared for distribution to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period
YNBY International Limited	26.32%	340,140.36		-57,498,782.96

Explanation of the inconsistency of the percentage of shares of 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	300,674,162.60	14,435,664.24	315,109,826.84	71,504,006.77	12,966,466.66	84,470,473.43	336,579,182.52	17,052,211.25	353,631,393.77	112,222,845.17	21,056,768.96	133,279,614.13

Unit: RMB

Name of subsidiary	Amount for the current period				Amount for the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profits	Total comprehensive income	Cash flows from operating activities
YNBY International Limited	329,187,942.18	1,292,326.58	2,612,331.99	-8,687,297.45	332,954,515.95	2,320,323.85	-1,911,698.88	3,010,639.68

Other explanations: None.

(4) Major restrictions on the use of assets and settlement of debts of the corporate group: None.**(5) Financial support or other support provided for structured entity included in the scope of consolidation for the consolidated financial statements: None.**

Other explanations: None.

2. Transaction in which the share of owners' equity in the subsidiary changes while control over the subsidiary remains unchanged**(1) Explanations on changes in the share of owners' equity in the subsidiary: None.****(2) Impact of the transaction on the minority shareholders' equity and the owners' equity attributable to the parent company: None.**

3. Interest in joint venture arrangements or associates

(1) Important joint ventures or associates

Name of joint ventures or associates	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	171,602,970,409.07	162,433,862,348.46
Non-current assets	49,732,901,419.99	49,538,671,418.34
Total assets	221,335,871,829.06	211,972,533,766.80
Current liabilities	129,104,115,224.21	122,371,879,034.89
Non-current liabilities	10,003,135,409.79	9,274,561,766.98
Total liabilities	139,107,250,634.00	131,646,440,801.87
Minority interests	12,237,937,041.77	11,801,949,913.58
Equity attributable to shareholders of the parent company	69,990,684,153.29	68,524,143,051.35
Share of net assets based on percentage of shareholding	12,579,285,681.50	12,316,447,243.08
Adjustment		
-- Goodwill	935,533,389.36	935,589,606.31
-- Unrealized profit on internal transactions	-9,717,206.74	-5,399,246.55
-- Others	-1,734,730,887.80	-1,709,991,043.28
Book value of equity investments in associates	11,770,370,976.32	11,536,646,559.56
Fair value of equity investments in associates for which publicly quoted prices exist	12,720,128,071.56	11,135,936,297.08
Operating revenue	139,413,145,524.43	132,592,157,323.37
Net profits	3,597,363,036.62	3,417,001,019.98
Net profits from discontinued operations		

Other comprehensive income	-35,643,937.69	-122,849,260.45
Total comprehensive income	3,561,719,098.93	3,294,151,759.53
Dividends received from associates during the year		

Other explanations: None.

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

Unit: RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Joint ventures:		
Total book value of investments		
Total of the followings based on the percentage of shareholdings		
-- Net profits		
-- Other comprehensive income		
-- Total comprehensive income		
Associates:		
Total book value of investments	13,057.71	142,253.18
Total of the followings based on the percentage of shareholdings		
-- Net profits	-226,188.91	-38,841.58
-- Other comprehensive income		-1,956.03
-- Total comprehensive income	-226,188.91	-40,797.61

Other explanations: None.

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

(6) Excess loss generated from joint ventures or associates

Unit: RMB

Name of joint ventures or associates	Accumulated losses in the previous periods that are accumulated and unrecognized	Unrecognized loss in the current period (or net profit shared in the current period)	Accumulated unrecognized losses at the end of the period
Lijiang Changgengming Trading Co., Ltd.	-199,216.33	-215,544.24	-414,760.57
Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.	-150,030.48	-9,269.01	-159,299.49

Other explanations: None.

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

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

4. Significant joint operation: None.

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

Explanations on structured entities not included in the scope of consolidation for the consolidated financial statements: None.

6. Others: None.

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	The amount included in non-operating income for the current period	The amount transferred to other income in the current period	Other changes in the current period	Closing balance	Related to assets/income
Deferred income	80,923,393.38	28,218,600.00		2,563,800.24	52,208.36	106,525,984.78	Related to income
Deferred income	157,887,717.66	4,665,700.00		8,683,691.00	2,100,000.00	151,769,726.66	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	33,866,113.61	37,822,875.91

Other explanations: None.

XII. Risks Associated with Financial Instruments

1. 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 a financial instrument or its 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 mainly operates within China, with RMB as its functional currency and its principal operations are settled in RMB. YNBY International, a subsidiary of the Group, mainly operates in Hong Kong, China, with Hong Kong dollars as its functional currency. The Group's exposure to foreign exchange risks is mainly related to US dollars and Hong Kong dollars. Exchange rate risk has an impact on the results of the Group's trading and overseas operations. The balance of the Group's foreign currency monetary items as at June 30, 2024 is as shown in Section 67 "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 10,967,690.76.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from bank loans and bonds payable and other interest-bearing long-term debts. Financial liabilities at floating rates expose the Group to the cash flow interest rate risk, and financial liabilities at fixed rates expose the Group to the fair value interest rate risk. The Group determines the relative proportion of contracts carrying fixed and floating rates according to prevailing market conditions. As at June 30, 2024, the Group's interest-bearing debt consisted mainly of fixed-rate borrowing contracts denominated in RMB, and ultra short-term financing bonds denominated in RMB, both totally amounting to RMB 1,743,339,680.52 (or RMB 1,016,734,728.09 at the end of the previous year), and the exposure to changes in market interest rates was not material.

(3) Other price risk

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

As at June 30, 2024, if the expected price at which the Group holds the above types of investments had increased or decreased by 5%, while other factors remained unchanged, the Group would have increased or decreased its net profit by approximately RMB 13,040,457.27.

2. Credit risk

On June 30, 2024, the maximum exposure to credit risk that could cause the Group's financial loss is mainly due to losses on the Group's financial assets arising from the failure of the other party to perform its obligations under the contract and financial guarantees undertaken by the Group, including:

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

The financial guarantee contract amount disclosed in Note 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, other payables, and short-term bonds payable in other current liabilities, which are expected to be repaid within 1 year.

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

Item	June 30, 2024				Total
	Within one year	1 to 2 years	2 to 3 years	Above 3 years	
Long-term loans				2,100,000.00	2,100,000.00
Total				2,100,000.00	2,100,000.00

2. Hedging

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

Applicable Not applicable

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

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

Applicable Not applicable

3. Financial assets

(1) Classification by type of transfer

Applicable Not applicable

(2) Derecognition of financial assets due to transfer

Applicable Not applicable

(3) Financial assets involved in continued assets transfer

Applicable Not applicable

Other explanations: None.

XIII. Disclosure of Fair Value

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

Unit: RMB

Item	Closing fair value			
	Level I fair value measurement	Level II fair value measurement	Level III fair value measurement	Total
I. Continuous fair value measurement	--	--	--	--
(I) Financial assets held for trading	142,160,745.34		904,654,300.00	1,046,815,045.34
(1) Investment in equity instruments	142,160,745.34			142,160,745.34
(2) Others			904,654,300.00	904,654,300.00
(II) Investment in other equity instruments			71,745,000.00	71,745,000.00
(III) Accounts receivable financing			1,723,807,715.55	1,723,807,715.55
(1) Notes receivable			1,723,807,715.55	1,723,807,715.55
(IV) Other non-current financial assets	118,648,400.00		193,810,942.04	312,459,342.04
(1) Investment in equity instruments	118,648,400.00		193,810,942.04	312,459,342.04

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

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

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

The items subject to level II continuous fair value measurement mainly include the wealth management products held by the Company. The profits or losses from fluctuation during the holding period are not recognized because the fair value fluctuation is small.

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

(1) Other non-current financial assets subject to level III continuous fair value measurement are the equity investment in non-listed companies held by the Company. The Company will obtain the annual auditor's report of the investee, consider the operating environment, operating conditions and financial status of the investee enterprise, and determine the closing fair value on the basis of the closing net assets of the company. Other investments in other equity instruments are the equity of non-listed companies held by the Company. In case the investee is a start-up biotechnology company, the Company, considering no substantial change in the business environment, operating conditions and financial status of the investee compared to the new investment, uses the investment cost as the best estimate of fair value in the current period.

(2) The accounts receivable financing subject to level III fair value measurement are the notes receivable held by the Company, mainly including banker's acceptance bill. Its credit risk is negligible, its remaining term is short

(less than 12 months), and its book value is close to its fair value. Therefore, the Company uses the book value as its fair value.

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

None.

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

None.

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

None.

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

The financial assets and liabilities 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 Holdings Group. After the equity transfer, Yunnan Investment Holdings Group 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 X 3(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
Yunnan Renjiu Technology Co., Ltd.	Former minority shareholder that has significant influence on the subsidiary
Yunnan Tianma Pharmaceutical Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Jianshui County Xingda Medicine Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Baoshan Medicine Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Qiubei County Wanhe Pharmaceutical Industry 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 Industry Group Co., Ltd	Minority shareholder that has significant influence on the subsidiary
Dali Hongxu Trading 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 Industry Rixin Co., Ltd	Sub-subsidiary of the substantial shareholder
Yunnan Mingbo Industrial Co., Ltd	Sub-subsidiary of the substantial shareholder
Yunnan Medical Investment Management Group Kunming Technology Co., Ltd	Sub-subsidiary of the substantial shareholder
Yunnan Pharmaceutical Technology Development and Operation Co., Ltd	Subsidiary of the substantial shareholder
YEIG Power Assembly Park Development Co., Ltd	Subsidiary of the substantial shareholder
YEIG Property Services Co., Ltd.	Sub-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.	Sub-subsidiary of the substantial shareholder
Teh-Ho Canned-Food Company	Subsidiary of the substantial shareholder
Quanzhou New Huadu Shopping Mall Co., Ltd.	Subsidiary of the substantial shareholder
Kunming Jinkuan Commerce & Trade Co., Ltd.	Company controlled by the former related party
Shanghai Skynet Brand Management Co., Ltd.	Equity participation company of the subsidiary of the substantial shareholder

Other explanations: None.

5. Related party transactions

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

Information of commodities purchased/labor services accepted

Unit: RMB

Related party	Contents of related party transaction	Amount for the current period	Approved transaction limit	Whether exceeding the transaction limit	Amount for the previous period
YEIG Property Services Co., Ltd.	Acceptance of labor services	556,163.40			
Shanghai Skynet Brand Management Co., Ltd.	Anti-counterfeiting laser label authorization for Yangyuanqing Dunhuang series	312,388.51			78,849.56
Yunnan Pharmaceutical Technology Development and Operation Co., Ltd	Medicine	96,004.80			
Yunnan Jingxing Pharmaceutical Industry Group Co., Ltd	Medicine	795,327.66			
Kunming Yusi Pharmaceutical Co., Ltd.	Medicine	175,546.21			
Yunnan Salt Industry Rixin Co., Ltd.	Purchase of raw materials	-29,996.79			
Yunnan Salt Wenshan Co., Ltd.	Purchase of industrial salt				30,265.49
Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	Purchase of goods and services	384,427,584.24	1,200,000,000.00		307,157,849.91
Yunnan Mingbo Industrial Co., Ltd.	Purchase of goods	2,206,963.03			3,426,512.63

Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries	Purchase of medical devices, goods, and drugs	16,306,419.41	50,000,000.00		20,884,737.52
Teh-Ho Canned-Food Company and its subsidiaries	Purchase of goods	419,713.42			521,823.37
Kunming Jinkuan Commerce & Trade Co., Ltd.	Purchase of goods and services				
Quanzhou New Huadu Shopping Mall Co., Ltd.	Purchase of services				
Yunnan Medical Investment Management Group Kunming Technology Co., Ltd.	Purchase of goods				
Yunnan Salt Lijiang Co., Ltd.	Purchase of salt products				309.73

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
Yunnan Baoshan Medicine Co., Ltd.	Sales of medicine	5,572.23	-182,136.79
Yunnan Pharmaceutical Technology Development and Operation Co., Ltd	Sales of medicine	6,514,704.02	
Yunnan Jingxing Pharmaceutical Industry Group Co., Ltd	Sales of medicine	9,531,505.43	
Kunming Guiyan New Material Technology Co., Ltd.	Testing fee	2,830.19	3,000.00
Lijiang Changgengming Trading Co., Ltd.	Sales of medicine	117,214.19	256,108.86
Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	Sales of goods	296,906,681.67	228,849,181.50
Tibet Jiushi Zhihe Marketing Co., Ltd.	Sales of goods	114,508,530.93	113,247,658.02
Kunming Jinkuan Commerce & Trade Co., Ltd.	Sales of goods		31,031,200.04

Explanations on related party transactions on purchase and sales of goods and rendering and receiving of services: None.

(2) Trusteeship/contracting and entrusted management/outsourcing: None.

(3) Lease between related parties

The Company as the lessor: None.

The Company as the lessee:

Unit: RMB

Name of lessor	Type 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-of-use assets	
		Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period
YEIG Power Assembly Park Development Co., Ltd.	Workshop							88,443.37	114,210.95		
Yunnan Baoshan Medicine Co., Ltd.	Real estate, facilities and equipment, vehicles					5,627,570.16				229,286.90	
Kaiyuan Sanfa Pharmaceutical Trade Co., Ltd.	Office equipment, transportation vehicles	301,238.94					602,477.88				
Yunnan Tianma Pharmaceutical Co., Ltd.	House, transportation vehicles					385,321.10	420,000.00	8,740.00	25,340.65		
Yunnan Jianshui County Xingda Medicine Co., Ltd.	House						1,552,123.81	58,290.27	15,144.50	7,545,479.15	

Explanations on lease between related parties: None.

(4) Related party guarantees: None.

(5) Borrowings with related party: None.

(6) Asset transfer and debt restructuring of related parties: None.

(7) Remuneration to key management personnel

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Remuneration to key management personnel	17,481,615.90	48,289,461.36

(8) Other related party transactions: None.**6. Amounts receivable from and payable to related parties****(1) Receivables**

Unit: RMB

Item name	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Accounts receivable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	26,757,743.29	1,335,690.88	14,929,453.95	588,430.73
Accounts receivable	Yunnan Baoshan Medicine Co., Ltd.	2,450.65	122.53		
Accounts receivable	Yunnan Pharmaceutical Technology Development and Operation Co., Ltd	18,780.70	939.04	16,253.88	812.69
Accounts receivable	Yunnan Jingxing Pharmaceutical Industry Group Co., Ltd	5,056,493.32	252,824.67	256,854.37	12,842.72
Accounts receivable	Lijiang Changgengming Trading Co., Ltd.	2,693,654.43	767,754.81	2,717,793.63	610,834.92
Accounts receivable	Tibet Jiushi Zhihe Marketing Co., Ltd.	121.00	6.05		
Prepayment	Qiubei County Wanhe Pharmaceutical Industry Co., Ltd.	72,206.41			
Prepayment	Yunnan Medical Investment Management Group Kunming Technology Co., Ltd	28,871.00			
Prepayment	Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries			1,185,072.72	
Prepayment	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries			205,957.44	
Other receivables	Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.	179,940.16	158,464.23	179,791.57	158,771.36
Other receivables	Lijiang Changgengming Trading Co., Ltd.	31,067.02	1,553.35		
Dividends receivable	Shanghai Pharmaceuticals Holding Co., Ltd.	272,906,986.36			
Notes receivable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries			689,199.51	
Accounts receivable financing	Tibet Jiushi Zhihe Marketing Co., Ltd.	11,880,281.00		1,544,428.80	

Accounts receivable financing	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	21,561,996.94		8,225,916.72	
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(2) Payables

Unit: RMB

Item name	Related party	Closing book balance	Opening book balance
Accounts payable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	77,196,031.46	60,976,451.66
Accounts payable	Yunnan Mingbo Industrial Co., Ltd	409,608.22	28,682.85
Accounts payable	Yunnan Pharmaceutical Technology Development and Operation Co., Ltd	17,822.80	
Accounts payable	Yunnan Jingxing Pharmaceutical Industry Group Co., Ltd.	61,308.63	
Accounts payable	Kunming Yusi Pharmaceutical Co., Ltd.	111,740.89	196,663.49
Accounts payable	Yunnan Salt Industry Rixin Co., Ltd.	8,403.60	42,300.00
Accounts payable	Yunnan Medical Investment Management Group Kunming Technology Co., Ltd.		907,736.56
Accounts payable	Chuxiong Jiayuan Medicine Co., Ltd.		3,126.32
Accounts payable	Qiubei County Wanhe Pharmaceutical Industry Co., Ltd.		10,779.90
Accounts payable	Yunnan Renjiu Technology Co., Ltd.		0.30
Accounts payable	Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries	16,426,585.07	
Accounts payable	Teh-Ho Canned-Food Company and its subsidiaries	128,161.59	44,515.35
Notes payable	Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries	548,608.11	11,503,853.81
Notes payable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	40,461.60	1,745,473.86
Contractual liabilities	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	41,340,167.06	50,412,199.36
Contractual liabilities	Tibet Jiushi Zhihe Marketing Co., Ltd.	11,600,220.36	2,427,757.00
Contractual liabilities	Yunnan Baoshan Medicine Co., Ltd.		567,217.96
Other payables	Chuxiong Jiayuan Medicine Co., Ltd.		604.80
Other payables	Kaiyuan Sanfa Pharmaceutical Trade Co., Ltd.		12,831.86
Other non-current liabilities due within one year	YEIG Power Assembly Park Development Co., Ltd	1,185,189.56	1,185,189.56
Other non-current liabilities due within one year	Yunnan Jianshui County Xingda Medicine Co., Ltd.	1,629,730.00	
Other non-current liabilities due within one year	Yunnan Tianma Pharmaceutical Co., Ltd.	385,321.11	761,902.21
Other non-current liabilities due within one year	Yunnan Baoshan Medicine Co., Ltd.		2,610,019.14
Other non-current liabilities due within one year	Yunnan Jingxing Pharmaceutical Industry Group Co., Ltd		526,744.88
Lease liabilities	Yunnan Jianshui County Xingda Medicine Co., Ltd.	5,974,039.42	

Lease liabilities	Yunnan Jingxing Pharmaceutical Industry Group Co., Ltd.	537,176.49	
Lease liabilities	YEIG Power Assembly Park Development Co., Ltd	2,792,341.92	3,889,088.11
Lease liabilities	Yunnan Baoshan Medicine Co., Ltd.		2,714,419.89
Dividends payable	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government, New Huadu Industrial Group Co., Ltd.	86,490,742.04	86,490,742.04
Dividends payable	Dali Hongxu Trading Co., Ltd.	854,930.24	
Trade payable	Kunming Jinkuan Commerce & Trade Co., Ltd.	60,076.28	60,963.52

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. Expenses for share-based payment during the current 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.

On April 22, 2024, Yunnan Yuncheng Hospital Management Co., Ltd held a shareholders’ meeting, at which the shareholders not only unanimously agreed to terminate Chenggong Hospital PPP project (Phase I project) of the First Affiliated Hospital of Kunming Medical University, but also unanimously agreed to terminate the PPP project contracts, investment agreements, and drug distribution project agreements. Currently, the Project Company is subject to liquidation.

(2) Where the Company had no significant contingencies to disclose, explanation is also required

The Company had no significant contingencies to disclose.

3. Others: None.

XVII. Events Subsequent to the Balance Sheet Date

1. Important non-adjusting events: None.

2. Profit distribution: None.

3. Sales return: None.

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

XVIII. Other Significant Events

1. Correction of previous accounting errors: None.

2. Debt restructuring: None

3. Assets exchange: None

4. Annuity plan

(1) In accordance with the *Trial Measures for Enterprise Annuity* and *Trial Measures for Enterprise Annuity Fund Management* of the Ministry of Labor and Social Security, as well as the *Letter Yun Lao She Han [2006] No. 267* of Department of Labor and Social Security of Yunnan Province, the Company was approved to establish an enterprise annuity. The investment manager of the enterprise annuity fund is Fullgoal Fund Management Co., Ltd., and the trustee of the enterprise annuity fund is China Merchants Bank Co., Ltd. The enterprise contribution shall be paid annually at 5% of the total salary of the employees of the Company in the previous year, and the individual

contribution of the employees shall be paid at 10% of the unit contribution. The individual contribution shall be collected and paid by the Company from the employee's salary.

(2) According to the replies of Yunnan Provincial Department of Human Resources and Social Security (*Yun Ren She Letter [2009] No.79*) and Kunming Municipal Labor and Social Security Bureau (*Kun Lao She Han [2008] No.204*) on the *Enterprise Annuity Implementation Plan of Yunnan Pharma*, Yunnan Pharma, a subsidiary of the Company, was approved to establish an enterprise annuity. The investment manager of the enterprise annuity fund is Ping An Annuity Insurance Company of China, Ltd, and the trustee of the enterprise annuity fund is China Merchants Bank Co., Ltd. According to the plan, the enterprise contribution shall be paid annually at no more than 8.33% of the total salary of the employees of Yunnan Pharma in the previous year, and the individual contribution of the employees shall be paid at 10% of the unit contribution.

(3) According to the replies of Yunnan Provincial Department of Human Resources and Social Security (*Yun Ren She Letter [2009] No.79*) and Kunming Municipal Labor and Social Security Bureau (*Kun Ren She Han [2016] No.21*) on the *Enterprise Annuity Implementation Plan of Yunnan Institute of Materia Medica*, Yunnan Institute of Materia Medica, a subsidiary of the Company, was approved to establish an enterprise annuity. 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 segments, or the total assets and total liabilities of the reporting segments cannot be disclosed, please explain the reason: None.

(4) Other explanations: None.

7. Other significant transactions and matters that have an impact on investors' decision-making: None.

8. Others: None.

XIX. Notes to Major Items of Financial Statements of the Parent Company

1. Accounts receivable

(1) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive of 1 year)	1,018,219,594.34	614,449,599.26
1 to 2 years	86,744,749.78	85,846,594.74
2 to 3 years	12,417,125.23	5,516,424.89
Above 3 years	647,282,502.25	645,998,164.53
Total	1,764,663,971.60	1,351,810,783.42

(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	Percentage	Amount	Provision proportion		Amount	Percentage	Amount	Provision proportion	
Including:										
Accounts receivable with provision for bad debts on portfolio basis	1,764,663,971.60	100.00%	22,963,808.71	1.30%	1,741,700,162.89	1,351,810,783.42	100.00%	20,902,222.46	1.55%	1,330,908,560.96
Including:										
Accounts receivable from external customers	86,972,857.37	4.93%	22,963,808.71	26.40%	64,009,048.66	79,297,162.59	5.87%	20,902,222.46	26.36%	58,394,940.13
Accounts receivable from related party customers	1,677,691,114.23	95.07%			1,677,691,114.23	1,272,513,620.83	94.13%			1,272,513,620.83
Total	1,764,663,971.60	100.00%	22,963,808.71	1.30%	1,741,700,162.89	1,351,810,783.42	100.00%	20,902,222.46	1.55%	1,330,908,560.96

Provision for bad debts made on portfolio basis:

Unit: RMB

Name	Closing balance
------	-----------------

	Book balance	Provision for bad debts	Provision proportion
Accounts receivable from external customers	86,972,857.37	22,963,808.71	26.40%
Accounts receivable from related party customers	1,677,691,114.23		
Total	1,764,663,971.60	22,963,808.71	

Explanation on the basis for determining the portfolio: None.

If provision was made for bad debts of accounts receivable in accordance with the general excepted credit loss model:

Applicable Not applicable

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

(4) Actual write-off of accounts receivable for the period: None.

(5) Top five customers with 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 closing balance of accounts receivable and contractual assets	Closing balance of provision for bad debt of accounts receivable and provision for impairment of contractual assets
Customer A	651,239,757.21		651,239,757.21	36.90%	
Customer B	555,972,839.87		555,972,839.87	31.51%	
Customer C	184,490,481.83		184,490,481.83	10.45%	
Customer D	132,081,466.31		132,081,466.31	7.48%	
Customer E	90,032,281.96		90,032,281.96	5.10%	
Total	1,613,816,827.18		1,613,816,827.18	91.44%	

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable	272,906,986.36	4,531,100.00
Other receivables	6,116,913,020.41	4,122,557,802.76
Total	6,389,820,006.77	4,127,088,902.76

(1) Interest receivable

1) Interest receivable by type: None.

2) Major overdue interest: None.

3) Disclosure by provision for bad debts

Applicable Not applicable

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

5) Actual write-off of interest receivable for the period: None.

(2) Dividends receivable

1) Dividends receivable by type

Unit: RMB

Project (or investee)	Closing balance	Opening balance
Jacobson Pharma Corporation Limited		4,531,100.00
Shanghai Pharmaceuticals Holding Co., Ltd.	272,906,986.36	
Total	272,906,986.36	4,531,100.00

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

3) Disclosure by provision for bad debts

Applicable Not applicable

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

5) Actual write-off of dividends receivable for the period: None.

(3) Other receivables

1) Other receivables by nature

Unit: RMB

Nature of payment	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Amounts from related parties within the scope of consolidation	6,245,637,078.87	4,254,011,881.88
Deposits and guarantees	9,326,051.55	14,347,777.84
Petty cash	14,831,329.01	7,104,113.05
Total	6,269,794,459.43	4,275,463,772.77

2) Disclosure by aging

Unit: RMB

Aging	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Within 1 year (inclusive of 1 year)	3,054,259,156.11	1,864,972,976.56
1 to 2 years	1,265,416,376.08	943,970,831.13
2 to 3 years	800,183,513.08	677,614,286.73
Above 3 years	1,149,935,414.16	788,905,678.35
Total	6,269,794,459.43	4,275,463,772.77

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	Percentage	Amount	Provision proportion		Amount	Percentage	Amount	Provision proportion	
Including:										
Provision for bad debts on portfolio basis	6,270,020,427.16	100.00%	152,881,439.02	2.44%	6,117,138,988.14	4,275,463,772.77	100.00%	152,905,970.01	3.58%	4,122,557,802.76
Including:										
Aging portfolio	24,383,348.29	0.39%	6,906,769.48	28.33%	17,476,578.81	21,451,890.89	0.50%	6,931,300.47	32.31%	14,520,590.42
Related party portfolio	6,245,637,078.87	99.61%	145,974,669.54	2.34%	6,099,662,409.33	4,254,011,881.88	99.50%	145,974,669.54	3.43%	4,108,037,212.34
Total	6,270,020,427.16	100.00%	152,881,439.02	2.44%	6,117,138,988.14	4,275,463,772.77	100.00%	152,905,970.01	3.58%	4,122,557,802.76

Provision for bad debts in accordance with the general excepted 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, 2024	152,905,970.01	0.00		152,905,970.01
Balance as of January 1, 2024 in the current period				
--Transfer to Phase II				0.00
--Transfer to Phase III				0.00
--Reversal to Phase II				0.00
--Reversal to Phase I				0.00
Current provision				0.00
Current reversal	24,530.99			24,530.99
Current resales				0.00
Current write-off				0.00
Other changes				0.00
Balance as of June 30, 2024	152,881,439.02			152,881,439.02

Basis for classification of phases and percentage 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 reporting period

Provision for bad debts during the reporting period:

Unit: RMB

Category	Opening balance	Changes in amount for the period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Other accounts receivable with provision for bad debts on portfolio basis by credit risk characteristics	152,905,970.01	619,867.19	644,398.18			152,881,439.02
Total	152,905,970.01	619,867.19	644,398.18			152,881,439.02

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

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

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

Unit: RMB

Entity name	Nature of payment	Closing balance	Aging	Percentage of total of closing balance of other receivables	Closing balance of provision for bad debts
Entity A	Amounts from related parties within the scope of consolidation	1,701,366,161.86	Within 1 year, 1 to 2 years, 2 to 3 years	27.13%	
Entity B	Amounts from related parties within the scope of consolidation	1,378,993,166.06	Within 1 year, 1 to 2 years, 2 to 3 years, above 3 years	21.99%	
Entity C	Amounts from related parties within the scope of consolidation	824,545,699.09	Within 1 year, 1 to 2 years, 2 to 3 years	13.15%	
Entity D	Amounts from related parties within the scope of consolidation	748,952,791.58	Within 1 year, 1 to 2 years, 2 to 3 years	11.94%	
Entity E	Amounts from related parties within the scope of consolidation	383,990,715.51	Within 1 year, 1 to 2 years, 2 to 3 years, above 3 years	6.12%	
Total		5,037,848,534.10		80.33%	

7) Those 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	2,573,195,450.92	244,474,941.95	2,328,720,508.97
Investments in associates and joint ventures	11,787,556,522.70		11,787,556,522.70	11,553,542,823.25		11,553,542,823.25
Total	14,360,751,973.62	244,474,941.95	14,116,277,031.67	14,126,738,274.17	244,474,941.95	13,882,263,332.22

(1) Investments in subsidiaries

Unit: RMB

Investee	Opening balance (book value)	Opening balance of impairment provision	Increase and decrease in the current period				Closing balance (book value)	Closing balance of impairment provision
			Additional investment	Decreased investment	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.	85,700,000.00						85,700,000.00	
Shanghai Yunzhen Medical Technology Co., Ltd.	200,572,858.37						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	2,328,720,508.97	244,474,941.95					2,328,720,508.97	244,474,941.95

(2) Investments in associates and joint ventures

Unit: RMB

Investor	Opening balance (book value)	Opening balance of impairment provision	Increase and decrease in the current period							Closing balance (book value)	Closing balance of impairment provision	
			Additional investment	Decreased investment	Profits and losses on investments recognized under the equity method	Adjustment of other comprehensive income	Change in other equities	Cash dividends or profit declared to be issued	Provision for impairment			Others
I. Joint ventures												
Shanghai Pharmaceuticals Holding Co., Ltd.	11,537,291,236.28				497,175,749.72	-5,825,439.28	15,607,562.45	272,906,986.36			11,771,342,122.81	
Yunnan Tianzheng Testing Co., Ltd.	16,251,586.97				-37,187.08						16,214,399.89	
Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.												
Subtotal	11,553,542,823.25	0.00	0.00	0.00	497,138,562.64	-5,825,439.28	15,607,562.45	272,906,986.36	0.00	0.00	11,787,556,522.70	0.00
II. Associates												
Total	11,553,542,823.25		0.00	0.00	497,138,562.64	-5,825,439.28	15,607,562.45	272,906,986.36	0.00	0.00	11,787,556,522.70	

The recoverable amount is determined by the net amount of fair value minus disposal expenses

Applicable Not applicable

The recoverable amount is determined by the present value of expected 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

For details of Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd., please refer to “X. Rights and interests in other entities - 3. Rights and interests in joint venture arrangements or associates.”

4. Operating revenue and operating cost

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal businesses	4,449,661,598.70	1,837,265,009.69	4,029,037,887.33	1,837,757,275.70
Other businesses	75,993,077.06	62,495,542.18	41,638,215.70	49,750,053.44
Total	4,525,654,675.76	1,899,760,551.87	4,070,676,103.03	1,887,507,329.14

Details of operating revenue and operating cost:

Unit: RMB

Type of contract	Drug sales		TCM resources		Others		Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type	4,390,564,339.48	1,791,713,513.17	59,097,259.22	45,551,496.52	75,993,077.06	62,495,542.18	4,525,654,675.80	1,899,760,551.90
Including:								
Industry sales income	4,390,564,339.48	1,791,713,513.17					4,390,564,339.50	1,791,713,513.20
Commercial sales income			59,097,259.22	45,551,496.52			59,097,259.20	45,551,496.50
Others					75,993,077.06	62,495,542.18	75,993,077.10	62,495,542.20
By operating areas	4,390,564,339.48	1,791,713,513.17	59,097,259.22	45,551,496.52	75,993,077.06	62,495,542.18	4,525,654,675.80	1,899,760,551.90
Including:								
In Yunnan province	581,773,978.64	311,332,632.01	58,119,277.57	44,611,129.55	75,993,077.06	62,495,542.18	715,886,333.3	418,439,303.7
Outside Yunnan province (excluding overseas)	3,808,790,360.84	1,480,380,881.16	977,981.65	940,366.97			3,809,768,342.5	1,481,321,248.1
Overseas								

Information related to performance obligations: None.

Other explanations: None.

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

Significant contractual changes or significant transaction price adjustments: None.

Other explanations: None.

5. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Long-term equity investment incomes accounted by the equity method	497,138,562.64	438,812,247.13
Investment income on financial assets held for trading during holding period		4,639,488.08

Investment income from disposal of financial assets held for trading		-3,681,651.93
Investment income from other non-current financial assets during the holding period	3,427,111.75	5,000,000.00
Others	-21,173,817.57	2,014,422.25
Total	479,391,856.82	446,784,505.53

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	-1,658,086.88	
Government subsidies included in the current profit and losses (excluding the government subsidies closely related to regular businesses of the Company, in line with national policies, enjoyed by the Company according to definite standards, and affecting constantly the Company's profits and losses)	34,220,746.37	
Except for effective hedging business related to the normal operation of the company, profits and losses arising from changes in fair value of financial assets and financial liabilities held by non-financial enterprises, as well as profits and losses arising from disposal of financial assets and financial liabilities	-4,964,027.66	
Profits and losses from entrusted investments or asset management	3,003,994.06	
Non-operating revenue and expenses other than the above	-257,970.80	
Other profit and loss items that meet the definition of non-recurring profits and losses	27,441,539.97	
Less: Amount affected by the income tax	3,960,096.44	
Amount affected by minority interests (after tax)	11,536.45	
Total	53,814,562.17	--

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

Applicable Not applicable

Other profits and losses satisfying the definition of non-recurring profits and losses mainly include non-recurring profits and losses such as time deposit interest and value added tax reduction and exemption.

Note for the definition of non-recurring profits and losses set out in the *No.1 Explanatory Announcement on Information Disclosure for Companies of 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		Earnings per share
-------------------------------------	--	--------------------

	Weighted average return on equity	Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profits attributable to ordinary shareholders of the Company	7.93%	1.79	1.79
Net profits attributable to ordinary shareholders of the Company after the deducting non-recurring profits and losses	7.80%	1.76	1.76

3. Differences in the accounting data under the Chinese Accounting Standards (CAS) and overseas accounting standards

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

Applicable Not applicable

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

Applicable Not applicable

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

4. Others

None.

Yunnan Baiyao Group Co., Ltd.
Board of Directors
August 26, 2024