



廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

(a joint stock company with limited liability established in the People's Republic of China)

(H Share Stock code: 00874)



2025
INTERIM REPORT



- I. The Board, Supervisory Committee and the Directors, Supervisors and senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this interim report and confirms that there are no false information, misleading statements or material omissions in this interim report.
- II. As at the date of this interim report, the Board comprises Mr. Li Xiaojun, Ms. Cheng Ning, Mr. Cheng Hongjin, Mr. Tang Heping and Mr. Li Hong as executive directors, and Mr. Chen Yajin, Mr. Huang Min, Mr. Wong Lung Tak Patrick and Ms. Sun Baoqing as independent non-executive directors. The Directors were present at the 28th meeting of the ninth session of the Board, at which, independent non-executive directors, Mr. Chen Yajin, Mr. Wong Lung Tak Patrick and Ms. Sun Baoqing, attended the meeting by telephones.
- III. Mr. Li Xiaojun (the chairperson of the Company), Ms. Liu Fei (the person in charge of accounting) and Ms. Wu Chuling (the person in charge of the accounting department) declare that they warrant the truthfulness, accuracy and completeness of the financial reports contained in this interim report.
- IV. Profit distribution plan or plan of carrying over reserved funds to equity shares during the Reporting Period as considered by the Board

The Board of the Company has resolved to distribute profits based on the total number of issued shares registered on the record date for the equity distribution, and to pay an interim cash dividend of RMB0.40 per share (inclusive of tax) to all shareholders. As of 30 June 2025, the total number of issued shares of the Company is 1,625,790,949, resulting in a total proposed cash dividend of RMB650,316,379.60 (inclusive of tax). No bonus shares will be issued, and no capital reserve will be converted into share capital on this occasion.

- V. The financial reports of the Group and the Company for the Reporting Period were prepared in accordance with the China Accounting Standards for Business Enterprises and were unaudited.
- VI. Forward-looking statements such as plans for the future and development strategy described in this interim report do not constitute any substantive commitment of the Company to investors. Investors are advised to be aware of any investment risk.



Important Notice

- VII. The Company has dividends receivable from related parties. For details, please refer to “B. APPROPRIATION OF FUNDS FOR NON-OPERATING PURPOSES BY CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD” set out in the section headed “V. Major Event” in this interim report.
- VIII. The Company did not provide any external guarantee in violation of the decision-making procedures stipulated by the Company or relevant authorities.
- IX. There is no situation where more than half of the Directors cannot guarantee the truthfulness, accuracy and completeness of this interim report disclosed by the Company.
- X. Warning on Significant Risks

During the Reporting Period, there were no significant risks that had a substantive and significant impact on the production and operations of the Group. Please refer to “(A) Risk exposure” under “E. OTHER MATTERS” set out in the section headed “III. Management Discussion and Analysis” in this interim report.
- XI. This interim report is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.



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	1 The financial statements signed and stamped by the person in charge of the Company, the person in charge of accounting and the person in charge of the accounting department;	
DOCUMENTS AVAILABLE FOR INSPECTION	2 The original documents of the Company and announcements published in Shanghai Securities News (《上海證券報》), Securities Times (《證券時報》), China Securities Journal (《中國證券報》) and Securities Daily(《證券日報》) of the PRC during the Reporting Period;	
	3 The documents listed above are available at the Board Secretary Office of the Company.	



Definitions

In this interim report, unless the context otherwise requires, the following terms have the meanings as follows:

Company/the Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited
PRC or China	the People's Republic of China
Reporting Period	1 January 2025 to 30 June 2025
Group	the Company and its subsidiaries
Board	the board of directors of the Company
Director(s)	director(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Supervisor(s)	supervisor(s) of the company
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
HKEX	The Stock Exchange of Hong Kong Limited
Company Law	Company Law of the PRC
Securities Law	Securities Law of the PRC
Articles of Association	the articles of association of the Company
Listing Rules of HKEX or the Hong Kong Listing Rules	the Rules Governing the Listing of Securities on the HKEX
Listing Rules of SSE	the Rules Governing the Listing of Shares on the SSE
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 to the Listing Rules of HKEX
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)
GPC	Guangzhou Pharmaceutical Company Limited (廣州藥業股份有限公司)
Baiyunshan	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司)



Xing Qun	Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (廣州白雲山星群(藥業)股份有限公司), the subsidiary of the Company
Zhong Yi	Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (廣州白雲山中一藥業有限公司), the subsidiary of the Company
Chen Li Ji	Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (廣州白雲山陳李濟藥廠有限公司), the subsidiary of the Company
Qi Xing	Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (廣州白雲山奇星藥業有限公司), the subsidiary of the Company
Pan Gao Shou	Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (廣州白雲山潘高壽藥業股份有限公司), the subsidiary of the Company
Jing Xiu Tang	Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (廣州白雲山敬修堂藥業股份有限公司), the subsidiary of the Company
Wang Lao Ji	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司), the subsidiary of the Company
Baiyunshan Han Fang	Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (廣州白雲山漢方現代藥業有限公司), the subsidiary of the Company
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司), the subsidiary of the Company
GP Corp.	Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司), the subsidiary of the Company
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司), the subsidiary of the Company
GP Supply Chain Company	Guangzhou Pharmaceutical Baiyunshan Pharmaceutical Great Health Supply Chain (Guangzhou) Co., Ltd. (廣藥白雲山醫藥大健康供應鏈(廣州)有限公司), the subsidiary of the Company
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司), the subsidiary of the Company
Tian Xin	Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司), the subsidiary of the Company

Definitions

Guang Hua	Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd., (廣州白雲山光華製藥股份有限公司), the subsidiary of the Company
Ming Xing	Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (廣州白雲山明興製藥有限公司), the subsidiary of the Company
Baiyunshan Biological	Guangzhou Baiyunshan Biological Products Co., Ltd. (廣州白雲山生物製品股份有限公司), the subsidiary of the Company
Weiling	Baiyunshan Weiling Pharmaceutical Co., Ltd. (白雲山威靈藥業有限公司), the subsidiary of the Company
Bai Di Biological	Guangzhou Baiyunshan Bai Di Biological Co., Ltd. (廣州白雲山拜迪生物醫藥有限公司), the subsidiary of the Company
Baiyunshan Medical and Healthcare Industry Company	Guangzhou Baiyunshan Medical and Healthcare Industry Investment Co., Ltd. (廣州白雲山醫療健康產業投資有限公司), the subsidiary of the Company
Medical Instrument Investment Company	Guangzhou Baiyunshan Medical Instrument Investment Company (廣州白雲山醫療器械投資有限公司), the subsidiary of the Company
Baiyunshan Hospital	Guangzhou Baiyunshan Hospital Co., Ltd. (廣州白雲山醫院有限公司), the subsidiary of the Baiyunshan Medical and Healthcare Industry Company
Baiyunshan Chinese Medicine Hospital	Guangzhou Baiyunshan Traditional Chinese Medicine Hospital Co., Ltd. (廣州白雲山中醫醫院有限公司), the subsidiary of the Baiyunshan Hospital
Runkang Confinement Company	Guangzhou Baiyunshan Runkang Confinement Service Center Co., Ltd. (廣州白雲山潤康月子會所有限公司), the subsidiary of the Baiyunshan Medical and Healthcare Industry Company
Chemical & Pharmaceutical Zhuhai Company	Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd. (廣藥白雲山化學製藥(珠海)有限公司), the subsidiary of the Company
Cai Shan Tang	Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd. (福建白雲山采善堂製藥有限公司), the subsidiary of Wang Lao Ji
Baiyunshan General Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Pharmaceutical General Factory (廣州白雲山醫藥集團股份有限公司白雲山製藥總廠), the branch of the Company



Chemical Pharmaceutical Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山化學製藥廠), the branch of the Company
He Ji Gong	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan He Ji Gong Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山何濟公製藥廠), the branch of the Company
HWBYS	Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (廣州白雲山和記黃埔中藥有限公司), Company's Joint Venture
Baxter Qiao Guang	Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd. (廣州百特僑光醫療用品有限公司), Company's Joint Venture
Baiyunshan Yi Xin Tang	Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment & Development Co., Ltd. (廣州白雲山一心堂醫藥投資發展有限公司), Company's associated enterprise
Hua Cheng	Guangzhou Hua Cheng Pharmaceutical Co., Ltd. (廣州花城藥業有限公司), the subsidiary of GPLH
Baiyunshan Cultural Company	Guangzhou Baiyunshan Cultural Industry Co., Ltd. (廣州白雲山文化產業有限公司), the subsidiary of GPLH
Guangyao Group (Macau) Company	Guangyao Group (Macau) International Development Industry Co., Ltd. (廣藥集團(澳門)國際發展產業有限公司), the subsidiary of GPLH
Bencao Craft Brewery Company	Guangyao Baiyunshan Bencao Craft Brewery (Guangzhou) Co., Ltd. (廣藥白雲山本草精釀啤酒(廣州)有限公司), the subsidiary of GPLH
GP Capital	Guangzhou GP Capital Private Equity Fund Management Co., Ltd. (廣州廣藥資本私募基金管理有限公司), the subsidiary of GPLH
GMP	the English abbreviation of Good Manufacturing Practice and it is a set of mandatory standards applicable to the pharmaceutical industry, which requires the pharmaceutical companies to ensure the quality of medicines in the production process shall conform to the national standards in accordance with the GMP requirements



Definitions

GAP	the English abbreviation of Good Agricultural Practice for Chinese Crude Drugs, which refers to the Good Agricultural Practice for Chinese Medicinal Materials. It is a management system that standardizes the production of Chinese medicinal materials, ensures the quality of Chinese medicinal materials, and promotes the standardization and modernization of Chinese traditional medicine
GSP	the English abbreviation of Good Supply Practice, which means the quality control standards for pharmaceutical trade
S2B2C	the English abbreviation of Suppliers to Business to Customers, a one-stop service system that spans from industry to commerce to end users, directly reaching individual consumers
ERP	the English abbreviation of Enterprise Resource Planning, a management platform based on information technology that provides decision-making and operational tools for enterprise decision-makers and employees through systematic management concepts
SPD	the English abbreviation for Supply Processing Distribution. Medical SPD supply chain management is a typical lean management model developed under the guidance of supply chain integration principles. Its mission is to ensure the quality and safety of medical consumables within the hospital and to meet clinical needs. It leverages logistics information technology as its foundation, employs specialized management of each operational phase as means, and prioritizes the strengthening of comprehensive oversight by the hospital's medical supplies management department over the entire process, as well as the coordination of external and internal demands; thereby establishing a centralized management model for the logistics of medical supplies within the hospital, encompassing supply, processing, and distribution
Drug Registration	the approval process conducted by the drug regulatory authority in accordance with statutory procedures, which systematically evaluates the safety, efficacy, and quality controllability of a drug intended for market launch, and decides whether to approve the conduct of clinical trials, the production of the drug, or the importation of the drug. This process also includes the approval of applications for changes to the drug approval certificate and the contents specified in its attachments



National Essential Drug List	the National Essential Drug List (the 2018 version) (《國家基本藥物目錄 (2018年版)》), which is the basis for medical institutions to prepare and use drugs. The drugs in the Essential Drug List are those adapted to the basic medical and health needs, and are featured by appropriate dosage and form as well as reasonable price and supply and availability are guaranteed to the public
National Medical Insurance Catalogue	a Catalogue of the List of Pharmaceutical Products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance of the PRC (the 2024 version) (《國家基本醫療保險、工傷保險和生育保險藥品目錄 (2024年版)》), being the national standard payable drugs fees for the basic medical insurance, work-related injury insurance and maternity insurance fund
Provincial Medical Insurance Catalogue	a Catalogue of the List of Pharmaceutical Products under the Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance at the provincial level of the PRC (《基本醫療保險、工傷保險和生育保險藥品目錄》) issued by every province of the PRC
GP Fund	Guangzhou GP Fund Equity Investment Partnership (Limited Partnership (廣州廣藥基金股權投資合夥企業(有限合夥)))
CQ Pharmaceutical	Chongqing Pharmaceutical Holding Company Limited (重慶控股股份有限公司)
H.B. Pharmaceutical	Harbin Pharmaceutical Group Co.,Ltd. (哈藥集團股份有限公司)
Charmacy Pharmaceutical	Charmacy Pharmaceutical Co., Ltd (創美藥業股份有限公司)
NEEQ	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
The Material Assets Reorganization in 2013	the Company's major asset reorganization involving the merger and acquisition of Baiyunshan and issue of shares to purchase the assets of GPLH that was completed in 2013



Company Profile and Principal Financial Indicators

A. COMPANY PROFILE

1. Legal Chinese Name: 廣州白雲山醫藥集團股份有限公司
Chinese Name Abbreviation: 廣藥白雲山
English Name: GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS COMPANY LIMITED
English Name Abbreviation: GYBYS
2. Legal Representative: Li Xiaojun
3. Secretary to the Board: Huang Xuezheng
Representative of securities affairs: Huang Ruimei
Telephone: (8620) 6628 1218/6628 1216
Fax: (8620) 6628 1229
E-mail: huangxz@gybys.com.cn/huangrm@gybys.com.cn
Registered address and office: No.45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
The historical changes of the registered address: No
Postal code of office address: 510130
Company website: <http://www.gybys.com.cn>
Company e-mail: sec@gybys.com.cn
Principal place of business in Hong Kong: Room 2005, 20/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong
4. Stock exchanges, names and codes of the Company's shares: A shares: SSE
Stock Code: 600332 Stock Abbreviation: BAIYUNSHAN
H shares: HKEX
Stock Code: 00874 Stock Abbreviation: BAIYUNSHAN PH
5. Designated newspapers for information disclosure: Shanghai Securities News (《上海證券報》) www.cnstock.com
Securities Times (《證券時報》) www.stcn.com
China Securities Journal (《中國證券報》) www.cs.com.cn
Securities Daily (《證券日報》) www.zqrb.cn
Websites for publishing the interim report: <http://www.sse.com.cn>
<https://www.hkexnews.hk/index.htm>
Place for inspection of the interim report: Board Secretary Office of the Company

Company Profile and Principal Financial Indicators



B. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS

Principal financial data	The Reporting Period (Unaudited)	The corresponding period of 2024 (Unaudited)	Changes as compared with the corresponding period of 2024 (%)
Operating revenue (RMB)	41,834,546,114	41,042,815,088	1.93
Total profit (RMB)	3,090,416,329	3,229,403,377	(4.30)
Net profit attributable to the shareholders of the Company (RMB)	2,516,140,987	2,549,565,302	(1.31)
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB)	2,205,589,254	2,340,832,630	(5.78)
Net cash flow from operating activities (RMB)	(3,397,136,268)	(2,036,740,495)	(66.79)
Net cash flow from operating activities per share (RMB/share)	(2.09)	(1.25)	(66.79)

Principal financial data	As at 30 June 2025 (Unaudited)	As at 31 December 2024 (Audited)	Changes as compared with 31 December 2024 (%)
Net assets attributable to the shareholders of the Company (RMB)	37,760,172,340	35,904,527,869	5.17
Total assets (RMB)	82,419,655,052	81,683,611,521	0.90
Net assets attributable to the shareholders of the Company per share (RMB/share)	23.23	22.08	5.17

Principal financial indicators	The Reporting Period (Unaudited)	The corresponding period of 2024 (Unaudited)	Changes as compared with the corresponding period of 2024 (%)
Basic earnings per share (RMB/share)	1.548	1.568	(1.31)
Diluted earnings per share (RMB/share)	1.548	1.568	(1.31)
Basic earnings per share after deducting non-recurring items (RMB/share)	1.357	1.440	(5.78)
Ratio of weighted average return on net assets (%)	6.77	7.04	A decrease of 0.27 point
Ratio of weighted average return on net assets after deducting non-recurring items (%)	5.93	6.47	A decrease of 0.54 point

Note: The above financial data and indicators are computed based on consolidated financial statements.

Company Profile and Principal Financial Indicators

B. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS *(Continued)*

DESCRIPTION OF PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS OF THE COMPANY

√ Applicable □ Not applicable

The year-on-year decrease in net cash flow from operating activities was due to a decline in the collection of accounts receivable by subsidiaries of the Company and an increase in the amount of procurement payments during the Reporting Period.

C. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

□ Applicable √ Not applicable

D. NON-RECURRING ITEMS AND THEIR AMOUNTS

Item	Amount (RMB)	Note (if applicable)
Profit and loss from disposal of non-current assets, including the write-off portion of provision for asset impairment	6,082,013	
Government grants included in the profit or loss for the current year except for the government grants that are closely related to enterprise's normal business and is enjoyed by the Company continuously in quota or by the quantity of unified national standards in accordance with the national policy	130,454,564	This represents the amount of government grants received by the Company and its subsidiaries, which were transferred to non-operating income and other gains in the period.
Except for effective hedging business related to normal business of the Company, profit or loss from change of fair value from financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and available-for-sale financial assets	240,596,003	
Fund possession costs included in the profit or loss for the current year and collected from non-financial enterprises	—	
Profit and loss from assets invested or managed by others	—	
Profit and Loss from externally commissioned loans	—	
Asset loss caused by force majeure factors, such as natural disasters	—	
Reverse of provision for impairment of receivables under individual impairment test	2,074,774	

Company Profile and Principal Financial Indicators



D. NON-RECURRING ITEMS AND THEIR AMOUNTS (Continued)

Item	Amount (RMB'000)	Note (if applicable)
Gains generated from the amount of the enterprise's investment costs for acquisition of subsidiaries, joint ventures and associates lower than the earnings from the fair value of the net identifiable assets of the invested entity that the enterprise should enjoy upon acquisition	—	
Net profit and loss of subsidiaries arising from mergers of enterprises under the same control from the beginning of the period to the merger date	—	
Profit and loss from non-monetary assets exchange	—	
Profit and loss from debt restructuring	—	
Non-recurring expenses incurred by enterprises due to the discontinuation of related business activities, such as expenses for resettling employees, etc	—	
Effects on the profit and loss for the current year by one-off adjustment of profit or loss for the current year according to the requirements of laws and regulations for tax, accounting, etc.	—	
Share based payment expenses recognized in one lump sum due to cancellation or modification of equity incentive plans	—	
For cash settled share-based payments, gains or losses arising from changes in fair value of employee compensation payable after the exercise date	—	
Profit and loss arising from changes in fair value of investment properties measured using the fair value model for subsequent measurement	—	
Revenue generated from transactions with significantly unfair transaction prices	—	
Profit and loss arising from contingencies unrelated to the normal operation of company's business	—	
Income from custody fee of entrusted operation	—	
Other non-operating income and expenses except for the above-mentioned items	2,212,215	
Other profit and loss items that meet the definition of non-recurring gains and losses	—	
Less: Amount of income tax influence	(67,257,271)	
Amount of minority equity impact (after tax)	(3,610,565)	
Total	<u>310,551,733</u>	



Company Profile and Principal Financial Indicators

D. NON-RECURRING ITEMS AND THEIR AMOUNTS *(Continued)*

Explanations of the items not listed in the Explanatory Notice on Information Disclosure of Publicly Issued Securities Company No. 1 – Non-Recurring Profit and Loss classified as non-recurring profit and loss items with significant amount, and the non-recurring profit and loss items listing in Explanatory Notice on Information Disclosure of Publicly Issued Securities Company No. 1 – Non-Recurring Profit and Loss classified as recurring profit and loss items

☐ Applicable ☒ Not applicable

E. COMPANIES WITH EQUITY INCENTIVES OR EMPLOYEE STOCK OWNERSHIP PLANS MAY CHOOSE TO DISCLOSE NET PROFIT AFTER DEDUCTING THE IMPACT OF SHARE-BASED PAYMENTS.

☐ Applicable ☒ Not applicable

F. OTHERS

☐ Applicable ☒ Not applicable

Management Discussion and Analysis



A. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS AND INDUSTRY SITUATION DURING THE REPORTING PERIOD

(A) Main business and Products

Since the Company's establishment, the Company has been committed to the medical and healthcare industry. After years of development, the Company has continued to grow in terms of both its scale and efficiency. Currently, the Group is principally engaged in: (1) the research and development (R&D), manufacturing and sales of Chinese patent medicine, Western medicine, chemical raw materials, natural medicine, biological medicine and chemical raw materials intermediates; (2) the wholesale, retail and import and export business of Western medicine, Chinese medicine and medical devices; (3) the R&D, production and sales of Great Health products; and (4) the health industry with investment in medical services, health management, health maintenance and elderly care etc.

1. Great Southern TCM

The Great Southern TCM of the Group mainly engaged in the business of pharmaceutical manufacturing. There are 27 pharmaceutical manufacturing companies and institutions under the Company (including 3 branches, 22 directly-held subsidiaries and 2 joint ventures). The above enterprises or institutions engage in the R&D, manufacturing and sales of Chinese patent medicine and Western medicine, chemical raw materials, chemical raw materials intermediates, biological medicine and natural medicine, etc.

- (1) The Group is an epitome of the southern TCM. The Company has 13 time-honored brand enterprises in China such as Zhong Yi, Chen Li Ji, Qi Xing, Jing Xiu Tang, Pan Gao Shou, Cai Zhi Lin, Cai Shan Tang, etc., among which, 11 of them are century-old time-honored enterprises. In the first batch of "Guangdong Time-Honored Brands" list released by the Department of Commerce of Guangdong Province, 16 time-honored brands under the Company were included. The Group and its joint ventures in aggregate have 323 products which are included in the National Medical Insurance Catalogue, 331 products which are included in the Provincial Medical Insurance Catalogue and 143 products which are included in the National Essential Drug List. The Group's Chinese medicine products mainly include Xiao Chai Hu Granule, Zi Shen Yu Tai Pill, Qing Kai Ling series, Xiao Ke Pill, Hua Tuo Zai Zao Pill, Mi Lian Chuan Bei Pi Pa Gao, An Gong Niu Huang Pill, Xia Sang Ju series, Compound Danshen Tablet series, Bao Ji series, Zhuang Yao Jian Shen Pill, Nao Xin Qing Tablet series, Ban Lan Gen Granule series, Compound Ban Lan Gen Granule series, Da Shen Kou Yan Qing Granule series, She Dan Chuan Bei Pi Pa Gao, Shu Jin Jian Yao Pill, etc. The Group has clear advantages in brand and variety of Chinese patent medicine in southern China and throughout the country.



Management Discussion and Analysis

A. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS AND INDUSTRY SITUATION DURING THE REPORTING PERIOD *(Continued)*

(A) Main business and Products *(Continued)*

1. Great Southern TCM *(Continued)*

- (2) The Group has a complete antibiotic production chain ranging from the production of raw material medicine to that of preparations, with products covering commonly used anti-bacterial and anti-inflammatory varieties, drugs for men and products for relieving pain and heat. The Group integrated the antibiotic brands with the well-known trademark “Kang Zhi Ba (抗之霸)”, striving to create a market image as the number one brand of oral anti-bacterial and anti-inflammatory drugs in China. The Group’s chemical medicine preparations include Sildenafil Citrate Tablets (Trade name “Jin Ge (金戈)”), Cefuroxime Sodium for Injection, Paracetamol Caffeine and Aspirin Powder, Multivitamin For Injection(12), Amoxicillin, Cefixime series(include raw medicine), Amoxicillin and Clavulanate Potassium, Clindamycin Phosphate Injection, Paracetamol, Cefathiamidine, Cefpiramide, Cefprozil, etc.

2. Great Health

The Great Health of the Group is mainly engaged in the production, R&D and sales of beverages, food and healthcare products, etc., and the enterprises engaged include the Company’s subsidiaries, WLJ Great Health and Wang Lao Ji. The main products include Wang Lao Ji Herbal Tea, Ci Ning Ji (刺檸吉) series, Li Xiao Ji (荔小吉) series, Ye Rou coconut juice, throat lozenges and tortoise herb jelly, etc. Wang Lao Ji Herbal Tea boasts strong brand value advantages and product competitiveness. It is one of the leading brands in China’s beverage market and holds a relatively high market share in China’s herbal tea industry. According to the evaluation results of China Brand Power Index (C-BPI), Wang Lao Ji Herbal Tea has ranked first in the herbal tea industry for 8 consecutive years, and its brand score ranked first among non-alcoholic beverages in 2024.

3. Great Commerce

The Great Commerce of the Group mainly engaged in the business of pharmaceutical distribution, including wholesale, retail, and import and export of pharmaceutical products, medical devices and healthcare products, etc. Its main enterprises include the subsidiaries of the Company namely GP Corp., Guangyao Supply Chain and Cai Zhi Lin, etc. As a leading pharmaceutical distribution Company in southern China and a core enterprise of the Great Commerce, GP Corp. mainly engages in the wholesale and retail of pharmaceutical distribution business. Guangyao Supply Chain mainly provides the Group with the centralized procurement of raw materials, auxiliary materials and packaging materials. Cai Zhi Lin leveraged its advantages in the field of TCM to develop the businesses of production and sales of Chinese herbal medicine and TCM decoction- piece products.

Management Discussion and Analysis



A. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS AND INDUSTRY SITUATION DURING THE REPORTING PERIOD *(Continued)*

(A) Main business and Products *(Continued)*

4. Great Medical Care

The Great Medical Care of the Group is at the stage of development and investment expansion. The Group leveraged on Baiyunshan Medical and Healthcare Industry Company and Medical Instrument Investment Company as the main investment vehicles and used various means, including new establishment, joint venture and co-operation to focus on the development of three areas, namely medical services, TCM health maintenance and modern elderly care, as well as the medical device business. Currently, we have invested/held equity interest in a number of projects including Baiyunshan Hospital, Baiyunshan Chinese Medicine Hospital and Runkang Confinement Company, etc.

(B) Current circumstances of the development of the industry

The pharmaceutical industry constitutes an important part of the national economy of China, and is a strategic emerging industry related to the national economy and people's livelihood, economic development and national security. The pharmaceutical industry has the characteristics of weak periodicity, high investment, high risk, high technical barriers, strict supervision, etc. Following the continuous growth of China's economy and the improvement of people's living standards, the demand for healthcare is constantly growing, and the pharmaceutical industry is receiving increasing attention. The aging population and the increasing awareness of health management are driving the continuous growth of pharmaceutical demand, and the size of the pharmaceutical and health market will continue to expand. The application of digital and intelligent technologies, as well as the integration of information technology with biomedicine, has brought new development opportunities to the industry. Driven by both the iteration of technological innovation and the continuous release of demand, new productive forces are leading and empowering the development of the pharmaceutical industry.

As various macro policies work in synergy, the pharmaceutical industry is shifting from a stage of high-speed growth to a stage of high-quality development, continuously being infused with new connotations of high-quality development. In recent years, domestic innovative drugs have shown a vigorous development momentum, with significant breakthroughs in quantity, quality, and technology. On the one hand, policy guarantees are strengthened across the entire chain, with coordinated policies such as price management, medical insurance payment, commercial insurance, drug allocation and use, investment and financing, and optimized evaluation and approval as well as medical institution assessment mechanisms, jointly boosting the breakthrough development of innovative drugs. On the other hand, with the expansion of product types and indications, continuous iteration of technologies, and deepening of international cooperation, the quality of China's innovative drugs has gained increasing recognition overseas, and the number of innovative drugs launched overseas has continued to rise.



Management Discussion and Analysis

A. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS AND INDUSTRY SITUATION DURING THE REPORTING PERIOD *(Continued)*

(B) Current circumstances of the development of the industry *(Continued)*

In the first half of 2025, the pharmaceutical industry was under pressure from slowing growth and declining profits. According to the data from the National Bureau of Statistics, from January to June 2025, national industrial enterprises above designated size achieved operating income of RMB66.78 trillion, a year-on-year increase of 2.5%, and total profits of RMB3.44 trillion, a year-on-year decrease of 1.8%. Among them, industrial enterprises above designated size in the pharmaceutical manufacturing industry achieved operating income of RMB1.23 trillion, a year-on-year decrease of 1.2%; and total profits of RMB176.69 billion, a year-on-year decrease of 2.8%.

(C) Periodic characteristics

Among the Group's businesses, the Great Commerce of the Group has no obvious periodic features. Seasonal illness, like the flu, has a higher morbidity during specific seasons, and spreads quickly after its outbreak, which may result in an increase in the demand of medicines which prevent and treat diseases of this kind. Resulting from such influence, the sales of some medical products under the Great Southern TCM demonstrate certain periodicity. In the Great Health, the demand for Wang Lao Ji herbal tea, its current main product, is somewhat seasonal, with sales volume increasing during hot weather. Meanwhile, as the Group has vigorously expanded sales channels in the gift market for major festivals, Wang Lao Ji herbal tea achieves substantial sales during such festivals.

(D) The industry position of the Company

The Group is one of the largest pharmaceutical enterprise groups in China. After years of elaborate development and high-quality growth, it has basically achieved a full-industry-chain layout in the biomedical and health industry. Leveraging its profound historical heritage, abundant industrial resources, sound full-industry-chain layout, strong brand matrix and continuously innovative R&D capabilities, the Group has firmly established itself as a leading player in the industry, occupying a dominant position in such fields as traditional Chinese medicine, chemical generic drugs and great health (herbal tea). A number of its core products rank first in their respective segmented markets, and the Group is advancing its globalization process through international certifications. In the future, the Company will continue to focus on its main responsibilities and businesses, strengthen scientific research and innovation, step up market development, consolidate its leading position in the domestic market and expand its global influence.

Management Discussion and Analysis



A. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS AND INDUSTRY SITUATION DURING THE REPORTING PERIOD *(Continued)*

(E) The main performance driving factors

During the Reporting Period, the Group's revenue amounted to RMB41,834,546,114, representing an increase of 1.93% compared with the corresponding period of last year. For details, please refer to the relevant informational in "B. DISCUSSION AND ANALYSIS OF OPERATIONS" of this chapter.

(F) Explanation of the Company's newly added significant non-main business during the Reporting Period

☐ Applicable ☒ Not applicable

B. DISCUSSION AND ANALYSIS OF OPERATIONS

In the first half of 2025, the Group strictly adhered to its strategic positioning in biopharmaceuticals and healthcare, leveraging industry advantages to fully explore its own resources and assets, and actively advancing production and operations to promote sustainable business development.

During the Reporting Period, the Group achieved operating revenue of RMB41,834,546,114, representing a year-on-year increase of 1.93%; total profit of RMB3,090,416,329, representing a year-on-year decrease of 4.30%; and net profit attributable to shareholders of the Company of RMB2,516,140,987, representing a year-on-year decrease of 1.31%. The reasons for a decrease in the profit of the Group compared with the same period of last year are mainly due to the decreased operating performance in certain business segments, which was persistently affected by factors including insufficient demand, intensified industry competition and regulatory policies.

During the Reporting Period, major activities promoted by the Group include:

(A) Focusing on core responsibilities and businesses, strengthening the pharmaceutical manufacturing industry chain.

Firstly, the Group accelerated the development of its traditional Chinese medicine (TCM) and APIs businesses to solidify the upstream segment of the industry chain. Continued efforts were made to advance the standardization and regulatory compliance of TCM plantation bases, thereby strengthening control over the production and supply of key raw materials. Aligned with its strategy of "stabilizing core products and expanding the portfolio," the Group further promoted the growth of specialty APIs. Significant progress was achieved in new product development and the steady expansion into international markets. During the Reporting Period, the Group currently operates nearly 80 standardized plantation bases, covering more than 50 varieties of TCM. Sales revenue from specialty APIs, both domestic and overseas, recorded robust year-on-year growth.



Management Discussion and Analysis

B. DISCUSSION AND ANALYSIS OF OPERATIONS *(Continued)*

(A) (Continued)

Secondly, promoting synergy between pharmaceuticals and healthcare to strengthen the midstream value chain. Centering on pharmaceutical manufacturing, the Group deepened its understanding of industrial policy and reinforced its integrated operational mode of “R&D – marketing – brand management”. We prioritized the cultivation of key flagship products and identification of promising emerging lines, driving sustainable and stable growth in the pharmaceutical segment. During the Reporting Period, the Group delivered strong year-on-year sales growth in products including Baoji Series, Anti inflammatory and Analgesic Cream, Methyl Hesperidin, Kunxian Capsules, Xia Sang Ju Series, Candesartan Tablets, Xiao Ke Pill.

The Group actively pursued incremental sales opportunities in the Great Health segment and implemented precision marketing strategies. Coverage of terminal outlets in traditional sales channels for Wang Lao Ji Herbal Tea was expanded to stabilize its market share in the herbal tea segment. In parallel, deeper collaboration with food and beverage platforms of the four business segments was promoted to enhance penetration across F&B channels. To accelerate share gains in the ready-to-drink (RTD) beverage market, the Group intensified promotional efforts for bottled beverages. Marketing innovations were also introduced for new product lines such as Original Flavor Herbal Tea, the Ci Ning Ji Series, and the Li Xiao Ji Series. In addition, the Group launched new low-concentration, shaking fruit juice beverages, including lychee and yellow peach flavors, to tap into growth potential and nurture a second growth curve.

Thirdly, leveraging service innovation, wholesale-retail synergy, and intelligent upgrades, we are strengthening our core competitiveness and driving steady growth in our pharmaceutical distribution business. The medical wholesale business is improving customer loyalty and efficiency through customized services and supply chain optimization. The retail business is seizing the opportunities brought about by the “dual channel” system, with 31 new designated pharmacies driving offline sales and making breakthroughs online through brand cooperation and new media marketing. The medical device business is driven by the dual strategy of “brand variety + SPD projects,” achieving significant progress in the introduction of high-value consumables and licensed new drugs. The logistics system has significantly improved efficiency and reduced logistics cost rates through lean operations. Key progress has been made in digital transformation, with the new ERP system and S2B2C module achieving closed-loop management and full-process monitoring, laying a solid foundation for the construction of a digital supply chain ecosystem.



B. DISCUSSION AND ANALYSIS OF OPERATIONS *(Continued)*

- (B) Focusing on overseas market and accelerating internationalization efforts. Chinese medicine products of the Group continued to expand into overseas markets during the Reporting Period, with Xiao Chai Hu Granules obtaining official registration as a proprietary Chinese medicine in Macau. Registration efforts also progressed for other key products, including Zi Shen Yu Tai Pill and An Gong Niu Huang Pill, across multiple international markets. Health product exports also saw accelerated growth. The Group successfully launched the “WALLOVI + WANG LAO JI” dual-branded international canned beverage, completing registration in several countries, including Saudi Arabia and Malaysia. We reached multiple strategic collaborations with major international partners such as Saudi Aiduke International Holding Co., Ltd. (沙特艾杜克國際控股有限公司), Baosteel Packaging Co., Ltd. (上海寶鋼包裝股份有限公司), Besta International Trade Co., Ltd. (百達國際貿易有限公司), Nongshim Co., Ltd. (韓國農心集團), Futaba Corporation (日本雙葉產業株式會社), significantly expanding the Group’s global footprint. The Group’s pharmaceutical distribution business also made steady progress internationally. It assisted Zongsheng Pharmaceuticals in fulfilling its first export order of Lerativir Tablets (Leravirin®) – an anti-COVID-19 drug – to Macau, and continued to advance registration efforts in Hong Kong and Macau.
- (C) Improving our innovation planning to continuously achieve scientific research results. We proactively constructed an exchange mechanism for result transformation and industrial policy communication to exchange regularly with institutions, universities, colleges and academicians and expert teams. In order to seize the opportunities arising from new TCM, great efforts have been put in planning the transformation of preparation medicine and new drugs of medical institutions and promoting the construction of the preparation center of medical institutions in Guangzhou, and the Guangzhou Cai Zhi Pharmaceutical Co., Ltd. (廣州采製藥業有限公司) was established. We optimized our science and technology innovation system and mechanism by building a comprehensive and systematic management system of “Science and Technology Innovation Assessment”, which further stimulated internal innovation vitality. During the Reporting Period, the Group obtained a total of 15 approvals for drug registration and was awarded 2 provincial scientific and technological progress awards, 5 national association awards and 1 gold medals at the Geneva International Exhibition of Inventions. The Group also had 1 new national platform, 1 new provincial-level platform and 1 new organization with provincial qualification, among which, the “Guangdong Innovative Chinese Medicine Preparation Transformation Pilot Platform” (廣東創新中藥製劑轉化中試平台) led by Cai Zhi Lin was selected as the first batch of pilot platforms by the Ministry of Industry and Information Technology.



Management Discussion and Analysis

B. DISCUSSION AND ANALYSIS OF OPERATIONS *(Continued)*

- (D) Accelerating capital operation and consistently enhancing investor relations management and market value management. Firstly, actively built a fund system covering the entire lifecycle of venture capital firms and investing in vaccines, synthetic organisms and other biomedical frontier fields, our fund investment has begun to take shape. Secondly, as we promoted investment and mergers and acquisitions of various businesses by category, we successfully acquired Cai Shan Tang and the number of time-honored brands under the Group increased to 13. Thirdly, we have put great efforts in advancing the mixed reform of Baiyunshan Hanfang, and completed the capital increase of RMB300 million in Baiyunshan Biological and successfully completed the listing of the shares of Gp Corp. on the NEEQ. Fourthly, we implemented and completed the profit distribution in 2024, with the amount of cash dividends for the year (including interim dividends) of RMB1.301 billion, accounting for 45.87% of the net profit attributable to shareholders for 2024, demonstrating a significant increase from previous years. We formulated the Market Value Management System (《市值管理制度》) and organized more than 50 events including road shows, on-site research, strategy meetings, performance briefings and shareholders meetings, receiving more than 150 visitors in total, continuously strengthening investor exchanges. In addition, through further strengthening our ESG system, the ESG practices have been graded A by both MSCI and WIND.
- (E) Accelerating digital transformation and implementing digital intelligence empowerment. Firstly, greater efforts have been put in promoting the top-level planning of the Group's digital transformation, in order to lay a solid foundation for the Group's digital transformation. Secondly, we cooperated with leading domestic enterprises for top-level digital transformation design and digital applications and talent cultivation, with an aim to empower new-quality productivity. Thirdly, we furthered the technological empowerment and the innovation and upgrading of production technology. For instance, the second phase of establishment of pharmacovigilance system has commenced and Zhong Yi launched the "Green and Smart Manufacturing Technology Project for TCM" (中藥綠色智能製造技術項目) of the Ministry of Industry and Information Technology.
- (F) Strengthening corporate governance to continuously boost our management efficiency. We completed the institutional reform of the headquarters by further optimizing and clarifying the functions and responsibilities of each department. We continuously reinforced our talent team building through adjusting and optimizing the appraisal metrics and continuously stimulating the motivation of the talent team. We actively optimized the management approach of the procurement platform to push forward the cost reduction and efficiency improvement. Through consistently improving various internal management systems, our corporate governance system has been consistently optimized and our governance has been further standardized.



B. DISCUSSION AND ANALYSIS OF OPERATIONS *(Continued)*

Significant changes to the operations of the Company during the Reporting Period and matters with significant effects on the operations of the Company incurred during the Reporting Period and expected to have significant effects in the future.

☐ Applicable ☒ Not applicable

C. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

The Group's core competitiveness is principally demonstrated in the following aspects:

1. The Group possesses rich product and brand resources.
 - (1) Products: The Group has formed a complete series in areas such as diabetes, cardiovascular and cerebrovascular diseases, anti-bacteria and anti-inflammatory, cooling and detox, parenteral nutrition, coughing, bone-setting and pain relief, rheumatism and bone pain, andrology, gynaecological and paediatric medication, and nurturing and health. The Group has more than 40 forms and almost 2,000 specifications and over 90 exclusive products.
 - (2) Brands: Currently, the Group has 10 famous trademarks in China, 22 well-known trademarks in Guangdong Province and 27 well-known trademarks in Guangzhou City. Among them, the brand awareness and reputation of "Wang Lao Ji" and "BYS" have a greater impact and appeal among consumers nationwide, and are one of the most valuable pharmaceutical brands in the country. After completing the major asset restructuring in 2013 and the non-public offering of A-shares in 2015, the Group, on the basis of integrating brand resources, has promoted the "big brand" and "dual-brand" strategies, transforming the brand marketing planning model from scattered enterprise brands to a unified collective strategic brand group, and radiating brand value from pharmaceutical products to great health products. In the 2025 China Brand Value Evaluation Information List of Time-Honored Brands, the Company's brand value ranked first in the pharmaceutical and health sector. Wang lao Ji, Zhong Yi, Guang Hua, Chen Li Ji and Pan Gao Sou ranked among the top 25.



Management Discussion and Analysis

C. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD *(Continued)*

2. The Group possesses a long history in Chinese traditional medicine and cultural soft power. The Group has 13 time-honored brand enterprises in Chinese pharmaceutical industry, among which, Chen Li Ji, Zhong Yi, Pan Gao Shou, Jing Xiu Tang, Cai Zhi Lin, Wang Lao Ji, Xing Qun, Qi Xing, Ming Xing, Guang Hua and Cai Shan Tang have been established for over a hundred years. Also, the Group has national Intangible Cultural Heritages such as Xia Sang Ju (夏桑菊) of Xing Qun, Da Shen Kou Yan Qing (大神口焮清) of BYS, Wang Lao Ji herbal tea, the traditional Chinese medicine culture of Chen Li Ji and Pan Gao Shou, the “Production Technology of Bao Zi Tang Bao Ying Dan (保滋堂保嬰丹製作技藝)” of Zhong Yi as well as Cai Shan Tang Wanying Tea (采善堂萬應茶), which are precious resources of traditional Chinese medicine culture; The Group had established the Chen Li Ji Museum (陳李濟博物館), “Chen Li Ji Health Preservation Research Institute (陳李濟健康養生研究院)”, “Lingnan Experience Centre of Chinese Medicine Culture (嶺南中醫藥文化體驗館)”, “Shen Nong Cottage (神農草堂)”, Cai Zhi Lin Chinese Medicine Culture Museum (采芝林中藥文化博物館) and “Wang Lao Ji” Herbal Tea Museum (「王老吉」涼茶博物館). The Group had also established a number of platforms for the promotion and demonstration of the long history and splendid culture of Chinese traditional medicine and for reshaping the well-known brands of Chinese traditional medicine.
3. The Group has a relatively complete production chain system. Through the internal and external forward and backward integration, the existing major pharmaceutical assets of the Group has formed a relatively thorough raw materials, R&D, production, circulation and terminal production chain. In respect of the supply of Chinese herbs, the Group and its joint ventures have nearly 80 GAP herbs bases nationwide and established a centralized procurement platform for raw materials and excipients, effectively ensuring the quality and supply of Chinese herbs and controlling the production costs. In respect of R&D of products, the Group continues to build a comprehensive technological innovation system. The Group has established an extensive collaborative network with renowned scientific research institutions, both domestic and abroad, formulated a professional think tank which employs the Nobel Prize winners and renowned scholars to create a synergy effect between both sides for highly effective utilization of favorable resources from various parties, promoting development through the support of technology.
4. The Group has a large-scale pharmaceutical wholesale distribution and delivery network and a broad and stable customer base in China, and the Company is one of the first pharmaceutical trading enterprises in Guangdong Province that obtained the GSP certificate. The Group has also established the largest pharmaceutical terminal retail network and pharmaceutical logistics center in southern China. With the advantages of its strong market position and marketing network, the Group has established a long-term and reliable business relationship with tens of thousands of customers in more than 30 provinces, cities and autonomous regions across the country, including large and medium-sized hospitals, pharmaceutical wholesalers, distributors and retailers. The Group also has the industry’s leading digital integration and operation informatization management system. GP Corp., a subsidiary of the Company, was in the first batch of enterprises in the country to pass the assessment of integration management system for informatization and industrialization.



C. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD *(Continued)*

5. The Group has an ever-improving technological innovation system. The Group has continuously strengthened the construction of platforms for many years, improved the scientific research innovation system, and established a multi-level innovation platform system consisting of scientific research platforms at the national, provincial and municipal levels, including the only national engineering research center of engineering and technology category in China's traditional Chinese medicine industry, as well as the only "National Canine Laboratory Animal Resource Bank" in the country, among others. As of the end of the Reporting Period, the Group and its joint ventures have owned 6 national-level R&D institutions (including 1 national-level enterprise technology center) and 2 postdoctoral research stations; 15 provincial-level enterprise technology centers, 19 provincial-level engineering technology (research) centers, 5 provincial-level key laboratories, 1 provincial-level engineering laboratory, 1 provincial-level traditional Chinese medicine innovation center and 1 provincial-level new R&D institution; 16 municipal-level enterprise technology centers, 15 municipal-level engineering technology R&D centers, 5 municipal-level key laboratories and 1 municipal-level high-level enterprise research institute. The Group has laid out over 160 research projects, covering multiple product pipelines such as new traditional Chinese medicines, imitative and innovative chemical medicines, biosimilars and medical devices, among which there are more than ten Class 1 innovative medicines. Core technologies leading the nation include: R&D of TCMs and TCM health products; TCM engineering technologies such as automatic control and online detection; TCM preparations; supercritical CO₂ extraction; counter current extraction; macroporous resin adsorption and separation; quality control via TCM fingerprinting; synthesis and process technologies for cephalosporin antibiotic raw materials; and aseptic powder production technologies and preparation technologies.
6. The Group has a forward-thinking, high quality, reasonably structured and extremely innovative team of talents. The Company adheres to the concept that "talents are the primary resource". It attracts and cultivates talents, strengthens efforts in talent introduction, strengthens internal talent development, vigorously cultivates young and middle-aged cadres, and scientifically allocates talent resources in accordance with strategic goals. Currently, the Group has formed a strong high-level talent team with 3 Nobel Prize winners, more than 20 domestic double-hired academicians and Chinese medicine master people, 3 State Council Special Allowance experts in-service, over a hundred doctors and post doctors, and 300 senior experts and above.

There is no significant change in the Group's core competitiveness during the Reporting Period.

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

(A) Analysis of principal operations

1. Analysis of changes in related subjects of financial statements

Items	The Reporting Period (RMB)	The corresponding period of 2024 (RMB)	Increase/ (Decrease) over the corresponding period of 2024 (%)
Revenue	41,834,546,114	41,042,815,088	1.93
Include: income from principal operations	41,711,009,198	40,939,646,545	1.88
Cost of sales	34,171,307,857	33,244,055,667	2.79
Include: cost from principal operations	34,123,852,774	33,206,751,843	2.76
Selling and distribution expenses	3,028,477,835	3,119,415,171	(2.92)
General and administrative expenses	1,202,132,383	1,212,873,492	(0.89)
Financial expenses ^(Note 1)	123,137,569	(59,668,917)	306.37
Research and development expenses	285,285,159	391,145,311	(27.06)
Net cash flow from operating activities ^(Note 2)	(3,397,136,268)	(2,036,740,495)	(66.79)
Net cash flow from investing activities	(4,722,774,624)	(3,914,678,747)	(20.64)
Net cash flow from financing activities ^(Note 3)	1,918,310,699	595,081,665	222.36
Other income ^(Note 4)	125,656,795	184,412,397	(31.86)
Investment income ^(Note 5)	221,112,519	157,448,551	40.43
Gains from changes in fair value ^(Note 6)	(11,422,165)	445,755	(2,662.43)
Impairment losses in respect of credit ^(Note 7)	(148,309,535)	(82,128,563)	(80.58)
Impairment losses in respect of assets ^(Note 8)	(6,787,313)	(1,316,286)	(415.64)
Gains on disposal of assets ^(Note 9)	3,632,647	293,002	1,139.80
Non-operating income ^(Note 10)	73,244,665	15,605,784	369.34
Minority interest ^(Note 11)	59,781,406	118,466,730	(49.54)



D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(A) Analysis of principal operations *(Continued)*

1. Analysis of changes in related subjects of financial statements *(Continued)*

Notes:

- (1) The year-on-year increase in financial expenses was due to a year-on-year decrease in interest income from deposits of the Company and its subsidiaries, affected by the downward trend of market interest rates.
- (2) The year-on-year decrease in net cash flow from operating activities was due to a decline in the collection of accounts receivable by subsidiaries of the Company and an increase in the amount of procurement payments during the Reporting Period.
- (3) The year-on-year increase in net cash flow from financing activities was due to a year-on-year increase in bank borrowings of subsidiaries of the Company and payment of cash dividends distribution by the Company during the Reporting Period.
- (4) The year-on-year decrease in other income was due to a year-on-year decrease in government grants recognized by subsidiaries of the Company.
- (5) The year-on-year increase in investment income was due to the year-on-year increase in interest income from, among others, fixed deposits and certificates of deposits held to maturity by the Company and its subsidiaries.
- (6) The year-on-year decrease in the gains from changes in fair value was due to a year-on-year decrease in the fair value of financial assets held by the Company's subsidiaries at the end of the Reporting Period.
- (7) The year-on-year increase in impairment losses in respect of credit loss was due to a year-on-year increase in the provisions for credit impairment loss of receivables by the Company's subsidiaries.
- (8) The year-on-year increase in impairment losses in respect of assets was due to the year-on-year increase in the provisions for price depreciation of inventories by subsidiaries of the Company.
- (9) The year-on-year increase in gains on disposal of assets was due to a year-on-year increase in the gains on disposal of assets recognized by subsidiaries of the Company.
- (10) The year-on-year increase in non-operating income was due to a year-on-year increase in the income of relocation compensation from the government received by subsidiaries of the Company.
- (11) The year-on-year decrease in minority interest was due to a decline in the profits of holding subsidiaries of the Company, and the minority interest have correspondingly decreased.

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(A) Analysis of principal operations *(Continued)*

2. Analysis on industry, product and regional operation result

(1) Results of principal operations by industry and by products during the Reporting Period

Operations	Results of principal operations by industry					
	Income from principal operations		Cost of principal operations		Gross profit margin	
	Increase/ (Decrease)		Increase/ (Decrease)		Increase/(Decrease)	
	Income from principal operations <i>(RMB)</i>	over the corresponding period of 2024 <i>(%)</i>	Cost of principal operations <i>(RMB)</i>	over the corresponding period of 2024 <i>(%)</i>	Gross profit margin <i>(%)</i>	over the corresponding period of 2024 <i>(percentage point)</i>
Great Southern TCM	5,240,711,134	(15.23)	2,635,429,099	(15.21)	49.71	A decrease of 0.02 point
Great Health	7,023,240,743	7.42	3,886,238,466	4.25	44.67	An increase of 1.69 points
Great Commerce	29,000,435,949	4.25	27,221,397,537	4.53	6.13	A decrease of 0.26 point
Other	446,621,372	11.67	380,787,672	15.22	14.74	A decrease of 2.62 points
Total	41,711,009,198	1.88	34,123,852,774	2.76	18.19	A decrease of 0.7 point

Management Discussion and Analysis



D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(A) Analysis of principal operations *(Continued)*

2. Analysis on industry, product and regional operation result *(Continued)*

(1) Results of principal operations by industry and by products during the Reporting Period *(Continued)*

Types of products	Results of principal operations by products					
	Income from principal operations		Cost of principal operations		Gross profit margin	
	Income from principal operations	Increase/(Decrease)	Cost of principal operations	Increase/(Decrease)	Gross profit margin	Increase/(Decrease)
		over the corresponding period of 2024		over the corresponding period of 2024		over the corresponding period of 2024
	(RMB)	(%)	(RMB)	(%)	(%)	(percentage point)
Chinese patent medicine	3,246,254,085	(20.12)	1,816,395,508	(21.17)	44.05	An increase of 0.75 point
Chemical medicine	1,994,457,048	(5.85)	819,033,591	1.89	58.93	A decrease of 3.12 points
Total	5,240,711,134	(15.23)	2,635,429,099	(15.21)	49.71	A decrease of 0.02 point

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(A) Analysis of principal operations *(Continued)*

2. Analysis on industry, product and regional operation result *(Continued)*

(2) The regional sales of the Group's operations during the Reporting Period are as follows:

Regions	Income from principal operations (RMB)	Increase/ (Decrease) over the corresponding period of 2024 (%)
Southern China	31,192,846,159	4.88
Eastern China	3,448,505,142	(4.23)
Northern China	1,765,146,985	(11.53)
North-Eastern China	1,246,792,066	21.92
South-Western China	2,875,824,685	(12.36)
North-Western China	1,059,985,253	(8.39)
Exports	121,908,908	(12.91)
Total	41,711,009,198	1.88

3. Detailed description of the major changes in the principal operations, profit composition or profit sources of the Company during the Reporting Period

☐ Applicable ☒ Not applicable

(B) Description of significant changes in profit resulting from non-principal operations

☐ Applicable ☒ Not applicable



D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(C) Analysis on financial conditions

1. Liquidity

As at 30 June 2025, the current ratio of the Group was 1.54 (31 December 2024: 1.48), and its quick ratio was 1.24 (31 December 2024: 1.15). During the Reporting Period, accounts receivable turnover was 68.24 in days, representing a decrease of 0.33 days as compared with the end of 2024; inventory turnover was 64.08 in days, representing a decrease of 6.54 days as compared with the end of 2024.

2. Financial resources

As at 30 June 2025, cash and cash equivalents of the Group amounted to RMB10,106,808,592 (31 December 2024: RMB16,302,938,963), of which approximately 99.56% and 0.44% were denominated in Renminbi and foreign currencies such as Hong Kong dollar, etc., respectively.

As at 30 June 2025, the Group had bank borrowings of RMB15,271,149,368 (31 December 2024: RMB13,260,568,854) including short-term borrowings of RMB10,265,096,044 (31 December 2024: RMB9,122,982,451), long-term borrowings of RMB2,580,551,387 (31 December 2024: RMB2,805,538,605), and non-current liabilities expiring within one year of RMB2,425,501,937 (31 December 2024: RMB1,332,047,797).

3. Capital structure

As at 30 June 2025, the Group's current liabilities amounted to RMB37,859,234,775 (31 December 2024: RMB38,915,689,356), representing a decrease of 2.71% as compared to the beginning of 2025, and its long-term liabilities amounted to RMB4,749,186,109 (31 December 2024: RMB4,998,286,419), representing a decrease of 4.98% as compared to the beginning of 2025. Shareholders' equity attributable to the shareholders of the Company amounted to RMB37,760,172,340 (31 December 2024: RMB35,904,527,869), representing an increase of 5.17% as compared to the beginning of 2025.

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(C) Analysis on financial conditions (Continued)

4. Capital expenditure

The Group expects the capital expenditure for 2025 to be approximately RMB2.02 billion, among which, the expenditure in the first half of 2025 amounted to RMB0.649 billion (in the first half of 2024: RMB0.636 billion), which was mainly applied in the construction of production bases, equipment renewal and set-up of information system, etc. The Board has carefully considered the materiality of such capital expenditures. The Group will raise funds through its own capital, bank loans and other means to meet the capital needs of the future capital expenditure plan. As of the date of disclosure of this report, the Company has no plan to conduct fundraising activities in the next year. The management of the Company will, based on changes in market conditions, capital needs and development strategies, carefully assess whether fundraising activities are necessary. If there are relevant fundraising plans in the future, the Company will strictly comply with the listing rules of Shanghai and Hong Kong and timely disclose relevant information to shareholders and the public.

5. Description of assets and liabilities

Item	As at 30 June 2025 (RMB)	% of the total assets (%)	As at 31 December 2024 (RMB)	% of the total assets (%)	Increase/ (Decrease) as compared to 31 December 2024 (%)	Reasons for changes
Cash at bank and on hand	11,827,223,410	14.35	18,273,150,113	22.37	(35.28)	During the Reporting Period, certificates of deposits and fixed deposits newly purchased by subsidiaries of the Company increased and the collection of accounts receivable declined.
Advances to suppliers	758,316,762	0.92	577,942,386	0.71	31.21	During the Reporting Period, the amount of procured supplies, such as pharmaceutical products, of some subsidiaries of the Company using prepayment method increased.

Management Discussion and Analysis



D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(C) Analysis on financial conditions (Continued)

5. Description of assets and liabilities (Continued)

Item	As at 30 June 2025 (RMB)	% of the total assets (%)	As at 31 December 2024 (RMB)	% of the total assets (%)	Increase/ (Decrease) as compared to 31 December 2024 (%)	Reasons for changes
Current portion of non-current assets	5,065,732,895	6.15	3,783,355,649	4.63	33.90	As at the end of the Reporting Period, the financial assets, such as certificates of deposits due within one year, held by the Company and its subsidiaries increased.
Other current assets	5,090,989,660	6.18	1,866,475,672	2.29	172.76	During the Reporting Period, subsidiaries of the Company purchased certificates of deposits and fixed deposits due within one year.
Other non-current assets	89,757,966	0.11	212,699,076	0.26	(57.80)	During the Reporting Period, prepayment of project amounts according to the contract by subsidiaries of the Company decreased year-on-year.
Advances from customers	2,881,341	0.00	4,548,224	0.01	(36.65)	During the Reporting Period, advance receipts of lease amounts by subsidiaries of the Company were transferred to revenue.
Contract liabilities	872,523,066	1.06	5,071,977,259	6.21	(82.80)	During the Reporting Period, the advance receipts of accounts receivable by subsidiaries of the Company at the end of the previous year completed delivery of products and realized sales.

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(C) Analysis on financial conditions (Continued)

5. Description of assets and liabilities (Continued)

Item	As at 30 June 2025 (RMB)	% of the total assets (%)	As at 31 December 2024 (RMB)	% of the total assets (%)	Increase/ (Decrease) as compared to 31 December 2024 (%)	Reasons for changes
Taxes payable	464,286,506	0.56	248,911,254	0.30	86.53	During the Reporting Period, the outstanding amount of enterprise income tax and value added tax of subsidiaries of the Company increased.
Current portion of non-current liabilities	2,620,980,619	3.18	1,522,617,328	1.86	72.14	As at the end of the Reporting Period, the long-term borrowings due within one year of subsidiaries of the Company increased.
Other current liabilities	104,044,546	0.13	651,719,294	0.80	(84.04)	During the Reporting Period, the amount of output tax pending for transfer in the advance receipts within one year of subsidiaries of the Company decreased.
Other comprehensive income	(23,134,371)	(0.03)	(13,839,664)	(0.02)	(67.16)	During the Reporting Period, the changes in fair value of financial assets of the Company and its subsidiaries decreased, and foreign exchange conversion differences of subsidiaries of the Company decreased.



D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(C) Analysis on financial conditions *(Continued)*

6. Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group are denominated or settled in Renminbi, the Group did not have significant risks of exposure to fluctuations in exchange rates. Changes in exchange rates will affect the value of assets, liabilities, and overseas investment entities denominated in foreign currencies, and indirectly cause changes in the Group's earnings or cash flows for a certain period of time. During the Reporting Period, changes in foreign exchange had no significant impact on the Group's operating results and cash flows. The Group will continue to pay attention to potential foreign exchange risks in the process of foreign exchange settlement and will take reasonable hedging measures for management when necessary.

7. Contingent liabilities

As at 30 June 2025, the Group had no material contingent liabilities.

8. Charge on the Group's assets

As at 30 June 2025, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, obtained from Bank of China (Hong Kong) Limited an overdraft facility in the amount of HKD300,000 letters of credit and 90-day credit lines in the total amount of HKD100,000,000 as well as unexpired letter of credit of HKD911,726, using fixed assets and buildings with an original value amounting to HKD8,892,895 and net value amounting to HKD5,811,717 and investment properties with an original value amounting to HKD6,842,609 and net value amounting to HKD2,892,187 as security.

9. Bank loans, overdraft and other borrowings

As at 30 June 2025, the Group's bank loans amounted to RMB15,271,149,368 (31 December 2024: RMB13,260,568,854), representing an increase of RMB2,010,580,514 as compared to the beginning of 2025. The above bank loans included short-term borrowings of RMB10,265,096,044, long-term borrowings of RMB2,580,551,387 and non-current liabilities expiring within one year of RMB2,425,501,937.



Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(C) Analysis on financial conditions *(Continued)*

10. Gearing ratio

As at 30 June 2025, the Group's gearing ratio (total liabilities/total assets x 100%) was 51.70% (31 December 2024: 53.76%).

11. Material investment

As at 30 June 2025, except for those disclosed in "(E) Analysis on investment" of "D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD" in the section headed "Management Discussion and Analysis" in this report, the Group did not have any other ongoing material investment.

12. Overseas assets

☒ Applicable ☐ Not applicable

(1) Asset size

Among which, overseas assets account for RMB551,323,861, representing 0.67% of total assets.

(2) Description of overseas assets accounting for a higher proportion

☐ Applicable ☒ Not applicable

13. Major assets subject to restrictions as at the end of the Reporting Period

☐ Applicable ☒ Not applicable



D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(D) Plans for the second half of 2025

In the second half of 2025, the Group will continue to focus on the core industrial chain and prioritize the following work:

1. Adhere to the “dual-pronged approach” of endogenous growth and external expansion to boost the development of main businesses.

First, strengthen endogenous growth by continuously enhancing the development of product varieties, quality and brands, further advancing industrial layout, accelerating the construction of park projects, and promoting the sustained development of various business segments.

Second, promote external expansion and strengthen value realization by continuously building a full-life-cycle investment fund system, conducting capital operations around the industrial chain of existing businesses, accelerating venture capital projects, and advancing investment and mergers and acquisitions in various business fields; at the same time, further strengthen market value management to convey the company’s value.

2. Adhere to the “two-way efforts” of layout in the Greater Bay Area and overseas expansion to continuously expand overseas influence and accelerate international layout. Deepen industrial layout in Hong Kong and Macao, make full use of the advantages of the Greater Bay Area to promote overseas registration and listing of pharmaceutical manufacturing products, build an international exchange platform for Chinese traditional medicine, and enhance international influence. Focus on key priorities to explore markets in Southeast Asia, the Middle East, North America, Europe, etc., further promote localized brand building, product registration, and market expansion, and achieve leapfrog upgrading in international development.
3. Firmly advance scientific research and innovation, focus on strengthening mechanism innovation, platform construction, project development, and pipeline layout, continuously promote the agglomeration of scientific research resources, strengthen layout in segmented fields, and drive the Group’s transformation and upgrading from a traditional enterprise to a technology-innovative enterprise.



Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(D) Plans for the second half of 2025 *(Continued)*

4. Strengthen the construction of digital transformation, continuously advance the overall top-level planning of digital governance, establish and improve digital management systems and mechanisms, promote innovation in production technology and upgrading of intelligent manufacturing, and drive the Group's digital empowerment to take effect in fostering new productive forces.
5. Intensify efforts in corporate governance, continuously strengthen holistic and systematic strategic planning, enhance talent introduction and cultivation as well as the optimization of assessment and incentive systems, promote strategic restructuring and professional integration, strengthen quality management and risk prevention and control, increase efforts in cost reduction and expense control, further advance quality and efficiency improvement, and drive the continuous enhancement of management effectiveness.

(E) Analysis on investment

1. Overall analysis on external equity investment

☒ Applicable ☐ Not applicable

As at the end of the Reporting Period, the Group's external equity investments amounted to RMB1,568,883,546, representing an increase of RMB61,624,472 as compared to 31 December 2024, mainly due to the Group's external equity investment in associates has increased.

(1) *Significant equity investment*

☐ Applicable ☒ Not applicable

Management Discussion and Analysis



D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(E) Analysis on investment (Continued)

1. Overall analysis on external equity investment (Continued)

(2) Significant non-equity investment

√ Applicable ☐ Not applicable

Name of Investment project	Main Investor	Particulars of Investment Project	Amount of Planned Investment (RMB'0000)	Source of Capital	Amount Invested during the Reporting Period (RMB'0000)	Accumulated Investment Amount (RMB'0000)	Implementation Progress
GYBYS Biological Medicine and Health R&D Sales Headquarters Project	The Company	Establishment of an R&D platform and R&D center for innovative drugs and medical devices, an international pharmaceutical cooperation and exchange center, a technology incubator and dual innovation base, etc.	109,985.30	Self-raised funds and proceeds	3,972.32	96,464.52	The project has been basically completed and is currently undergoing acceptance inspection.
GYBYS Affordable Rental Housing and Talent Apartment Construction Project	Chemical Pharmaceutical Factory	Apartment, kindergarten, garage, community public service and other supporting facilities.	108,286.03	Self-raised funds	32.26	360.63	The project is in the stage of re-argumentation.
GYBYS fashion Chinese Medicine Valley Tianhua Park Project	Guangzhou Baiyunshan Pharmaceutical and Health Industry Co., Ltd.	Production plant, Chinese medicinal materials warehouse, extraction workshop, quality inspection building, comprehensive warehouse, and power center, among other supporting facilities	320,086.15	Self-raised funds	0	24,879.93	Preliminary work such as tendering has been carried out, with no actual investment made during the Reporting Period.

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(E) Analysis on investment (Continued)

1. Overall analysis on external equity investment (Continued)

(3) Financial assets evaluating at fair value

√ Applicable □ Not applicable

Classification of assets	Opening balance (RMB)	Current gains and loss on changes in fair value (RMB)	Accumulative changes in fair value included in interests (RMB)	Impairment accrued in the current period (RMB)	Current purchase amount (RMB)	Current sale/redeem amount (RMB)	Other changes (RMB)	Closing balance (RMB)
Other equity instrument investment	104,180,509	-	(8,488,003)	-	-	-	-	95,692,506
Other non-current financial assets	531,000,228	(13,072,165)	-	-	-	-	-	517,928,063

Security investments

√ Applicable □ Not applicable

Type of stock	Stock code	Stock abbreviation	The initial amount of investment (RMB)	Source of capital	Book value as at the beginning of the Reporting Period (RMB)	Current gains and loss on changes in fair value (RMB)	Accumulative changes in fair value accounted in equity (RMB)	Amount of purchase/additional securities during the Reporting Period (RMB)	Amount sold during the Reporting Period (RMB)	Gains and losses during the Reporting Period (RMB)	Book value as at the end of the Reporting Period (RMB)	Accounting item
A Share of SSE	600664	H.B. Pharmaceutical	3,705,391	Self-raised funds	1,553,305	(169,246)	-	-	-	-	1,384,059	Other non-current financial assets
A Share of Shenzhen Stock Exchange	000950	CQ Pharmaceutical	150,144,734	Self-raised funds	139,838,735	(10,137,008)	-	-	-	-	129,701,727	Other non-current financial assets
A Share of HKEX	02289	Charmacy Pharmaceutical	6,870,054	Self-raised funds	9,052,504	(2,639,330)	-	-	-	-	6,413,174	Other non-current financial assets
Total	/	/	160,720,179	/	150,444,545	(12,945,585)	-	-	-	-	137,498,960	/

Management Discussion and Analysis



D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(E) Analysis on investment (Continued)

1. Overall analysis on external equity investment (Continued)

(3) Financial assets evaluating at fair value (Continued)

Private fund investments

√ Applicable □ Not applicable

Fund name	The Initial amount of investment (RMB)	Source of capital	Book value as at the beginning of the Reporting Period (RMB)	Current gains and loss on changes in fair value (RMB)	Accumulated changes in fair value accounted in equity (RMB)	Amount of purchase/ additional securities during the Reporting Period (RMB)	Amount sold during the Reporting Period (RMB)	Gains and losses during the Reporting Period (RMB)	Book value as at the end of the Reporting Period (RMB)	Accounting subjects
Guangzhou Sino-Israel Bio-industry Investment Fund (LLP)(廣州中以生物產業投資基金合夥企業(有限合夥))	117,067,996	Self-raised funds	93,454,817	(8,411,402)	(32,024,581)	-	-	-	85,043,415	Other investments in equity instruments
Guangzhou Time Honored Revitalization Fund Partnership (Limited Partnership)(廣州老字號振興基金合夥企業(有限合夥))	50,000,000	Self-raised funds	52,752,196	141,627	-	-	-	-	52,893,823	Other non-current financial assets
Guangzhou State-owned Assets Mixed Reform Phase II Equity Investment Fund Partnership (Limited Partnership)(廣州國資混改二期股權投資基金合夥企業(有限合夥))	89,000,000	Self-raised funds	91,481,390	(268,207)	-	-	-	-	91,213,183	Other non-current financial assets

Note: In view of the expiration of the investment period of Guangzhou State-owned Assets Mixed Reform Phase II Equity Investment Fund Partnership (Limited Partnership) (the "Mixed Reform Phase II Fund"), pursuant to the Supplementary Agreement to the Partnership Agreement of Guangzhou State-owned Assets Mixed Reform Phase II Equity Investment Fund Partnership (Limited Partnership) signed by all partners on 24 March 2025, the investment period of the Mixed Reform Phase II Fund has been extended by 15 months, adjusted from the initial 3 years to the first 4 years and 3 months, and the partnership term has been extended from the original 7 years to 8 years and 3 months. For details, please refer to the announcement of the Company dated 24 March 2025.

Derivative investments

□ Applicable √ Not applicable

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(F) Significant asset and equity disposal

☐ Applicable ☒ Not applicable

(G) Analysis of main subsidiaries and investee companies of the Company

☒ Applicable ☐ Not applicable

Information on major subsidiaries and participating companies that have an impact of more than 10% on the Company's net profit

Name of enterprise	Enterprise nature	Major business	Registered capital (RMB)	Income from Principal operations (RMB)	Profit from principal operations (RMB)	Total assets (RMB)	Net assets (RMB)	Net profit (RMB)
WLJ Great Health	Limited company (Ltd.)	Production and sale of pre-packaging food, etc.	900,000,000	6,499,304,904	2,865,184,887	16,405,588,710	12,163,626,989	1,295,435,638

During the Reporting Period, except for WLJ Great Health as mentioned in the above table, the Company did not derive any net profit from any single subsidiary or any investment income from any single investee company which had an impact of 10% or more on net profit of the Group.

During the Reporting Period, the Group did not have other operating activities which had a significant impact on net profit.

Management Discussion and Analysis



D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(G) Analysis of main subsidiaries and investee companies of the Company *(Continued)*

Information on the acquisition and disposal of subsidiaries during the Reporting Period

☒ Applicable ☐ Not applicable

Name of enterprise	Methods of acquiring and disposing of subsidiaries during the Reporting Period	The impact on overall production, operation and performance
Tibet Linzhi Guangyao Development Co., Ltd.	Liquidation	No significant impact
Guangzhou Cai Zhi Pharmaceutical Co., Ltd.	New establishment	No significant impact
Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd.	Equity acquisition	No significant impact
Guangzhou Baiyunshan Health Care Medical Products Co., Ltd.	Equity transfer	No significant impact

(H) Circumstance of structured subjects controlled by the Company

☐ Applicable ☒ Not applicable



Management Discussion and Analysis

E. OTHER MATTERS

(A) Risk exposure

☒ Applicable ☐ Not applicable

The pharmaceutical industry is one of the industries most profoundly affected by national policies and faces industry policy risks. Policy changes directly impact the industry structure, competitive landscape, and the profitability of enterprises. During the Reporting Period, there were no major risks that had a substantial impact on the Company's production and operations. Based on actual circumstances, the potential risks faced by the Group may include the following: (1) With the in-depth advancement of a series of medical reform measures such as consistency evaluation, volume-based procurement, and the reform of medical insurance payment methods, the pattern of the pharmaceutical market continues to change. The rapid evolution of policies has intensified industry competition, promoted R&D innovation, industrial integration, and the transformation of business models, bringing pressure and challenges to the Group in terms of transformation and upgrading; (2) Innovative drug R&D projects have a long cycle and require large investments, and there is certain uncertainty regarding related progress, approval results, and timelines, with risks that project R&D progress or clinical trial results may fall short of expectations. Furthermore, the Group is also confronted with various risks such as product quality control risks and market risks.

The Group will continue to be policy-oriented, closely monitor the release of national and industry policies, pay attention to market changes, and actively seize development opportunities. It will also leverage its own brand and resource advantages, strengthen innovative R&D capabilities, build digital competitive edges, continuously launch new products with differentiated advantages, and constantly enhance core competitiveness to promote high-quality development of the enterprise.

(B) Other disclosures

☐ Applicable ☒ Not applicable

F. DEVELOPED/DISPOSED PROPERTIES

According to the requirements of paragraph 23 of Appendix D2 to the Listing Rules of HKEX, the Company did not have any properties held for development and/or sale or investment with assets ratio, consideration ratio, profits ratio and revenue ratio exceeding 5% during the Reporting Period.



A. INFORMATION ON CHANGES IN THE COMPANY'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND MODIFICATIONS TO THEIR PERSONAL DATA

☒ Applicable ☐ Not applicable

Name	The position held by the Company	Changes in circumstances	Reasons for changes
Li Xiaojun	Chairperson	Election	/
Cheng Hongjin	Executive director	Election	/
Tang Heping	Executive director	Election	/
Liu Lan	Chairperson of the Supervisory Committee	Election	/
Yang Jun	Vice chairperson and executive director, the chairman of the Strategic Development and Investment Committee of the Board and a member of the Nomination and Remuneration Committee of the Board	Departed	Work adjustment
Wu Changhai	Executive director and a member of the Nomination and Remuneration Committee of the Board	Departed	Work adjustment
Liu Juyan	Executive director and a member of the Strategic Development and Investment Committee of the Board	Departed	Reaching statutory retirement age

Explanation on the changes of Directors, Supervisors and senior management of the Company

☐ Applicable ☒ Not applicable

In accordance with Rule 13.51(B)(1) of the Listing Rules of HKEX, the details of the changes in information of Directors and Supervisors after the publication of the annual report for the year ended 31 December 2024 are set out below:

Name of Directors/

Supervisors

Details of the changes

Yang Jun	He has not served as a chairperson of Guangyao Group (Macau) Company since June 2025.
Cheng Jinyuan	He has served as the head of the audit department (audit center) of GPLH and the Company since April 2025, and has not served as the director of the risk control office of GPLH and the Company since April 2025.
Jian Huidong	He has served as the deputy head of the party-mass work department of GPLH and the Company since April 2025.

Corporate Governance, Environmental And Social Responsibility

B. PROPOSAL FOR PROFIT DISTRIBUTION OR INCREASE IN SHARE CAPITAL FROM CAPITAL RESERVE

Half-year profit distribution plan or plan to increase share capital by converting the capital reserve

Any distribution or conversion	Yes
Number of bonus shares to be distributed for every ten shares (share)	/
Amount of dividends to be distributed for every ten shares (RMB, inclusive of tax)	4.00
Cash dividend amount (RMB, inclusive of tax)	650,316,379.60
Number of shares for every ten shares issued from conversion of capital reserve (share)	/
Explanation on plan of profit distribution and plan of converting capital reserve into share capital	/

Notes:

1. There was no reserved funds to equity shares scheme of the Company for the last three years;
2. The Company will distribute the above dividend before the end of September 2025.

C. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACTS

(A) Matters on relevant equity incentives which were disclosed in temporary announcements and where there was no progress or change in subsequent implementation

☐ Applicable ☒ Not applicable

(B) Matters on equity incentives which had not been disclosed in temporary announcements or where there was progress in subsequent implementation thereof

Equity incentive

☐ Applicable ☒ Not applicable

Others

☐ Applicable ☒ Not applicable

Employee stock ownership plan

☐ Applicable ☒ Not applicable

Other incentive

☐ Applicable ☒ Not applicable



D. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code, “Interim Measures for the Management of Shareholders’ Reduction of Shares in Listed Companies” (《上市公司股東減持股份管理暫行辦法》), “Guidelines for Self discipline Supervision of Listed Companies on the Shanghai Stock Exchange No. 15 – Shareholders, Directors and Senior Management to Reduce Shareholdings” (《上海證券交易所上市公司自律監管指引第15號 – 股東及董事、高級管理人員減持股份》) and “Measures for the Administration of Trading Shares of the Company by Directors, Supervisors and Senior Management Personnel of the Company” (《董事、監事及高級管理人員買賣公司股份的管理辦法》) as stipulated by the Company as the codes and criteria for securities transactions by the Directors and Supervisors of the Company. After making specific inquiries to all the current Directors and Supervisors at the end of July 2025, the Company confirmed that all the current Directors and Supervisors have fully complied with the standards relating to the securities transactions as set out in the above code and criteria during the Reporting Period.

E. DESCRIPTION OF CORPORATE GOVERNANCE

The Company has been strictly complying with the Company Law, the Securities Law, related laws and regulations of the CSRC and the Listing Rules of the SSE and the Listing Rules of HKEX, continuously improving the management structure, strengthening work related to information disclosure, and regulating the operations of the Company.

As at the end of the Reporting Period, the corporate governance of the Company complied with the Corporate Governance Guidelines, and there were no material discrepancies against the requirements set forth by the CSRC.

During the Reporting Period, the Company complied with the provisions under the Corporate Governance Code as set out in Appendix C1 to the Listing Rules of HKEX (the “CG Code”).

The Board will keep monitoring and reviewing the Company’s corporate governance practices to ensure compliance with the provisions of the CG Code and will provide the Directors more flexible ways to attend the meetings.

The Group is committed to: (1) the R&D, manufacturing and sales of pharmaceutical products and great health products; (2) wholesale, retail, import and export of Western and Chinese pharmaceutical products and medical apparatus; and (3) investment in the health-related industry such as medical service, health management, health preservation and elderly care, etc., and adopted relatively flexible business model and strategies and a prudent risk and capital management structure. The Group is committed to strengthening the establishment of internal control publicity and guidance as well as the systems related to the internal control, and established a relatively standardized internal control management and risk prevention system; formulated its strategic objectives and detailed work plans and measures of the Group, so as to ensure the accomplishment of the strategic objectives.



Corporate Governance, Environmental And Social Responsibility

E. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

The review of the business and financial situation of the Company during the Reporting Period is detailed in Section III which is entitled “Management Discussion and Analysis” in this interim report.

During the Reporting Period, the corporate governance related work performed by the Company included:

- (A) The Company performed review on its internal control for the year ended 31 December 2024 pursuant to the requirements of the Notice on Proper Preparation of the 2024 Annual Report by Listed Companies (《關於做好上市公司2024年年度報告工作的通知》) issued by the SSE, and the Self-assessment Report on Internal Control for 2024 (《2024 年度內部控制評價報告》), which was disclosed after being duly considered and approved at the 21st meeting of the ninth session of the Board of the Company on 13 March 2025.
- (B) The Company attached importance to the rights and interests of stakeholders and the fulfillment of social responsibilities. Based on the Company’s performance in social responsibility and sustainable development, the 2024 Sustainability Report (《2024年可持續發展報告》) was prepared, which was disclosed after being considered and approved at the 21st meeting of the ninth session of the Board of the Company on 13 March 2025.
- (C) The Company organized and prepared the general meetings, the Board meetings, the meetings of Supervisory Committee and the meetings of special committees of the Board accordingly and tracked the implementation of meeting resolutions and implementation progress. In the first half of 2025, the Company totally organized 2 general meetings of shareholders, 8 Board meetings, 3 meetings of Supervisory Committee, 2 meetings of Audit Committee, 1 Special Meeting of the Independent Directors, 5 meetings of Strategic Development and Investment Committee, 2 meetings of Nomination and Remuneration Committee and 1 meeting of Budget Committee.
- (D) To strengthen the Company’s market value management, and the Market Value Management Regulation has been formulated in accordance with the Company Law, the Securities Law, the Administrative Measures for Information Disclosure of Listed Companies, the Regulatory Guidelines for Listed Companies No. 10 – Market Value Management (《上市公司監管指引第10號 – 市值管理》), and the Company’s Articles of Association. This system was implemented after being considered and approved at the 21st meeting of the ninth session of the Board of the Company on 13 March 2025.



E. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

- (E) During the Reporting Period, the Company has focused on carrying out the following work in terms of internal control and auditing:
1. The audit work focused on high-quality development, capital investment, layout and risk control, the operation and asset management of major investment projects, the implementation of major development strategies, investment in scientific and technological innovation research and development, the transformation of scientific and technological achievements, and the tackling of key issues in core technological innovation. Audit work was advanced from multiple dimensions by conducting in-office or outgoing economic responsibility audits of the persons in charge of secondary enterprises.
 2. Based on relevant requirements and the principle of materiality, we conducted special inspections focusing on major events, large-value fund transfers, and the use of proceeds. We also continued to advance and regularly track the operational performance of key enterprises, monitor and analyze the status of accounts receivable, organize reviews of significant economic contracts, and carry out annual risk assessment exercises.
 3. The internal control evaluation mechanism was actively implemented, and the effectiveness of the company's internal control system was continuously monitored and evaluated. In January 2025, the company and its subordinate enterprises were organized to carry out the 2024 annual internal control self-evaluation work to ensure the self-improvement and continuous optimization of the internal control system.
 4. Through the risk control supervision platform, the risk status of subordinate enterprises was monitored more comprehensively and in real time, effective countermeasures was taken in a timely manner, risk early warning standards were formulated, and the timeliness and accuracy of risk early warning identification were improved. It has conducted publicity and learning on the relevant rules and regulations of auditing and internal control for the Company's management, various departments, and the audit and internal control departments of its subsidiaries, and deepened the understanding and application of the auditing and internal control rules and regulations in the continuing education.
 5. Enterprise audit resources were coordinated, the audit supervision team was integrated, and an audit center was established. This not only facilitates the dispatch of audit talents at the company's headquarters level, but also effectively supervises the production and operation of subordinate enterprises, giving full play to the role of internal integration and collaboration.

Corporate Governance, Environmental And Social Responsibility

- F. THE AUDIT COMMITTEE UNDER THE NINTH SESSION OF THE BOARD COMPRISED FOUR INDEPENDENT NON-EXECUTIVE DIRECTORS AND ONE OF THEM HAS OBTAINED ACCOUNTING PROFESSIONAL QUALIFICATIONS. THE AUDIT COMMITTEE OF THE COMPANY HAD REVIEWED THE GROUP'S ACCOUNTING PRINCIPLES, ACCOUNTING STANDARDS AND METHODS AS WELL AS HAD DISCUSSED AUDITING, RISK MANAGEMENT, INTERNAL CONTROLS AND FINANCIAL REPORTING MATTERS WITH THE MANAGEMENT, INCLUDING THE UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2025. THE AUDIT COMMITTEE HAD NO DISAGREEMENTS WITH THE ACCOUNTING TREATMENT ADOPTED BY THE COMPANY. THE BOARD CONFIRMS THAT THE INTERIM RESULTS HAVE BEEN REVIEWED BY THE AUDIT COMMITTEE AND THE EXTERNAL AUDITORS.**
- G. INFORMATION ON ENVIRONMENTAL DATA OF LISTED COMPANIES AND THEIR MAJOR SUBSIDIARIES INCLUDED IN THE LIST OF ENTERPRISES REQUIRED TO DISCLOSE ENVIRONMENTAL INFORMATION IN ACCORDANCE WITH LAW**

√ Applicable ☐ Not applicable

Number of enterprises included in the
list of enterprises required to disclose
environmental information in accordance
with law

12

NO. Name of Enterprises

Query Index for Legally-required Environmental
Information Disclosure Reports

1 He Ji Gong

Department of Ecology and Environment of Guangdong

2 Weiling

Province – Enterprise Environmental Information Mandatory

3 Chemical & Pharmaceutical Zhuhai
Company

Disclosure System [https://www-app.gdeei.cn/gdeepub/](https://www-app.gdeei.cn/gdeepub/front/dal/dal/newindex)
[front/dal/dal/newindex](https://www-app.gdeei.cn/gdeepub/front/dal/dal/newindex)

4 Bai Di Biological

5 Baiyunshan General Factory

6 Chemical Pharmaceutical Factory

7 Ming Xing

8 Tian Xin

9 Guang Hua

10 Baiyunshan Han Fang

11 Xing Qun

12 Xing Zhu



H. SPECIFIC CONDITIONS OF WORK RELATED TO CONSOLIDATING AND EXPANDING POVERTY ALLEVIATION ACHIEVEMENTS AND RURAL REVITALIZATION

☒ Applicable ☐ Not applicable

During the Reporting Period, the Group has continued to advance work related to consolidating and expanding poverty alleviation achievements and rural revitalization, including:

1. Provided counterpart assistance to Nanxing Town, Leizhou City, Zhanjiang City, and donated a batch of medical equipment including anesthetics, electrosurgical units and ophthalmic surgical equipment to the Central Health Center of Nanxing Town, with a total value of approximately RMB350,000.
2. Focused on herbal medicine cultivation, the Group initiated herbal medicine planting projects in Zhanjiang, Meizhou, Qingyuan, Xinjiang, and other regions, with technical guidance and targeted procurement measures to effectively promote local agricultural development and increase farmers' income.
3. The Group undertook the task of developing the Guangdong lychee industry, investing in the construction of the Guangyao Wang Lao Ji Guangdong Lychee (Maoming) Industrial Park in western Guangdong and the Guangyao Wang Lao Ji Guangdong Lychee (Shantou) Industrial Park in eastern Guangdong, respectively, to deepen the layout of lychee industry..
4. The Group implemented the assistance arrangements for Meizhou and Yongding, Longyan. The Wang Lao Ji Health Industry Meizhou Extract Base, the Cai Zhi Lin Meizhou Traditional Chinese Medicine Industrialization Base, and the Guangyao Wang Lao Ji (Longyan) Industrial Park (Yongding) Production Base support local health industry development, create a sustainable assistance mechanism and drive continuous economic growth in the region.
5. The Guangyao Wang Lao Ji Ci Ning Ji Guizhou Qiannan Production Base (廣藥王老吉刺寧吉貴州黔南生產基地) and the Guangyao Wang Lao Ji (Bijie) Company (廣藥王老吉畢節公司) assist and drive Guizhou's rural revitalization and industrial development.

Major Events

A. PERFORMANCE OF UNDERTAKINGS

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirers and other relevant parties of the Company during or continuing during the Reporting Period

√ Applicable ☐ Not applicable

1. Independence of listed company

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	- After completion of the Material Assets Reorganization in 2013, GPLH, the controlling shareholder of the Company, will comply with the requirements of relevant laws and regulations, regulatory documents and the Articles of Association of GPC, and exercise shareholder's rights according to laws and will not affect the independence of the Company by exerting its influence as a controlling shareholder and will maintain the integrity and independence of the Company in respect of assets, employees, finance, organization and business. - The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.
Time of the undertaking	The undertaking was given on 29 February 2012.
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes



A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

2. Avoiding competition

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	- After completion of the Material Assets Reorganization in 2013, GPLH and its controlled subsidiaries (hereinafter "Subsidiaries" excluding GPC and its subsidiaries and same as below) should avoid engaging in business and operations which substantially compete with those of the GYBYS subsisting after completion of the Material Assets Reorganization in 2013, and avoid increasing investment in companies and enterprises other than the GYBYS and its subsidiaries, and engaging in business and operations which substantially compete with those of the GYBYS. GPLH will not and will procure its Subsidiaries not to engage in the same or similar business of the GYBYS to avoid direct or indirect competition with the operation and business of the GYBYS. In addition, GPLH will voluntarily forego and vigorously procure its subsidiaries forego competition with the GYBYS if GPLH and its subsidiaries will bring unfair impact on the GYBYS in respect of market shares, business opportunities and allocation of resources. - GPLH shall bear the economic losses and/or additional costs directly and/or indirectly suffered or incurred by the GYBYS due to any breach of the above undertakings. - The undertaking letter shall remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.
Time of the undertaking	The undertaking was given on 29 February 2012.
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

3. Regulating connected transactions

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	- After completion of the Material Assets Reorganization in 2013, GPL and its Subsidiaries should minimize and regulate connected transactions with the Company. If there is any unavoidable connected transaction, GPL and its controlled subsidiaries will sign agreements with the Company in accordance with laws and perform the legal procedures. They will also fulfill the information disclosure obligations and pursue the reporting and approval procedures according to the requirements of relevant laws and regulations, the Listing Rules of SSE and the Listing Rules of HKEX and the Articles of Association of GPC, and warrant that it will not conduct connected transactions that harm the legitimate rights and interests of the GYBYS subsisting after completion of the Material Assets Reorganization in 2013 and its other shareholders. - The undertaking letter will remain effective so long as the Company legally and validly exists and GPL owns controlling interest in the Company.
Time of the undertaking	The undertaking was given on 29 February 2012.
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes



A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

4. Undertakings related to properties with legal defects

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	1. GPLH will promote the development of the subsisting listed company, protect the interests of minority investors, and proactively take measures to solve the issue of Baiyunshan properties with legal defects in titles to ensure that the interests of the subsisting listed company and investors are not jeopardised. 2. Guaranteeing that the subsisting listed company will be able to continue occupying and using such properties after completion of the merger and that it will not incur any additional cost or suffer any material adverse impact due to such issue. 3. After completion of the merger, GPLH will fully compensate the Company within 2 months from the date of incurrence of the actual losses (not including the tax normally incurred in respect of changing the registration name and transfer in relation to the properties and the land premium in relation to the changes from non-granted land use rights to granted land-use rights) in case there are any penalties imposed on or losses incurred by the Company due to the legal defects in the building ownership or land use rights of the Baiyunshan properties to be acquired by the Company, and such losses include but are not limited to all economic losses in connection with any civil, administration and criminal liabilities, to ensure that the Company and minority investors will not suffer any losses.
Time of the undertaking	The undertaking was given on 29 February 2012.
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

5. Undertakings related to trademarks by the controlling shareholder

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	1. GPLH undertakes that, within two years from the date of satisfaction of any one of the conditions set out below, it will legally transfer the trademarks in Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademark with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to the requirements of laws and regulations then in force: (i) upon the expiry date of 1 May 2020, or earlier when the license agreement and its supplemental agreement were determined invalidated/void/terminated by the arbitration institution, or earlier when the agreement was terminated or released as agreed between the parties; or (ii) Hung To (Holdings) Company Limited (鴻道(集團)有限公司) legally ceases to own the pre-emption right in Wang Lao Ji trademarks. 2. On the basis of the original undertaking letter, GPLH has further made the undertaking as follows: After all of the legal disputes regarding the trademark of Wang Lao Ji have been resolved and within two years commencing from the transferable day, GPLH shall, pursuant to the provisions of the effective laws and regulations then and after the relevant procedures regarding the reporting for approval have been processed, legally transfer to the Company such 29 trademarks of the series of "Wang Lao Ji" together with such 4 other trademarks related to Wang Lao Ji, which are all obtained and owned in legal manner by GPLH after the execution day (inclusive of that day) of the Supplementary Agreement to the Agreement of Trademark Custody. The Company may obtain such by cash or by issuing shares for purchasing assets wherein the transfer price shall be legally confirmed based on such appraisal value as issued by an appraisal institute possessing the professional qualification of engaging in securities and as confirmed in the asset appraisal report verified by the State-owned assets authority.



A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

5. Undertakings related to trademarks by the controlling shareholder *(Continued)*

Item	Content
Time of the undertaking	The original undertaking was given on 29 February 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 15 June 2012.
Valid period for performance	No
Period of the undertaking	The undertaking remains valid until it has been fully performed.
Whether timely and strictly performed	Yes. In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao Ji Trademark Series from GPLH, which proposed to amend the performance period of the former undertakings to “two years since the effective date of the judgment on the law case of ‘red can decoration’”, due to the trial of the “case on red can decoration dispute”. As approved at the 8th meeting of the sixth session of the Board, the resolution on the amendment to the performance period of the undertaking of injection of “Wang Lao Ji” trademark series by GPLH was submitted to the first extraordinary general meeting in 2015 held on 13 March 2015 and was approved.
Compliance or not	Yes
Notes	On 16 August 2017, the Supreme People’s Court of the PRC announced the judgment on the “case on red can decoration dispute”, and the judgment is final. On the same day, GPLH and WLJ Great Health, the Company’s wholly-owned subsidiary, received the relevant civil judgment of the Supreme People’s Court of the PRC on the “case on red can decoration dispute” (For details, please refer to the Announcement of the Final Judgement on the Case of “Dispute over Wang Lao Ji Red Can Decoration” of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. dated 16 August 2017). According to GPLH’s undertaking made on 29 February 2012, the supplementary undertaking made on 15 June 2012 and the revised undertaking made in 2014, the conditions for GPLH to transfer “Wang Lao Ji” series trademarks to the Company had been satisfied.

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

5. Undertakings related to trademarks by the controlling shareholder *(Continued)*

Item	Content
	On 27 December 2018, the Resolution regarding the Proposal on Purchasing Trademarks in Cash and the Relevant Agreements and Connected Transactions was considered and approved at the 18th meeting of the seventh session of the Board of the Company, by using the appraised value as the pricing basis, which was determined in the Assets Evaluation Report on Proposed Transfer of Trademarks by Guangzhou Pharmaceutical Holdings Limited Involving 420 Exclusive Use Rights of Trademarks Owned by Guangzhou Pharmaceutical Holdings Limited (Zhong Lian Guo Ji Ping Zi [2018] No. WIGPZ0701) with valuation reference date of 30 June 2018, the Company intended to acquire all rights of Wang Lao Ji series of trademarks held by GPL, the controlling shareholder (including trademarks already registered in the PRC and other countries or regions and trademarks under application and pending for approval) in cash, and signed the Agreement on Acquisition of Trademarks in Cash between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceutical Holdings Limited and the Profit Compensation Agreement between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceutical Holdings Limited. The above transaction was considered and passed at the first extraordinary general meeting in 2019 held on 28 March 2019. On 30 April 2019, the Company entered into the Confirmation of the Delivery of Assets for the Transfer of "Wang Lao Ji" Series Trademarks with GPL, in accordance with which the transfer of the "Wang Lao Ji" trademark assets had been completed.



A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

5. Undertakings related to trademarks by the controlling shareholder *(Continued)*

Item	Content
	On 18 August 2021, the Resolution on Postponement in Fulfilling Performance Guarantee by the Controlling Shareholder and Signing of Supplemental Agreement was considered and approved at the 15th meeting of the 8th session of the Board and 11th meeting of the 8th session of the Supervisory Committee of the Company, and the Company signed the Profit Compensation Supplemental Agreement with GPLH. As affected by the COVID-19 epidemic, GPLH negotiated with the Company to adjust the terms of commitments from the year 2019, 2020 and 2021 to the year 2019, 2021 and 2022. As a result, the value realized during the commitment period should be deferred accordingly, representing the commitment value in net income of trademark assets of RMB152.87 million, RMB162.65 million and RMB171.45 million in the year of 2019, 2021 and 2022, respectively. Of 418 trademarks of Wang Lao Ji series that the Company has submitted the changing application documents to both domestic and foreign intellectual property departments, there has been 398 trademarks changed and 20 trademarks pending approval.



Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing to the Reporting Period *(Continued)*

6. The undertaking made by the Company and the controlling shareholders of the Company in relation to reducing or regulating connected transactions

Item	Content
Background of the undertaking	The undertaking related to the application of GP Corp., a holding subsidiary, for listing on the NEEQ
Party giving the undertaking	The Company and the controlling shareholders of the Company ("the Enterprise")
Undertakings	1. The Enterprise and any other companies or any other types of enterprises controlled by the Enterprise other than GP Corp. (hereinafter referred to as "Related Enterprises") will avoid or reduce connected transactions with GP Corp. as much as possible. For existing (if any) and future connected transactions that are indeed necessary and unavoidable, it is guaranteed that they will be executed in accordance with market-based principles and fair pricing principles. In principle, the prices of connected transactions shall not deviate from the prices or charges standards of independent third parties in the market, and the relevant authorization and approval procedures and information disclosure obligations shall be performed in accordance with relevant laws, regulations and normative documents. 2. Guarantee that the Enterprise and the companies, branches, joint ventures or associates any other types of enterprises controlled by the Enterprise do not interfere with the operation of GP Corp. and harm its interests by monopolizing business channels of procurement and sales and shall ensure the fairness of connected transactions.



A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing to the Reporting Period *(Continued)*

6. The undertaking made by the Company and the controlling shareholders of the Company in relation to reducing or regulating connected transactions *(Continued)*

Item	Content
3.	The Enterprise undertook that it had provided the sponsoring broker, lawyers and accountants of GP Corp. involved in the listing of the GP Corp with the information on all connected transactions that occurred between other enterprises under the actual control or significant influence of the Enterprise and GP Corp. during the Reporting Period, and the corresponding information was true and complete, with no material omissions or concealments. There were no other connected transactions that should be disclosed but has not been disclosed in accordance with relevant laws, regulations and the relevant provisions of the China Securities Regulatory Commission and the National Equities Exchange and Quotations.
4.	The Enterprise guaranteed that it would comply with the relevant laws and regulations and the Articles of Association of GP Corp. and other relevant corporate governance systems, and strictly adhere to the decision-making procedures for connected transactions when considering connected transactions involving the Enterprise, including: (1) The procedures for abstention from voting on connected transactions at the meetings of the Board of Directors of GP Corp.; (2) The procedures for abstention from voting on connected transactions at the meetings of the Supervisory Committee of GP Corp.;

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing to the Reporting Period *(Continued)*

6. The undertaking made by the Company and the controlling shareholders of the Company in relation to reducing or regulating connected transactions *(Continued)*

Item	Content
	(3) The procedures for abstention from voting on connected transactions at the general meeting of shareholders of GP Corp..
	The Enterprise undertook and procured that Related Enterprises would strictly comply with the decision-making system of GP Corp. in respect of connected transactions and guaranteed that it would not harm the interests of GP Corp. and other shareholders through connected transactions.
Time of the undertaking	The undertaking was given on 10 May 2024
Whether there is a period of performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliant or not	Yes



A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

7. The undertaking made by the Company and the controlling shareholders of the Company in relation to regulating or avoiding competition in the same industry

Item	Content
Background of the undertaking	The undertaking related to the application of GP Corp., the controlling subsidiary, for listing on the NEEQ
Party giving the undertaking	The Company and the controlling shareholders of the Company
Undertaking	- As of the date of issuance of the undertaking letter, the Enterprise has not, either independently or in conjunction with other natural persons, legal persons, partnerships or organizations, directly or indirectly engaged in or participated in any businesses and activities that compete with GP Corp. in any form or held any interests in any economic entity, institution or economic organization that have a competitive relationship with GP Corp. or served as senior management or core technical personnel in such economic entity, institution or economic organization. - During the period as the controlling shareholders of GP Corp., they will guarantee to take legal and effective measures to procure that the Enterprise, other companies, enterprises and other economic organizations in which the Enterprise holds a controlling interest, do not directly or indirectly engage in any business that is the same as or similar to that of GP Corp., constitutes or may constitute competition with the business of GP Corp. in any form.



Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

7. The undertaking made by the Company and the controlling shareholders of the Company in relation to regulating or avoiding competition in the same industry *(Continued)*

Item	Content
3.	During the period of as the controlling shareholders of GP Corp., if GP Corp. further expands its product and business scope, the Enterprise and the enterprises controlled by the Enterprise currently and in the future will not compete with the expanded products or businesses of GP Corp.; if such enterprises compete with the expanded products or businesses of GP Corp., the Enterprise will promptly take appropriate measures to resolve it to avoid competition in the same industry. The Enterprise and other enterprises controlled by it will withdraw from competition with GP Corp. in the following ways: stopping producing or providing products or services that constitute or may constitute competition; stopping operating businesses that constitute or may constitute competition; integrating competitive businesses into the operations of GP Corp.; transferring competitive businesses to unconnected third parties;
4.	During the period of as the controlling shareholders of GP Corp., if the Enterprise and other enterprises or economic organizations controlled by the Enterprise have any commercial opportunities to engage in, participate in or invest in any business that may compete with the production and operation of GP Corp., the Enterprise will, at the request of GP Corp., cede such commercial opportunities to GP Corp. or allow GP Corp. to have the priority to acquire the assets or equity involved in the relevant business under the same conditions, in order to avoid competition with GP Corp. in the same industry.



A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

7. The undertaking made by the Company and the controlling shareholders of the Company in relation to regulating or avoiding competition in the same industry *(Continued)*

Item	Content
Time of the undertaking	The undertaking was given on 10 May 2024
Whether there is a period of performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliant or not	Yes

8. The undertaking made by the Company and the controlling shareholders of the Company in relation to resolving the issue of fund occupation

Item	Content
Background of the undertaking	The undertaking related to the application of GP Corp., the controlling subsidiary, for listing on the NEEQ
Party giving the undertaking	The Company and the controlling shareholders of the Company
Undertaking	1. The advancement of costs, expenses and other expenditures such as salary and welfare paid by GP Corp. for the Enterprise and the enterprises controlled by the Enterprise is not accepted;



Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

8. The undertaking made by the Company and the controlling shareholders of the Company in relation to resolving the issue of fund occupation *(Continued)*

Item	Content
	2. Funds provided by GP Corp. directly or indirectly (including but not limited to capital lending, provision of entrusted loans, entrusted investments, issuing commercial acceptance bills without a real transaction background, debt repayment (on their behalf), etc.) are not accepted.
Time of the undertaking	The undertaking was given on 10 May 2024
Whether there is a period of performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliant or not	Yes



A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

9. The undertaking made by the controlling shareholders of the Company in relation to resolving title defects

Item	Content
Background of the undertaking	The undertaking related to the application of GP Corp., the controlling subsidiary, for listing on the NEEQ
Party giving the undertaking	The controlling shareholders of the Company
Undertaking	1. It will actively assist GP Corp. in handling various related formalities involved in the allocation of properties. The costs and expenses involved (including tax costs related to property allocation and all costs involved in the properties prior to the allocation (including but not limited to related taxes, etc.)) will be borne by the controlling shareholders of the Company in accordance with relevant national laws and regulations. 2. As of the date of issuance of this undertaking letter, no dispute or conflict has arisen between the controlling shareholders of the Company and GP Corp. in respect of the use, ownership and other aspects of the land and buildings. GP Corp. is not entitled to any benefits or liable for any losses from the properties. There is no interest transfer of related party or other interest arrangements between the controlling shareholders of the Company and GP Corp.
Time of the undertaking	The undertaking was given on 14 March 2024
Whether there is a period of performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliant or not	Yes



Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

10. The undertaking made by the Company and the controlling shareholders of the Company in relation to other matters concerning GP Corp.'s application for listing

Item	Content
Background of the undertaking	The undertaking related to the application of GP Corp., the controlling subsidiary, for listing on the NEEQ
Party giving the undertaking	The Company and the controlling shareholders of the Company
Undertaking	1. The Enterprise guarantees that it will strictly fulfill the obligations and responsibilities under all the public undertakings as disclosed by the GP Corp. in the public transfer statement. 2. If the Enterprise is unable to perform the public undertakings due to matters other than objective reasons which are beyond its control, including, among others, changes of relevant laws, regulations and policies and natural disasters, it undertakes that: (1) to timely disclose the detailed reasons for failing or being unable to perform timely its undertakings by the Company or relevant responsible parties. (2) to timely make lawful, reasonable, and valid supplementary undertakings, alternative undertakings, or corresponding remedial measures. (3) failing to fully, timely, and effectively perform the relevant undertakings, the proceeds obtained shall belong to the Company; for any losses suffered by investors, it shall compensate the investors for such losses in accordance with the law.



A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

10. The undertaking made by the Company and the controlling shareholders of the Company in relation to other matters concerning GP Corp.'s application for listing *(Continued)*

Item	Content
	(4) if the continuing performance of such breached undertakings is possible, the Enterprise shall continue to do so. 3. If the Enterprise is unable to perform the public undertakings due to changes of relevant laws, regulations and policies, natural disasters and other force majeure events, it undertakes that: (1) to timely and adequately disclose the detailed reasons for failing and being unable to perform, or being unable to perform as scheduled, its undertakings by the Enterprise; (2) to make supplementary or alternative undertakings to the investors to protect the investors' interests as much as possible.
Time of the undertaking	The undertaking was given on 10 May 2024
Whether there is a period of performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliant or not	Yes
Save for the above, there is no other undertakings that has not been fulfilled and needs to be disclosed.	

Major Events

B. APPROPRIATION OF FUNDS FOR NON-OPERATING PURPOSES BY CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD

√ Applicable □ Not applicable

Name of shareholders or related parties	Relationship with the Company	Appropriation time	Reasons	Amount at the beginning of the Reporting Period	New appropriation amount during the Reporting Period	Total amount repaid during the Reporting Period	Balance at the end of the Reporting Period	Balance as at the disclosure date of the interim report	Expected repayment method	Expected repayment amount	Expected repayment time
				(RMB)	(RMB)	(RMB)	(RMB)	(RMB)			
HNBYS	Joint venture	1-2 years	Dividends	1,500,000	0	0	1,500,000	1,500,000	Cash	1,500,000	-
Total	-	-	-	1,500,000	0	0	1,500,000	1,500,000	-	1,500,000	-
Proportion of total amount at the end of the period in the latest audited net assets											0.00%
Decision-making procedures for appropriation of funds for non-operating purposes by controlling shareholder and other related parties											-
Reasons for new appropriation of funds for non-operating purposes by substantial shareholders and their affiliated enterprises, investigation of responsible persons and explanations to measures proposed to be adopted by the Board											-
Reasons for failure to settle appropriation of funds for non-operating purposes as planned, investigation of responsibilities and explanations to measures proposed to be adopted by the Board											-
Special audit opinion of certified public accountants on appropriation of funds (if any)											-



C. ILLEGAL GUARANTEES

☐ Applicable ☒ Not applicable

D. AUDIT OF THE INTERIM REPORT

☐ Applicable ☒ Not applicable

(A) Explanation on appointment, dismissal of auditors

Explanatory notes on the appointment and dismissal of auditors

☒ Applicable ☐ Not applicable

As considered and approved at the second meeting of the Audit Committee in 2025, the Company suggested to renew the appointment of WUYIGE Certified Public Accountant LLP as the financial auditors and the internal control auditors of the Company for the year 2025, and the said matter was submitted to the Board for consideration. As considered and approved at the 23rd meeting of the ninth session of the Board and 2024 annual general meeting of shareholders of the Company, it was approved for the proposed renewal of appointment of WUYIGE Certified Public Accountant LLP as the financial auditors and the internal control auditors of the Company for the year 2025. For details, please refer to the announcement of the Company dated 29 April 2025 and the announcement of the resolution of 2024 annual general meeting of shareholders dated 3 June 2025.

Statements relating to the change in the employment of accounting firm during the audit period

☐ Applicable ☒ Not applicable

(B) COMPANY'S EXPLANATION ON THE "NON-STANDARD AUDIT OPINION REPORT" ISSUED BY THE ACCOUNTING FIRM

☐ Applicable ☒ Not applicable



Major Events

E. CHANGES AND RESOLUTION REGARDING MATTERS RELATED TO THE NON-STANDARD AUDIT OPINION IN THE PREVIOUS ANNUAL REPORT

☐ Applicable ☒ Not applicable

F. MATTERS RELATING TO BANKRUPTCY AND REORGANIZATION

☐ Applicable ☒ Not applicable

G. THE GROUP'S MATERIAL LITIGATIONS, ARBITRATIONS OR MATTERS SUBJECT TO DOUBT BY MEDIA

☐ Material litigations or arbitrations of the Company during the Reporting Period

☒ No Material litigations or arbitrations of the Company during the Reporting Period

H. INFORMATION REGARDING PENALTIES ON THE COMPANY, THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER OR THE ACQUIRER DURING THE REPORTING PERIOD AND RELEVANT REMEDIES

☐ Applicable ☒ Not applicable

I. EXPLANATION ON THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLER DURING THE REPORTING PERIOD

☐ Applicable ☒ Not applicable



J. MATERIAL CONNECTED TRANSACTIONS

(A) The connected transactions in relation to the ordinary operations

1. Matters which had been disclosed in temporary announcements and where there was no progress or change in subsequent implementation

☐ Applicable ☒ Not applicable

2. Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation

☒ Applicable ☐ Not applicable

(1) During the Reporting Period, the details of the connected transactions in relation to the ordinary operations are as follows:

Connected parties	Relationship	Types of connected transactions	Content of connected transactions	Pricing principles of connected transactions	Amount of connected transactions (RMB)	Proportion to the amount of same transactions (%)	Settlement method of connected transactions
HWBYS	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	31,839,551	0.10	Cash
Baxter Qiao Guang	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	50,996,593	0.15	Cash
Hua Cheng	Controlled by the same parent company	Purchase of goods	Medicinal material or medicine	Market price	2,398,477	0.01	Cash
Baiyunshan Yi Xin Tang	Associates	Purchase of goods	Medicinal material or medicine	Market price	1,090,622	0.00	Cash
Subtotal					86,325,243		
HWBYS	Joint venture	Acceptance of service	Exhibition services	Market price	8,624,833	1.28	Cash
Hua Cheng	Controlled by the same parent company	Acceptance of service	Exhibition services	Market price	50,070	0.01	Cash
Baiyunshan Yi Xin Tang	Associates	Acceptance of service	Exhibition services	Market price	68,583	0.01	Cash
Subtotal					8,743,486		
GP Capital	Controlled by the same parent company	Acceptance of service	Funds services	Market price	3,353,844	0.50	Cash
Subtotal					3,353,844		
HWBYS	Joint venture	Acceptance of service	Consigned processing	Market price	9,378,244	6.42	Cash
Guangyao Group (Macau) Company	Controlled by the same parent company	Acceptance of service	Consigned processing	Market price	199,175	0.14	Cash
Subtotal					9,577,419		
Total					107,999,992		

Major Events

J. MATERIAL CONNECTED TRANSACTIONS (Continued)

(A) The connected transactions in relation to the ordinary operations (Continued)

2. Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation (Continued)

Connected parties	Relationship	Types of connected transactions	Content of connected transactions	Pricing principles of connected transactions	Amount of connected transactions (RMB)	Proportion to the amount of same transactions (%)	Settlement method of connected transactions
HWBYS	Joint venture	Sales of goods	Medicinal material or medicine	Market price	11,768,617	0.03	Cash
Baiyunshan Yi Xin Tang	Associates	Sales of goods	Medicinal material or medicine	Market price	111,219,814	0.27	Cash
Hua Cheng	Controlled by the same parent company	Sales of goods	Medicinal material or medicine	Market price	51,073,949	0.12	Cash
Baxter Qiao Guang	Joint venture	Sales of goods	Medicinal material or medicine	Market price	421,699	0.00	Cash
Subtotal					174,484,079		
HWBYS	Joint venture	Sales of goods	Other goods	Market price	516,899	0.08	Cash
GPHL	Parent company	Sales of goods	Other goods	Market price	1,221	0.00	Cash
Hua Cheng	Controlled by the same parent company	Sales of goods	Other goods	Market price	60,566	0.00	Cash
Baiyunshan Yi Xin Tang	Associates	Sales of goods	Other goods	Market price	28,257	0.00	Cash
Subtotal					606,943		
HWBYS	Joint venture	Provision of Labour Services	Advertising agency service	Market price	15,003,241	5.00	Cash
Hua Cheng	Controlled by the same parent company	Provision of Labour Services	Advertising agency service	Market price	3,639,490	1.21	Cash
GPHL	Parent company	Provision of Labour Services	Advertising agency service	Market price	3,774	0.00	Cash
Baxter Qiao Guang	Joint venture	Provision of Labour Services	Advertising agency service	Market price	(9,434)	0.00	Cash
Hua Cheng	Controlled by the same parent company	Provision of Labour Services	Consigned processing	Market price	15,727,039	10.77	Cash
HWBYS	Joint venture	Provision of Labour Services	Consigned processing	Market price	1,663,611	1.14	Cash
HWBYS	Joint venture	Provision of Labour Services	Research and development services	Market price	601,342	5.64	Cash



J. MATERIAL CONNECTED TRANSACTIONS (Continued)

(A) The connected transactions in relation to the ordinary operations (Continued)

2. Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation (Continued)

Connected parties	Relationship	Types of connected transactions	Content of connected transactions	Pricing principles of connected transactions	Amount of connected transactions (RMB)	Proportion to the amount of same transactions (%)	Settlement method of connected transactions
GP Capital	Controlled by the same parent company	Provision of Labour Services	Other services	Market price	218	0.00	Cash
Bencao Craft Brewery Company	Controlled by the same parent company	Provision of Labour Services	Other services	Market price	6,612	0.00	Cash
Baxter Qiao Guang	Joint venture	Provision of Labour Services	Other services	Market price	3,074,120	0.46	Cash
HWBYS	Joint venture	Provision of Labour Services	Other services	Market price	111,208	0.02	Cash
Baiyunshan Yi Xin Tang	Associates	Provision of Labour Services	Other services	Market price	11,655	0.00	Cash
Hua Cheng	Controlled by the same parent company	Provision of Labour Services	Other services	Market price	103,415	0.02	Cash
Guangyao Group (Macau) Company	Controlled by the same parent company	Provision of Labour Services	Other services	Market price	8,360	0.00	Cash
Subtotal					39,944,651		
Hua Cheng	Controlled by the same parent company	Providing patents, trademarks, etc.	Trademark use rights	Agreement price	258,057	18.04	Cash
HWBYS	Joint venture	Providing patents, trademarks, etc.	Trademark use rights	Agreement price	80,209	5.61	Cash
GPHL	Parent company	Others	Assets leased from connected parties	Agreement price	5,645,787	3.70	Cash
HWBYS	Joint venture	Others	Assets leased from connected parties	Agreement price	2,024,729	1.33	Cash
Baiyunshan Yi Xin Tang	Associates	Others	Assets leased from connected parties	Agreement price	6,093	0.00	Cash
Subtotal					8,014,875		

Major Events

J. MATERIAL CONNECTED TRANSACTIONS (Continued)

(A) The connected transactions in relation to the ordinary operations (Continued)

2. Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation (Continued)

Connected parties	Relationship	Types of connected transactions	Content of connected transactions	Pricing principles of connected transactions	Amount of connected transactions (RMB)	Proportion to the amount of same transactions (%)	Settlement method of connected transactions
Baxter Qiao Guang	Joint venture	Others	Assets leased to connected parties	Agreement price	1,889,303	4.75	Cash
GPHL	Parent company	Others	Assets leased to connected parties	Agreement price	215,912	0.54	Cash
Baiyunshan Yi Xin Tang	Associates	Others	Assets leased to connected parties	Agreement price	109,602	0.28	Cash
Guangyao Group (Macau) Company	Controlled by the same parent company	Others	Assets leased to connected parties	Agreement price	91,090	0.23	Cash
Baiyunshan Cultural Company	Controlled by the same parent company	Others	Assets leased to connected parties	Agreement price	27,050	0.07	Cash
Subtotal					2,332,957		
Total					225,383,505		

Note: The above related party transactions were considered as the Group's ordinary operations, valued by the market prices, and placed no negative impact on the Group's sustainable operations.



J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

(A) The connected transactions in relation to the ordinary operations *(Continued)*

3. Matters which were not disclosed in temporary announcements

☐ Applicable ☒ Not applicable

(B) Connected transactions on acquisition and disposal of assets or equity interests

1. Events which were disclosed in temporary announcements but there has been no progress or change in subsequent implementation

☐ Applicable ☒ Not applicable

2. Events which were disclosed in temporary announcements but there has been progress or change in subsequent implementation

☐ Applicable ☒ Not applicable

3. Events which were not disclosed in temporary announcements

☐ Applicable ☒ Not applicable

4. Where there is agreement on financial performance, the performance achievements during the Reporting Period shall be disclosed

☐ Applicable ☒ Not applicable

(C) Material connected transactions on joint external investment

1. Events which were disclosed in temporary announcements but there has been no progress or change in subsequent implementation

☐ Applicable ☒ Not applicable



Major Events

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

(C) Material connected transactions on joint external investment *(Continued)*

2. Events which were disclosed in temporary announcements but there has been with progress or change in subsequent implementation

☒ Applicable ☐ Not applicable

- (1) On 19 December 2023, the Board approved that GP Fund would invest no more than RMB690 million to subscribe for the limited partnership shares of Guangzhou GP Industrial Investment Biomedical Venture Capital Fund (Limited Partnership)* (廣州廣藥產投生物醫藥創業投資基金(有限合夥)) (tentative title subject to the final approval of industrial and commercial registration authorities, “GP Venture Capital Fund”) and sign the Partnership Agreement of Guangzhou GP Industrial Investment Biomedical Venture Capital Fund (Limited Partnership) (the “Partnership Agreement”). On 2 August 2024, GP Venture Capital Fund added Guangzhou State-owned Enterprise Innovation Fund Co., Ltd.* (廣州國企創新基金有限公司) as a limited partner and re-signed the Partnership Agreement. On 9 September 2024, GP Venture Capital Fund completed industrial and commercial registration and obtained a business license. On 6 January 2025, GP Venture Capital Fund completed the filing procedures with the Asset Management Association of China, and the filed fund name is Guangzhou GP Industrial Investment Venture Capital Fund Partnership (Limited Partnership)* (廣州廣藥產投創業投資基金合夥企業(有限合夥)). For details, please refer to the Company’s announcements dated 20 December 2023, 3 August 2024, and 7 January 2025.
- (2) On 28 May 2025, the Board approved the Company’s entering into the Capital Increase and Share Expansion Agreement of Guangzhou Baiyunshan Biological Products Co., Ltd.* (廣州白雲山生物製品股份有限公司) (“Capital Increase Agreement”). Pursuant to the Capital Increase Agreement, the Company, GP Venture Capital Fund, and Guangzhou Time Honored Brand Revitalization Fund Partnership Enterprise (Limited Partnership)* (廣州老字號振興基金合夥企業(有限合夥)) will respectively increase capital to Baiyunshan Biological by RMB150 million, RMB130 million, and RMB20 million, and other shareholders of Baiyunshan Biological will waive their pre-emptive subscription rights in respect of this capital increase. After the completion of this capital increase, the Company’s shareholding ratio in Baiyunshan Biological will remain at 50.00%, and Baiyunshan Biological is still an enterprise within the scope of the Company’s consolidated financial statements. Pursuant to the Hong Kong Listing Rules, this capital increase constitutes a connected transaction. On 30 June 2025, the Company and the relevant parties completed the signing of the Capital Increase Agreement. For details, please refer to the Company’s announcements dated 28 May 2025, 16 June 2025, and 30 June 2025.



J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

(C) Material connected transactions on joint external investment *(Continued)*

3. Events which were not disclosed in temporary announcements

☐ Applicable ✓ Not applicable

(D) Credit claims and liabilities between connected parties

1. Matters which had been disclosed in temporary announcements and where there was no progress or change in subsequent implementation

☐ Applicable ✓ Not applicable

2. Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation

☐ Applicable ✓ Not applicable

3. Matters which were not disclosed in temporary announcements

☐ Applicable ✓ Not applicable

(E) Financial business between the Company and its connected financial firms, and between the Company's controlled financial firms and connected parties

☐ Applicable ✓ Not applicable

(F) Other material connected transactions

☐ Applicable ✓ Not applicable

(G) Others

☐ Applicable ✓ Not applicable



Major Events

K. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(A) Trusteeship, contract and lease matters

☐ Applicable ☒ Not applicable

During the Reporting Period, the Group did not hold on trust, sub-contract or lease assets of other companies or vice versa, which generated profit that accounted for 10% or more of the total profits of the Group for the Reporting Period.

(B) The major guarantees that have been performed or have not been completed during the Reporting Period

☐ Applicable ☒ Not applicable

(C) Other major contracts

☐ Applicable ☒ Not applicable



L. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS

√ Applicable ☐ Not applicable

(A) Overall use of the raised proceeds

√ Applicable ☐ Not applicable

Upon the receipt of The Reply for Approving the Non-public Offering of Shares by Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (Zhengjianxuke [2016] No. 826) from the CSRC, the Company, through the non-public offering, issued 334,711,699 A shares, with the total proceeds of RMB7.886 billion and the net proceeds of RMB7.863 billion (after deducting all relevant expenses) raised. As of 30 June 2025, the Company has cumulatively used RMB7.662 billion of proceeds, with a cumulative investment progress of 97.43%. The specific details are as follows:

Source of the raised proceeds	The date when the raised proceeds were in place	Total amount of the raised proceeds (RMB'0000)	The net raised proceeds after deducting all relevant expenses (RMB'0000)	The total amount of proceeds permitted for investment in a prospectus (RMB'0000)	The over amount of the raised proceeds (RMB'0000)	The total amount of the aggregate proceeds invested as at the end of Report Period (RMB'0000)	Include: the over amount of the aggregate proceeds invested as at the end of Report Period (RMB'0000)	The progress of the aggregate proceeds invested as at the end of Report Period (%)	The progress of the aggregate proceeds invested as at the end of Report Period (%)	The proportion of the proceeds invested during the Year (RMB'0000)	Amount of funds carried forward to the current year (RMB'0000)	The amount of proceeds of which the use changed (RMB'0000)	
(1)	(2)	(3)=(2)/(1)	(4)	(5)	(6)=(4)/(1)	(7)=(5)/(3)	(8)	(9)=(8)/(1)					
Issue of shares to specific subjects	11 August 2016	788,580.76	786,344.65	786,344.65	-	766,170.29	-	97.43	-	1,380.76	0.18	43,007.06	207,144.27

Major Events

L. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS (Continued)

(B) Details of the proceeds projects

✓ Applicable □ Not applicable

(1) Details of use for the proceeds

The aforesaid proceeds (1) their details and descriptions of the different uses during the Reporting Period; (2) the details and description of the proposed use of the unexpended funds and the expected timetable; and (3) the reasons for material changes in the use of the proceeds or delays in the timetable, are set out below:

Source of the raised proceeds	Name of projects	Nature of projects	Whether it is the investment project permitted in the Prospectus or the offering memorandum	Whether the use of investment has changed	The total amount of permitted proceeds for investment projects (RMB'0000)	The total amount of permitted proceeds for investment projects after adjustment (RMB'0000)	The total amount of invested proceeds during the Year (RMB'0000)	The total amount of the aggregate proceeds invested as at the end of Report Period (RMB'0000)	The progress of the aggregate proceeds invested as at the end of Report Period (%)	Date of the projects becoming ready for intended use	Whether be concluded	Whether the actual progress conforms to the planned progress	Reasons for not reaching the planned progress	The achieved effectiveness or results of the project	Explanation on significant changes of project's feasibility (if any)	Whether the proposed use of the proceeds will continue to be used in accordance with the intended use and schedule (RMB'0000)
Issue of shares to specific subjects	The construction project of the Great Southern TCM research and development platform	Construction of research and development, and production base	Yes	Yes	150,000.00	98,751.10	1,380.76	92,309.95	92.53	31 December 2025	No	Yes	N/A	Reflected in the Company's effectiveness	No	-
Issue of shares to specific subjects	The construction project of the Great Southern TCM production base (Phase II)	Construction of production base	Yes	Yes	100,000.0	64,391.67	-	61,160.95	94.98	31 January 2024	-	Yes	N/A	-	No	-
Issue of shares to specific subjects	Include Ming Xing relocation improvement project	Construction of production base	Yes	No	60,000.00	60,000.00	-	56,769.28	94.62	31 January 2024	Yes	Yes	N/A	-	-	4,520.21

The working capital has been replenished.



L. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS (Continued)

(B) Details of the proceeds projects (Continued)

(1) Details of use for the proceeds (Continued)

Source of the raised proceeds	Name of projects	Nature of projects	Whether it is the investment project permitted in the Prospectus or the offering memorandum	Whether the use of investment has changed	The total amount of permitted proceeds for investment projects	The total amount of permitted proceeds for investment projects after adjustment	The total amount of invested proceeds during the Year	The total amount of the aggregate proceeds invested as at the end of the Report Period	The progress of the aggregate proceeds invested as at the end of the Report Period	Whether the actual progress conforms to the planned progress	Reasons for not reaching the planned progress	The achieved effectiveness or results of the project	Explanation on significant changes of project's feasibility (if any)	Whether the proposed use of the rest amount of the proceeds will continue to be used in accordance with the intended use amount and schedule
					(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(%)					(RMB'000)
					(1)	(1)	(1)	(2)	(3=2/1)					
Issue of shares to specific subjects	He J Gong relocation improvement project	Construction of production base	Yes	Yes	40,000.00	4,391.67	-	4,391.67	100	-	N/A	-	-	-
Issue of shares to specific subjects	The extension project of modern medical logistics services extension	Operation management	Yes	Yes	100,000.00	-	-	-	-	-	N/A	-	-	5,596.02
Issue of shares to specific subjects	The project for acquiring the "Wang Lao Ji" series trademarks held by GHL (the controlling shareholder of the Company)	Operation management	No	Yes	108,000.00	108,000.00	-	108,000.00	100	Yes	N/A	Reflected in the Company's effectiveness	No	-
Issue of shares to specific subjects	The project for establishment of channels and brands	Operation management	Yes	No	200,000.00	200,000.00	-	203,395.67	100.70	-	N/A	Reflected in the Company's effectiveness	No	12,377.64
Issue of shares to specific subjects	The project for establishment of information platform	Operation management	Yes	Yes	20,000.00	2,714.99	-	2,714.99	100	-	N/A	Reflected in the Company's effectiveness	-	-

Major Events

L. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS (Continued)

(B) Details of the proceeds projects (Continued)

(1) Details of use for the proceeds (Continued)

Source of the raised proceeds	Name of projects	Nature of projects	Whether it is the investment project permitted in the Prospectus or the offering memorandum	Whether the use of investment has changed	The total amount of permitted investment projects	The total amount of permitted investment projects after adjustment	The total amount of the aggregate proceeds invested during the Year	The total amount of the aggregate proceeds invested as at the end of the Report Period	The progress of the aggregate proceeds invested as at the end of the Report Period	Date of the projects becoming ready for intended use	Whether the concluded progress conforms to the planned progress	Reasons for actual progress not reaching the planned progress	The achieved effectiveness or results of the project	Explanation on significant changes of project's feasibility (if any)	Whether the proposed use of the net amount of the proceeds will continue to be used in accordance with the intended use and schedule
					(RMB'0000)	(RMB'0000)	(RMB'0000)	(RMB'0000)	(%)						(RMB'0000)
					(1)	(1)	(2)	(2)	(3)=(2)/(1)						
Issue of shares to specific subjects	The project for the establishment of Guangqiao Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd	Construction of production base	No	Yes	-	48,901.37	-	30,046.89	61.44	31 December 2023	Yes	N/A	-	No	19,653.14
Issue of shares to specific subjects	The project for Nanxiba base	Construction of production base	No	Yes	-	38,400.00	-	20,172.21	52.53	31 December 2023	Yes	N/A	-	No	18,400.00
Issue of shares to specific subjects	Phase of Wu Great Health	Construction of production base	No	Yes	-	11,842.90	-	11,524.43	97.31	31 December 2023	Yes	N/A	-	No	401.27
Issue of shares to specific subjects	The project of Gansu Guangqiao Baiyunshan TCM Technology Industry Park Phase I Project	Construction of production base	No	Yes	-	11,842.90	-	11,524.43	97.31	31 December 2023	Yes	N/A	-	No	401.27
Issue of shares to specific subjects	Replenishment of liquidity	Refund the loan	Yes	No	216,344.65	222,049.70	-	236,785.20	106.64	N/A	No	N/A	Reflected in the Company's effectiveness	Reflected in the Company's effectiveness	-



L. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS *(Continued)*

(B) Details of the proceeds projects *(Continued)*

(1) Details of use for the proceeds *(Continued)*

The Company has always strictly complied with the relevant provisions of the China Securities Regulatory Commission's Regulations on the Supervision of Proceeds of Listed Companies, the listing rules of the Shanghai Stock Exchange, and the Shanghai Stock Exchange's Self-Regulatory Supervision Guidelines for Listed Companies No. 1 – Standardized Operations. It has continuously strengthened the safety of proceeds and the standardization of their use. For details on the extension, modification, completion and benefit realization of proceeds projects, please refer to the Company's Special Report on the Deposit and Actual Use of Proceeds for 2024 and the First Half of 2025.

(2) Details of use of the proceeds from the over-allotment

☐ Applicable ☒ Not applicable

(C) Change or termination of the proceeds during the Reporting Period

☐ Applicable ☒ Not applicable

(D) Other situation in the use of proceeds during the Reporting Period

(1) Early investment and replacement situation of the proceeds invested in the projects

☐ Applicable ☒ Not applicable

(2) Temporary replenishment of working capital from unused proceeds

☐ Applicable ☒ Not applicable

(3) Cash management and investment of unused proceeds

☐ Applicable ☒ Not applicable

(4) Other

☐ Applicable ☒ Not applicable



Major Events

L. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS *(Continued)*

(E) Conclusionary opinions of intermediary institutions on special verification and authentication of the storage and use of proceeds

☐ Applicable ☒ Not applicable

Explanation of the relevant situation of abnormalities of verification

☐ Applicable ☒ Not applicable

(F) Subsequent rectification of unauthorized changes to the use of proceeds and illegal occupation of proceeds

☐ Applicable ☒ Not applicable

M. DESCRIPTION OF OTHER MATERIAL EVENTS

- (A) On 19 December 2023 and 26 January 2024, the Company held the 6th meeting of the ninth session of the Board and the first extraordinary general meeting of shareholders in 2024, at which the “Resolution on application for quotation on the National Equities Exchange and Quotations by the holding subsidiary” was considered and approved, and the quotation on the NEEQ of GP Corp. was approved. On 11 May 2024, GP Corp. submitted an application of the quotation to the NEEQ Co., Ltd., and received the “Acceptance Notice” issued by the NEEQ Co., Ltd. on 17 June 2024. On 20 May 2025, GP Corp. was listed and publicly transferred on the NEEQ. For details, please refer to the announcements of the Company dated 19 December 2023, 26 January 2024, 17 June 2024 and 19 May 2025.
- (B) On 23 October 2024, GP Corp., on the basis of Industry Yuanrong – Accounts Receivable Phase IV of GP Corp. Asset-backed Special Scheme, signed a Delivery Confirmation Letter with Industrial Securities Assets Management, and subsequently signed three Confirmation Letters for Delivery of Additional Underlying Assets. As of 30 June 2025, the book value of the accounts receivable sold by GP Corp. Phase IV Asset-backed Special Scheme amounted to RMB2.543 billion, and the total purchase price received was RMB2.509 billion. For details, please refer to the announcement of the Company dated 23 October 2024, 28 November 2024, 28 February 2025 and 28 May 2025.

Changes in Share Capital and Shareholders



A. CHANGES IN SHARE CAPITAL

(A) Changes in share capital

1. Changes in share capital

During the Reporting Period, the total number of shares and share capital structure of the Company remained unchanged.

2. Explanation on changes in shares capital

☐ Applicable ☒ Not applicable

3. Impact on financial indicators such as earnings per share and net assets per share resulting from changes in shares that occurred between the end of the Reporting Period and the disclosure date of this interim report (if any)

☐ Applicable ☒ Not applicable

4. Other disclosures the Company deems necessary or required by securities regulators

☐ Applicable ☒ Not applicable

(B) Changes in shares subject to selling restrictions

☐ Applicable ☒ Not applicable

B. INFORMATION ON SHAREHOLDERS

(A) As at 30 June 2025, the Company had 85,550 shareholders in total, of which 85,499 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 51 were holders of overseas listed foreign share (H shares).

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS *(Continued)*

(B) Table on the shareholdings of the top ten shareholders and the top ten shareholders of the Company whose shares are in full circulation (or not subject to selling restrictions) as at the end of the Reporting Period.

The top ten shareholders of the Company (without refinancing and securities lending business)						
Shareholders (full name)	Increase/ (Decrease) during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Approximate percentage of the total issued share capital (%)	Number of shares subject to selling restrictions (share)	Number of shares pledged, marked or locked (share)	Nature of shareholders
Guangzhou Pharmaceutical Holdings Limited	0	732,305,103	45.04	0	0	State-owned legal person
HKSCC Nominees Limited	0	219,783,142	13.52	0	0	Overseas legal person
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	0	67,576,183	4.16	0	0	Others
China Securities Finance Corporation Limited	0	47,277,962	2.91	0	0	State-owned legal person
Hong Kong Securities Clearing Company Limited	5,236,902	40,448,057	2.49	0	0	Overseas legal person
Guangzhou Industrial Investment and Capital Operating Holdings Group Ltd.	(432,800)	16,831,252	1.04	0	0	State-owned legal person
Industrial and Commercial Bank of China Limited-Huatai PineBridge CSI 300 Exchange-Traded Open-End Index Securities Investment Fund	456,096	12,635,910	0.78	0	0	Others
China Construction Bank Corporation-E Fund CSI 300 Medicine and Health Trading Open Index Securities Investment fund	(1,445,374)	11,524,283	0.71	0	0	Others
China Construction Bank Corporation – E Fund CSI 300 Exchange Trading Open Index Initiation Securities Investment fund	559,515	8,936,628	0.55	0	0	Others
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	0	8,795,136	0.54	0	0	Others

Changes in Share Capital and Shareholders



B. INFORMATION ON SHAREHOLDERS (Continued)

(B) Table on the shareholdings of the top ten shareholders and the top ten shareholders of the Company whose shares are in full circulation (or not subject to selling restrictions) as at the end of the Reporting Period. (Continued)

The top ten shareholders of the Company not subject to selling restrictions (without refinancing and securities lending business, restricted shares held by executives)			
Shareholders (full name)	Number of shares without selling restrictions (share)	Class of shares	Number of shares (share)
Guangzhou Pharmaceutical Holdings Limited	732,305,103	Ordinary shares denominated in RMB	732,305,103
HKSCC Nominees Limited	219,783,142	Overseas listed foreign shares	219,783,142
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	67,576,183	Ordinary shares denominated in RMB	67,576,183
China Securities Finance Corporation Limited	47,277,962	Ordinary shares denominated in RMB	47,277,962
Hong Kong Securities Clearing Company Limited	40,448,057	Ordinary shares denominated in RMB	40,448,057
Guangzhou Industrial Investment and Capital Operating Holdings Group Ltd.	16,831,252	Ordinary shares denominated in RMB	16,831,252
Industrial and Commercial Bank of China Limited- Huatai PineBridge CSI 300 Exchange-Traded Open-End Index Securities Investment Fund	12,635,910	Ordinary shares denominated in RMB	12,635,910
China Construction Bank Corporation – E Fund CSI 300 Medicine and Health Trading Open Index Securities Investment fund	11,524,283	Ordinary shares denominated in RMB	11,524,283
China Construction Bank Corporation – E Fund CSI 300 Exchange Trading Open Index Initiation Securities Investment fund	8,936,628	Ordinary shares denominated in RMB	8,936,628
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	8,795,136	Ordinary shares denominated in RMB	8,795,136
Top ten shareholders in the buyback special account		Not applicable	
Explanation on the above shareholders' entrustment voting right, entrusted voting right and abandonment of voting right		Not applicable	
Explanation on the connection or persons acting in concert among the above shareholders	(1)	According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients;	
	(2)	The Company was not aware of any connection among the above top ten shareholders, or whether they were persons acting in concert as provided in the "Measures for the Management of Mergers and Acquisitions of Listed Companies".	
Preferred shareholders with their voting rights restored and the number of shares they hold		Not applicable	



Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS *(Continued)*

(B) Table on the shareholdings of the top ten shareholders and the top ten shareholders of the Company whose shares are in full circulation (or not subject to selling restrictions) as at the end of the Reporting Period. *(Continued)*

Information on the shareholders holding more than 5% of shares in issue, the top ten shareholders and the top ten shareholders not subject to selling restrictions participating in the refinancing and securities lending business

☐ Applicable ☒ Not applicable

Changes in the top ten shareholders and top ten unrestricted tradable shareholders compared with the previous period due to the lending/return of shares under the securities lending and borrowing program

☐ Applicable ☒ Not applicable

The number of shares held by the top ten shareholders subject to selling restrictions and the conditions of selling restrictions

☐ Applicable ☒ Not applicable

(C) Strategic investors or general legal persons who became the top ten shareholders as a result of placement of new shares

☐ Applicable ☒ Not applicable

Changes in Share Capital and Shareholders



B. INFORMATION ON SHAREHOLDERS (Continued)

- (D) As at 30 June 2025, the interests and short positions held by the persons (other than the Directors, Supervisors and senior management of the Company) in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Shareholder	Class of shares	Number of shares held (share)	Capacity	Approximate % of the total issued A shares (%)	Approximate % of the total issued H shares (%)	Aggregate Long Positions as an Approximate Percentage of the Company's Total Issued Shares Carrying Voting Rights (%)
Guangzhou Pharmaceutical Holdings Limited	A shares	732,305,103 (Long position)	Beneficial owner	About 52.09	–	About 45.04
LSV ASSET MANAGEMENT	H shares	8,441,111 (Long position)	Investment manager	–	About 3.84	About 0.52
		2,452,000 (Long position)	Other ^(Note)	–	About 1.12	About 0.15

Note:

LSV ASSET MANAGEMENT is deemed to hold 2,452,000 H-shares of the Company. Specifically, a long position in 1,340,000 H-shares of the Company is held by LSV Emerging Markets Equity Fund, LP ("LSV Markets Equity Fund"); a long position in 242,000 H-shares of the Company is held by LSV Emerging Markets Small Cap Equity Fund, LP ("LSV Small Cap Equity Fund"); and a long position in 870,000 H-shares of the Company is held by LSV International (AC) Value Equity Fund, LP ("LSV Value Equity Fund"). LSV ASSET MANAGEMENT controls 100% of the general partnership interests in LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund, respectively. Therefore, pursuant to the SFO, LSV ASSET MANAGEMENT is deemed to have an interest in the shares held by LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2025, there was no other person or corporation having an interest or short position in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO or otherwise required and to be recorded in the register required to be maintained by the Company under Section 336 of the SFO.

Changes in Share Capital and Shareholders

C. INFORMATION ON DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

(A) Changes in shares (A shares) held by the current and former Directors, Supervisors and senior management

Name	Position	Shares held as at the beginning of the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Change in shareholding during the Reporting Period (share)	Reasons for change
Li Xiaojun	Chairperson	0	0	0	N/A
Cheng Ning	Vice chairperson	0	0	0	N/A
Cheng Hongjin	Executive Director	0	0	0	N/A
Tang Heping	Executive Director	0	0	0	N/A
Li Hong	Executive Director, General Manager	0	0	0	N/A
Chen Yajin	Independent non-executive Director	0	0	0	N/A
Huang Min	Independent non-executive Director	0	0	0	N/A
Wong Lung Tak Patrick	Independent non-executive Director	0	0	0	N/A
Sun Baoqing	Independent non-executive Director	0	0	0	N/A
Liu Lan	Chairperson of the Supervisory Committee	0	0	0	N/A
Cheng Jinyuan	Supervisor	0	0	0	N/A
Jian Huidong	Supervisor	0	0	0	N/A
Zheng Haoshan	Deputy general manager	0	0	0	N/A
Zheng Jianxiong	Deputy general manager	2,300	2,300	0	Note
Huang Xuezhen	Secretary to the Board	0	0	0	N/A
Liu Fei	Financial Officer	0	0	0	N/A
Yang Jun	Vice chairperson (resigned on 13 June 2025)	0	0	0	N/A
Wu Changhai	Executive Director (resigned on 14 February 2025)	0	0	0	N/A
Liu Juyan	Executive Director (resigned on 21 January 2025)	0	0	0	N/A

Note: Mr. Zheng Jianxiong held shares that were traded in the secondary market before he became the deputy general manager of the Company.

Changes in Share Capital and Shareholders



C. INFORMATION ON DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT *(Continued)*

(B) Information on grant of incentives to the Directors, Supervisors and senior management during the Reporting Period

☐ Applicable ☒ Not applicable

(C) Interests and short positions of Directors, Supervisors and senior management in the shares, underlying shares and debentures

As at 30 June 2025, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions deemed or deemed to be owned under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code to be notified to the Company and the HKEX.

D. EMPLOYEES OF THE GROUP

(A) At the end of the Reporting Period, the number of employees on the payroll register of the Group was 27,425. The total salary payment for the first half of 2025 was approximately RMB2.013 billion.

(B) The remuneration policy

The remuneration of the employees of the Group includes salary, bonuses, subsidies and other fringe benefits such as five social insurances and one housing fund, enterprise annuity and supplementary medical insurance. The Group, while complying with the relevant laws and regulations, paid different rate of remuneration for different employees, based on their performance, qualification, position and other factors. Meanwhile, the Group provides two paths for employees' career development, namely professional channel and management channel, as a breakthrough to the predicament in the talent development due to limited management positions, so that outstanding professionals can receive enough recognition and incentives in the professional channel. In addition, the Group provides employee care such as staff shuttle buses, talent flats and various interest activity groups. The Group adheres to equal employment, values multicultural integration, respects the diverse background of each enterprise, treats employees of different nationalities, races, religious beliefs, genders and ages fairly, and firmly opposes any form of discrimination.



Changes in Share Capital and Shareholders

D. EMPLOYEES OF THE GROUP *(Continued)*

(C) Employees training plan

The Group has always regarded the professional development and growth needs of its employees as one of the core driving forces for the development of the enterprise. To effectively meet the improvement needs of employees at different career stages, the Group has built a comprehensive and efficient training management system based on the Enterprise Party School, with clear standards and processes covering everything from training course design and trainer selection to training effect evaluation. In terms of talent development model, the Group conducts an in-depth analysis of the training needs of employees at all levels and adopts a diversified approach that combines internal and external training to provide targeted training arrangements for employees. Through this comprehensive talent development system, the Group is committed to promoting the common growth of employees at all levels and the enterprise, and achieving a win-win situation for both employees and the enterprise.

E. DURING THE REPORTING PERIOD, THERE WAS NO CHANGE IN THE CONTROLLING SHAREHOLDER OF THE COMPANY.

F. DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE ANY PREFERRED SHARES.

G. PUBLIC FLOAT

Based on the publicly available information and to the best knowledge of the Directors, the Company had maintained sufficient public float as at the latest practicable date prior to the issue of this interim report.

H. PRE-EMPTIVE RIGHTS

Neither the Articles of Association of the Company nor the laws of the PRC require the Company to issue new shares to existing shareholders in proportion to their shareholdings under the terms of pre-emptive rights.

I. DURING THE REPORTING PERIOD, NEITHER THE COMPANY NOR ANY OF ITS SUBSIDIARIES PURCHASED, SOLD OR REDEEMED ANY OF THE COMPANY'S LISTED SECURITIES (INCLUDING SALE OF TREASURY SHARES). AT THE END OF THE REPORTING PERIOD, THE COMPANY DID NOT HOLD ANY TREASURY SHARES (INCLUDING ANY TREASURY SHARES HELD OR DEPOSITED WITH THE CENTRAL CLEARING AND SETTLEMENT SYSTEM).

J. DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE MATERIAL ACQUISITION OR DISPOSAL OF ANY SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES.

Relevant Information on Bonds



DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE ANY BONDS.

Consolidated Balance Sheet

30 June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	30 June 2025	31 December 2024
Current assets:			
Cash at bank and on hand	V.1	11,827,223,410.43	18,273,150,112.58
Financial assets held for trading	V.2	—	—
Derivative financial assets		—	—
Notes receivable	V.3	522,681,835.31	553,919,519.41
Accounts receivable	V.4	18,467,526,775.26	15,725,982,661.17
Accounts receivable financing	V.5	4,104,546,207.42	3,175,849,620.31
Advances to suppliers	V.6	758,316,762.07	577,942,385.96
Other receivables	V.7	1,080,272,635.63	993,650,235.33
Including: Interest receivable	V.7		
Dividends receivable	V.7	1,900,304.88	1,500,000.00
Inventories	V.8	11,316,984,796.82	12,811,902,453.79
Contract assets		—	—
Assets held for sales		—	—
Current portion of non-current assets	V.9	5,065,732,895.47	3,783,355,648.62
Other current assets	V.10	5,090,989,660.22	1,866,475,672.20
Total current assets		58,234,274,978.63	57,762,228,309.37
Non-current assets:			
Debt investment	V.11	8,184,142,904.15	8,053,925,346.18
Other debt investment		—	—
Long-term receivables		—	—
Long-term equity investment	V.12	1,568,883,546.34	1,507,259,073.94
Other equity instrument investment	V.13	95,692,506.36	104,180,509.45
Other non-current financial assets	V.14	517,928,063.35	531,000,228.05
Investment properties	V.15	143,019,884.08	145,071,577.99
Fixed assets	V.16	5,734,888,029.48	5,530,013,212.85
Construction in progress	V.17	1,846,002,211.20	1,846,192,932.95
Bearer biological assets	V.18	946,067.10	1,120,772.10
Oil and gas assets		—	—
Right-of-use assets	V.19	536,628,731.85	561,406,325.03
Intangible assets	V.20	2,811,752,322.46	2,828,761,601.53
Development expenditure	V.21	398,185,106.24	369,934,913.74
Goodwill	V.22	834,090,912.89	830,854,604.98
Long-term prepaid expenses	V.23	168,512,794.08	188,559,343.16
Deferred tax assets	V.24	1,254,949,027.49	1,210,403,693.47
Other non-current assets	V.25	89,757,966.14	212,699,075.85
Total non-current assets		24,185,380,073.21	23,921,383,211.27
Total Assets		82,419,655,051.84	81,683,611,520.64

Consolidated Balance Sheet

30 June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



Item	Notes	30 June 2025	31 December 2024
Current liabilities:			
Short-term borrowings	V.26	10,265,096,043.86	9,122,982,451.32
Financial liabilities held for trading		—	—
Derivative financial liabilities		—	—
Notes payable	V.27	4,260,301,770.02	4,584,854,358.78
Accounts payable	V.28	13,243,836,823.39	11,734,666,536.69
Advances from customers	V.29	2,881,340.72	4,548,223.86
Contract liabilities	V.30	872,523,066.24	5,071,977,258.92
Employee benefits payable	V.31	1,025,053,669.06	899,113,818.50
Taxes payable	V.32	464,286,505.79	248,911,254.15
Other payables	V.33	5,000,230,390.67	5,074,298,832.26
Including: Interest payable	V.33	—	—
Dividends payable	V.33	136,632,254.31	50,492,925.62
Liabilities held for sales		—	—
Current portion of non-current liabilities	V.34	2,620,980,619.29	1,522,617,327.55
Other current liabilities	V.35	104,044,546.30	651,719,293.54
Total current liabilities		37,859,234,775.34	38,915,689,355.57
Non-current liabilities:			
Long-term borrowings	V.36	2,580,551,387.03	2,805,538,605.44
Bonds payable		—	—
Including: Preferred stock		—	—
Perpetual bond		—	—
Lease liabilities	V.37	419,461,668.04	445,715,206.87
Long-term payables	V.38	19,666,964.60	19,666,964.60
Long-term employee benefits payable	V.39	295,118.51	299,678.21
Provisions	V.40	43,690,227.93	44,144,600.58
Deferred income	V.41	985,092,219.73	1,001,862,397.10
Deferred tax liabilities	V.23	645,628,930.54	625,557,477.06
Other non-current liabilities	V.42	54,799,592.60	55,501,488.82
Total non-current liabilities		4,749,186,108.98	4,998,286,418.68
Total Liabilities		42,608,420,884.32	43,913,975,774.25

Consolidated Balance Sheet

30 June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	30 June 2025	31 December 2024
Shareholders' equity:			
Share capital	V.43	1,625,790,949.00	1,625,790,949.00
Other equity instruments		—	—
Including: Preferred stock		—	—
Perpetual bond		—	—
Capital surplus	V.44	10,112,836,277.85	10,113,721,707.21
Less: Treasury shares			
Other comprehensive income	V.45	(23,134,370.63)	(13,839,663.97)
Special reserve			
Surplus reserve	V.46	2,363,518,341.03	2,363,518,341.03
Undistributed profits	V.47	23,681,161,142.39	21,815,336,535.32
Total equity attributable to shareholders of the parent company		37,760,172,339.64	35,904,527,868.59
Minority interest		2,051,061,827.88	1,865,107,877.80
Total Shareholders' Equity		39,811,234,167.52	37,769,635,746.39
Total Liabilities and Shareholders' Equity		82,419,655,051.84	81,683,611,520.64

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Income Statement

January to June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



Item	Notes	Current period	Prior period
I. Operating income	V.48	41,834,546,113.81	41,042,815,087.95
Less: Operating costs	V.48	34,171,307,857.09	33,244,055,666.85
Taxes and surcharges	V.49	181,558,008.60	168,053,875.53
Selling and distribution expenses	V.50	3,028,477,834.76	3,119,415,170.54
General and administrative expenses	V.51	1,202,132,382.79	1,212,873,491.87
R&D expenses	V.52	285,285,159.35	391,145,311.41
Financial expenses	V.53	123,137,568.86	(59,668,916.74)
Including: Interest expense	V.53	204,001,098.97	213,346,142.39
Interest income	V.53	84,796,417.84	278,159,615.53
Add: Other income	V.54	125,656,795.41	184,412,396.76
Investment income ("-" for loss)	V.55	221,112,518.58	157,448,550.83
Including: Share of profit or loss of associates and joint ventures ("-" for loss)	V.55	(11,673,633.37)	11,109,142.58
Gains on termination of financial assets measured at amortized cost ("-" for loss)		(10,378,682.66)	(7,289,089.90)
Gains on hedging of net exposure ("-" for loss)			
Gains from changes in fair value ("-" for loss)	V.56	(11,422,164.70)	445,754.97
Impairment losses in respect of credit ("-" for loss)	V.57	(148,309,535.10)	(82,128,562.51)
Impairment losses in respect of assets ("-" for loss)	V.58	(6,787,312.76)	(1,316,286.19)
Gains on disposal of assets ("-" for loss)	V.59	3,632,646.69	293,002.28
II. Operating profit ("-" for loss)		3,026,530,250.48	3,226,095,344.63
Add: Non-operating income	V.60	73,244,664.93	15,605,783.79
Less: Non-operating expenses	V.61	9,358,586.30	12,297,751.70
III. Total profit ("-" for loss)		3,090,416,329.11	3,229,403,376.72
Less: Income tax expenses	V.62	514,493,936.82	561,371,344.39

Consolidated Income Statement

January to June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
IV. Net profit ("-" for net loss)		2,575,922,392.29	2,668,032,032.33
(I) Classified by the continuity of operations			
1. Net profit from continuing operations ("-" for loss)		2,575,922,392.29	2,668,032,032.33
2. Net profit from discontinued operation ("-" for loss)			
(II) Classified by ownership of the equity			
1. Net profit attributable to the parent company's shareholders ("-" for loss)		2,516,140,986.67	2,549,565,302.08
2. Minority interest ("-" for loss)		59,781,405.62	118,466,730.25
V. Other comprehensive income, net of tax		(9,199,136.51)	5,246,550.74
Other comprehensive income, net of tax attributable to the parent company's shareholders	V.45	(9,294,706.66)	4,978,945.25
(I) Other comprehensive income that will not be reclassified to profit or loss	V.45	(7,214,802.63)	325,035.35
1. Changes arising from the remeasurement of defined benefit obligation			
2. Other comprehensive income that will not be reclassified to profit or loss under equity method			
3. Change in fair value of other equity instrument investments	V.45	(7,214,802.63)	325,035.35
4. Change in fair value of the company's own credit risk			
(II) Other comprehensive income that may be reclassified into profit or loss	V.45	(2,079,904.03)	4,653,909.90
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investments	V.45	(3,360,426.08)	(1,383,869.08)
3. The amount of financial assets reclassified into other comprehensive income			
4. Provision for credit loss of other debt investments	V.45	4,317,819.63	4,064,662.04
5. Cash flow hedge reserve			
6. Difference arising from the translation of foreign currency financial statements	V.45	(3,037,297.58)	1,973,116.94
7. Others			
Other comprehensive income, net of tax attributable to minority shareholders	V.45	95,570.15	267,605.49

Consolidated Income Statement

January to June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



Item	Notes	Current period	Prior period
VI. Total comprehensive income		<u>2,566,723,255.78</u>	<u>2,673,278,583.07</u>
1. Total comprehensive income attributable to shareholders of the parent company		2,506,846,280.01	2,554,544,247.33
2. Total comprehensive income attributable to minority shareholders		59,876,975.77	118,734,335.74
VII. Earnings per share (EPS):			
1. Basic earnings per share	XVII.2	1.548	1.568
2. Diluted earnings per share	XVII.2	<u>1.548</u>	<u>1.568</u>

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Statement of Cash Flow

January to June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
I. Cash flow from operating activities:			
Cash receipts from the sale of goods and the rendering of services		34,548,526,393.47	35,313,325,321.90
Receipts of taxes refunds		843,107.27	3,415,030.65
Other cash receipts relating to operating activities	V.63	451,688,484.94	716,940,776.62
Subtotal of cash inflow from operating activities		35,001,057,985.68	36,033,681,129.17
Cash payments for goods purchased and services received		32,227,095,483.50	32,004,779,648.87
Cash payments to and on behalf of employees		2,970,315,465.09	3,097,316,974.26
Payments of all types of taxes		1,582,191,224.72	1,678,408,943.99
Other cash payments relating to operating activities	V.63	1,618,592,080.40	1,289,916,056.64
Subtotal of cash outflow from operating activities		38,398,194,253.71	38,070,421,623.76
Net cash flow from operating activities		(3,397,136,268.03)	(2,036,740,494.59)
II. Cash flow from investing activities:			
Cash receipts from returns of investments		1,648,270,323.00	115,000,000.00
Cash receipts from returns on investments		81,302,066.55	63,562,110.17
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		5,864,385.43	756,368.83
Net cash receipts from the disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities	V.63	2,262,852.36	1,035.36
Subtotal of cash inflow from investment activities		1,737,699,627.34	179,319,514.36
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		497,205,452.94	564,671,386.16
Cash payments to acquire investments		5,962,291,373.27	3,527,761,463.65
Net cash payments for acquisitions of subsidiaries and other business units			1,565,411.30
Other cash payments relating to investing activities		977,424.66	
Subtotal of cash outflow from investment activities		6,460,474,250.87	4,093,998,261.11
Net cash flow from investing activities		(4,722,774,623.53)	(3,914,678,746.75)

Consolidated Statement of Cash Flow

January to June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



Item	Notes	Current period	Prior period
III. Cash flow from financing activities:			
Cash receipts from investors making investment in the enterprise		130,100,100.00	21,200,000.00
Including: cash receipts from minorities making investment in subsidiaries		130,100,100.00	21,200,000.00
Cash receipts from borrowing		8,196,172,296.45	7,063,481,997.99
Other cash receipts relating to financing activities	V.63		356,539.34
Subtotal of cash inflow from financing activities		8,326,272,396.45	7,085,038,537.33
Cash repayments of amounts borrowed		5,541,352,506.38	5,092,547,890.19
Cash payments for distribution of dividends, profits or interest expenses		751,413,153.87	1,240,658,012.88
Including: payments for distribution of dividends or profit to minorities of subsidiaries		11,515,975.19	21,076,463.14
Other cash payments relating to financing activities	V.63	115,196,037.44	156,750,969.65
Subtotal of cash outflow from financing activities		6,407,961,697.69	6,489,956,872.72
Net cash flow from financing activities		1,918,310,698.76	595,081,664.61
IV. Effect of foreign exchange rate changes on cash and cash equivalents		5,469,821.86	4,280,947.37
V. Net increase in cash and cash equivalents	V.64	(6,196,130,370.94)	(5,352,056,629.36)
Add: opening balance of cash and cash equivalents	V.64	16,302,938,963.14	19,823,543,794.72
VI. Closing balance of cash and cash equivalents	V.64	10,106,808,592.20	14,471,487,165.36

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Statement of Changes in Shareholders' Equity

January to June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Current period									
	Equity attributable to the Shareholders of Parent Company									
	Other equity instruments			Less:		Other Comprehensive Income				Total Shareholders' Equity
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Treasury shares	Unrealized gains and losses	Surplus Reserve	Undistributed profits	
I. Balance at 31 December 2024	1,625,790,949.00			10,113,721,707.21			(13,839,663.97)	2,363,518,341.03	21,815,336,535.32	37,769,635,746.39
II. Balance at 1 January 2025	1,625,790,949.00			10,113,721,707.21			(13,839,663.97)	2,363,518,341.03	21,815,336,535.32	37,769,635,746.39
III. Increase (decrease) in the current year ("+" for losses)										
(1) Total comprehensive income										
(2) Shareholders' contributions and reduction in capital										
1. Capital contribution from owners										
2. Capital contribution from other equity instruments holders										
3. Share-based payment recognized in shareholders' equity										
4. Others										
(3) Profit distribution										
1. Appropriation to surplus reserve										
2. Profit distribution to shareholders										
3. Others										
(4) Internal carry-forward of shareholders' equity										
1. Transfer from capital reserve to capital (or share capital)										
2. Transfer from surplus reserve to capital (or share capital)										
3. Surplus reserve used to offset accumulated losses										
4. Transfer from changes in defined benefit obligation to retained earnings										
5. Transfer from other comprehensive income to retained earnings										
6. Others										
(5) Special reserve										
1. Current appropriation										
2. Current utilization										
(6) Others										
IV. Balance at 30 June 2025	1,625,790,949.00			10,112,836,277.85			(12,194,370.63)	2,363,518,341.03	23,681,161,442.39	39,811,234,675.22

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

(Unless otherwise stated, amount shall be expressed in RMB.)

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Li Xiaojun	Liu Fei	Wu Chuling

Balance Sheet

30 June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	30 June 2025	31 December 2024
Current assets:			
Cash at bank and on hand		2,251,007,332.76	2,694,677,931.38
Financial assets held for trading			
Derivative financial assets			
Notes receivable		109,355,522.40	153,526,881.77
Accounts receivable	XVI.1	181,616,617.78	175,799,269.19
Accounts receivable financing		907,584,476.72	369,436,459.38
Advances to suppliers		6,376,433.91	5,003,212.29
Other receivables	XVI.2	412,284,456.56	357,386,542.48
Including: Interest receivable			
Dividends receivable	XVI.2	153,397,700.00	153,397,700.00
Inventories		368,269,682.96	510,002,612.83
Contract assets			
Assets held for sales			
Current portion of non-current assets		2,888,932,861.69	3,337,152,153.08
Other current assets		230,891,903.15	17,545,086.19
Total current assets		7,356,319,287.93	7,620,530,148.59
Non-current assets:			
Debt investments		5,531,820,336.58	4,758,944,985.01
Other debt investments			
Long-term receivables			
Long-term equity investments	XVI.3	13,543,347,665.05	13,357,052,102.12
Other equity instrument investments		95,692,506.36	104,180,509.45
Other non-current financial assets		505,704,868.88	516,137,703.94
Investment properties		158,835,805.59	163,077,712.80
Fixed assets		751,041,695.93	430,879,308.32
Construction in progress		1,010,101,891.01	1,228,245,670.10
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		25,063,327.90	23,829,499.60
Intangible assets		1,829,559,227.39	1,841,581,497.29
Development expenditure		4,937,826.31	4,937,826.31
Goodwill			
Long-term prepaid expenses		7,287,664.93	6,536,318.79
Deferred tax assets		280,538,445.97	277,734,400.16
Other non-current assets		9,018,816.82	10,498,821.62
Total non-current assets		23,752,950,078.72	22,723,636,355.51
Total Assets		31,109,269,366.65	30,344,166,504.10

Balance Sheet

30 June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



Item	Notes	30 June 2025	31 December 2024
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		42,804,032.00	
Accounts payable		326,643,949.47	347,208,475.24
Advances from customers			51,338.53
Contract liabilities		37,147,583.11	218,924,652.72
Employee benefits payable		81,960,987.80	83,518,508.18
Taxes payable		72,796,468.90	28,768,906.29
Other payables		8,178,623,544.06	7,339,295,227.86
Including: Interest payable			
Dividends payable		89,592,857.19	1,540,177.73
Liabilities held for sales			
Current portion of non-current liabilities		43,714,052.05	10,142,092.38
Other current liabilities		8,137,364.48	29,370,460.49
Total current liabilities		8,791,827,981.87	8,057,279,661.69
Non-current liabilities:			
Long-term borrowings		97,490,000.00	97,500,000.00
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Lease liabilities		12,523,876.79	14,272,601.98
Long-term payables		7,777,684.39	7,777,684.39
Long-term employee benefits payable			
Provisions		1,049,694,965.19	1,041,387,389.19
Deferred income		59,866,510.18	64,652,145.17
Deferred tax liabilities		105,708,689.32	92,497,612.54
Other non-current liabilities		403,142.22	29,638,261.94
Total non-current liabilities		1,333,464,868.09	1,347,725,695.21
Total Liabilities		10,125,292,849.96	9,405,005,356.90

Balance Sheet

30 June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	30 June 2025	31 December 2024
Shareholders' equity:			
Share capital		1,625,790,949.00	1,625,790,949.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital surplus		9,827,140,272.99	9,819,327,970.93
Less: Treasury shares			
Other comprehensive income		(29,151,281.19)	(21,936,478.56)
Special reserve			
Surplus reserve		1,991,637,429.60	1,991,637,429.60
Undistributed profits		7,568,559,146.29	7,524,341,276.23
Total Shareholders' Equity		20,983,976,516.69	20,939,161,147.20
Total Liabilities and Shareholders' Equity		31,109,269,366.65	30,344,166,504.10

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Income Statement

January to June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



Item	Notes	Current period	Prior period
I. Operating income	XVI.4	1,632,895,873.15	2,080,096,952.51
Less: Operating costs	XVI.4	616,995,947.10	663,456,984.91
Taxes and surcharges		16,316,512.51	21,053,768.94
Selling and distribution expenses		223,409,389.85	416,855,977.25
General and administrative expenses		182,608,796.55	201,984,082.62
R&D expenses		73,484,768.45	143,587,019.60
Financial expenses		(13,024,448.19)	(41,386,471.95)
Including: Interest expense		1,735,773.50	4,693,803.73
Interest income		14,841,328.36	46,143,923.40
Add: Other income		8,813,040.22	20,954,460.78
Investment income ("-" for loss)	XVI.5	249,201,170.22	172,682,886.45
Including: Share of profit or loss of associates and joint ventures	XVI.5	(10,567,720.92)	10,070,064.21
Gains on termination of financial assets measured at amortized cost ("-" for loss)	XVI.5	(34,694.04)	
Gains on hedging of net exposure ("-" for loss)			
Gains from changes in fair value ("-" for loss)		(8,782,835.06)	4,181,581.85
Impairment losses in respect of credit		2,098,322.76	(1,018,341.13)
Impairment losses in respect of assets		2,627,907.99	(3,590,327.89)
Gains on disposal of assets ("-" for loss)		260.87	
II. Operating profit ("-" for loss)		787,062,773.88	867,755,851.20
Add: Non-operating income		500,223.11	463,448.67
Less: Non-operating expenses		936,358.95	2,215,885.16
III. Total profit ("-" for loss)		786,626,638.04	866,003,414.71
Less: Income tax expenses		92,092,388.38	118,410,465.92
IV. Net profit ("-" for net loss)		694,534,249.66	747,592,948.79
1. Net profit from continuing operations ("-" for loss)		694,534,249.66	747,592,948.79
2. Net profit from discontinued operation ("-" for loss)			

Income Statement

January to June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
V. Other comprehensive income, net of tax		(7,214,802.63)	325,035.35
(1) Other comprehensive income that will not be reclassified to profit or loss		(7,214,802.63)	325,035.35
1. Changes arising from the remeasurement of defined benefit obligation			
2. Other comprehensive income that will not be reclassified to profit or loss under equity method			
3. Change in fair value of other equity instrument investments		(7,214,802.63)	325,035.35
4. Change in fair value of the company's own credit risk			
(2) Other comprehensive income that may be reclassified into profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Provision for credit loss of other debt investments			
5. Cash flow hedge reserve			
6. Difference arising from the translation of foreign currency financial statements			
7. Others			
VI. Total comprehensive income		687,319,447.03	747,917,984.14
VII. Earnings per share (EPS):			
1. Basic earnings per share			
2. Diluted earnings per share			

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Statement of Cash Flow

January to June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



Item	Notes	Current period	Prior period
I. Cash flow arising from operating activities:			
Cash receipts from the sale of goods and the rendering of services		598,419,766.77	845,914,872.33
Receipts of taxes refunds			1,135.02
Other cash receipts relating to operating activities		184,851,206.21	270,907,936.09
Subtotal of cash inflow from operating activities		783,270,972.98	1,116,823,943.44
Cash payments for goods purchased and services received		137,599,275.76	95,856,057.98
Cash payments to and on behalf of employees		247,041,581.81	273,578,391.73
Payments of all types of taxes		135,483,575.99	223,763,766.46
Other cash payments relating to operating activities		125,983,526.81	200,809,161.60
Subtotal of cash outflow from operating activities		646,107,960.37	794,007,377.77
Net cash flow from operating activities		137,163,012.61	322,816,565.67
II. Cash flow from investing activities:			
Cash receipts from returns of investments		450,000,000.00	
Cash receipts from returns on investments		789,013,163.02	668,482,449.47
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,727.64	21,021.77
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		210.48	2,784,160.36
Subtotal of cash inflow from investment activities		1,239,015,101.14	671,287,631.60
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		125,854,049.90	118,350,982.21
Cash payments to acquire investments		1,119,065,192.29	1,402,400,000.00
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities		41,969,131.10	
Subtotal of cash outflow from investment activities		1,286,888,373.29	1,520,750,982.21
Net cash flow from investing activities		(47,873,272.15)	(849,463,350.61)

Statement of Cash Flow

January to June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
III. Cash flow from financing activities:			
Cash receipts from investors making investment in the enterprise			
Cash receipts from borrowing			
Other cash receipts relating to financing activities			
Subtotal of cash inflow from financing activities			
Cash repayments of amounts borrowed		10,000.00	10,000.00
Cash payments for distribution of dividends, profits or interest expenses		563,544,105.28	1,054,449,680.90
Other cash payments relating to financing activities		6,720,405.80	7,064,253.20
Subtotal of cash outflow from financing activities		570,274,511.08	1,061,523,934.10
Net cash flow from financing activities		(570,274,511.08)	(1,061,523,934.10)
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		(480,984,770.62)	(1,588,170,719.04)
Add: opening balance of cash and cash equivalents		2,689,188,071.38	4,816,131,414.66
VI. Closing balance of cash and cash equivalents		2,208,203,300.76	3,227,960,695.62

Legal representative:

Li Xiaojun

Principal in charge of accounting:

Liu Fei

Head of accounting department:

Wu Chuling

Statement of Changes in Shareholders' Equity

January to June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



Item	Current period									
	Other equity instruments				Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits	Total Shareholders' Equity
	Share capital	Perpetual bond	Perpetual bond	Others						
I. Balance at 31 December 2024	1,625,790,949.00				9,819,327,970.93	(21,936,478.56)		1,991,637,428.60	7,524,341,276.23	20,939,161,147.20
Add: Changes in accounting policies										
Correction of prior year's errors										
Others										
II. Balance at 1 January 2025	1,625,790,949.00				9,819,327,970.93	(21,936,478.56)		1,991,637,428.60	7,524,341,276.23	20,939,161,147.20
III. Increase (decrease) in the current year ("+" for losses)					7,812,302.06	(72,114,802.63)			442,178,070.06	44,815,389.49
(1) Total comprehensive income						(72,114,802.63)			694,534,249.66	687,319,447.03
(2) Shareholders' contributions and reduction in capital										
1. Capital contribution from owners										
2. Capital contribution from other equity instruments holders										
3. Share-based payment recognized in shareholders' equity										
4. Others										
(3) Profit distribution										
1. Appropriation to surplus reserve										
2. Profit distribution to shareholders										
3. Others										
(4) Internal carry-forward of shareholders' equity										
1. Transfer from capital reserve to capital (or share capital)										
2. Transfer from surplus reserve to capital (or share capital)										
3. Surplus reserve used to offset accumulated losses										
4. Transfer from changes in defined benefit obligation to retained earnings										
5. Transfer from other comprehensive income to retained earnings										
6. Others										
(5) Special reserve										
1. Current appropriation										
2. Current utilization										
(6) Others										
IV. Balance at 30 June 2025	1,625,790,949.00				9,827,140,272.99	(29,151,281.19)		1,991,637,428.60	7,569,559,146.29	20,983,976,516.69

Principal in charge of accounting: Head of accounting department:

Li Xiaojun

Wu Chuling

Statement of Changes in Shareholders' Equity

January to June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Prior period										
	Other equity instruments										
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Less Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits	Total Shareholders' Equity
I. Balance at 31 December 2023	1,625,790,949.00				9,819,327,969.93		(21,871,258.97)		1,880,180,792.71	8,389,265,344.67	21,692,693,797.34
Add: Changes in accounting policies											
Correction of prior year's errors											
Others											
II. Balance at 1 January 2024	1,625,790,949.00				9,819,327,969.93		(21,871,258.97)		1,880,180,792.71	8,389,265,344.67	21,692,693,797.34
III. Increase / (decrease) in the current year ("+" for losses)											
(1) Total comprehensive income											
(2) Shareholders' contributions and reduction in capital											
1. Capital contribution from owners										(470,124,472.01)	(469,799,136.66)
2. Capital contribution from other equity instruments holders										747,592,948.79	747,917,394.14
3. Share-based payment recognized in shareholders' equity											
4. Others											
(3) Profit distribution											
1. Appropriation to surplus reserve										(1,217,717,420.80)	(1,217,717,420.80)
2. Profit distribution to shareholders											
3. Others											
(4) Internal carry-forward of shareholders' equity											
1. Transfer from capital reserve to capital (or share capital)										(1,217,717,420.80)	(1,217,717,420.80)
2. Transfer from surplus reserve to capital (or share capital)											
3. Surplus reserve used to offset accumulated losses											
4. Transfer from changes in defined benefit obligation to retained earnings											
5. Transfer from other comprehensive income to retained earnings											
6. Others											
(5) Special reserve											
1. Current appropriation											
2. Current utilization											
(6) Others											
IV. Balance at 30 June 2024	1,625,790,949.00				9,819,327,969.93		(21,546,223.62)		1,880,180,792.71	7,919,140,872.66	21,222,894,360.68

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



I. GENERAL INFORMATION

1. Company overview

According to the Circular Tigaisheng [1997] No.139 issued by the State Commission for Restructuring the Economic Systems, Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as “the Company”) was incorporated solely by Guangzhou Pharmaceutical Holdings Limited (hereinafter referred to as “GPHL”). The 8 Chinese Patent Medicine (“CPM”) manufacturing companies and 3 pharmaceutical trading companies under GPHL were restructured and the stated-owned equity interest in the assets of these companies were injected into the Company. The Company obtained its business license on 1 September 1997 and the registered number is 440101000005674.

According to the Circular Tigaisheng [1997] No.145 issued by the State Commission for Restructuring the Economic Systems and Circular Zhengweifa [1997] No.56 issued by the Securities Regulatory Commission of the State Council, the Company issued 219,900,000 shares on Hong Kong Stock Exchange (H shares) in October 1997. As approved by China Securities Regulatory Commission on 10 January 2001, 78,000,000 ordinary shares (A share) of the Company were issued and the Company was listed on Shanghai Stock Exchange on 6 February 2001. The stock abbreviation is “GZ Phar.”, and the stock code was 600332.

The Company executed and completed a material asset restructuring transaction in 2013, which includes: (1) The Company issued an addition of 445,601,005 A shares by way of share swap to absorb and merger Baiyunshan Co., Ltd. (hereinafter referred to as “Baiyunshan”), a subsidiary of GPHL, in May 2013. (2) The Company issued an addition of 34,839,645 A shares to GPHL, as consideration payment, to acquire the buildings and trademarks which were owned by GPHL or GPHL had the right to dispose of, and 100% equity interest of Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (hereinafter referred to as “Guangyao Baiyunshan Hong Kong Company”) (Previously named “Polian Development Co., Ltd.”), a subsidiary of GPHL, and 12.5% equity interest of Baxter Healthcare Co., Ltd. (hereinafter referred to as “Baxter Healthcare”) held by GPHL. The Company completed the registration of the shares on 5 July 2013. After the completion of the above-mentioned assets restructuring processes, the Company’s total amount of outstanding shares was 1,291,340,650 shares. The stock abbreviation was changed into “BYS”.

According to the Indemnification Agreement in Respect of the Difference Between Actual Number of Net Income of Assets to be Purchased and Forecast of Net Income entered into between the Company and GPHL, the Company repurchased 261,400 shares of A shares held by GPHL for a total of RMB1, which was cancelled on 27 April 2015. The registration procedures of repurchase and cancellation were completed on 7 May 2015. After the completion of the above-mentioned restructuring, the Company’s general capital is 1,291,079,250 shares.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

I. GENERAL INFORMATION *(Continued)*

1. Company overview *(Continued)*

The Company offered 334,711,699 common shares (A share) non-publicly in 2016. Capital stock was increased by 334,711,699 shares, and the Company's general capital increased to 1,625,790,949 shares.

The parent company and the ultimate controlling party are GPLH and Guangzhou State-owned Assets Supervision and Administration Commission respectively.

The approved business scope of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") as included in the consolidated financial statements includes: (1) Research, development, manufacturing and sales of Chinese and Western medicine, chemical raw medicine, natural medicine, biological medicine, intermediate product of chemical raw medicine; (2) The wholesale, retail, import and export business of Western medicine, Chinese medicines and medical instruments; (3) Research, development, manufacturing and sale of Great Health products; (4) Investment in medical, health management and youth preservation, etc.

The main CPM products of manufacturing enterprises include: Zi Shen Yu Tai Pills ("滋腎育胎丸"), Xiao Chai Hu Granules ("小柴胡顆粒"), Xiao Ke Pill ("消渴丸"), Qing Kai Ling series ("清開靈系列"), Hua Tuo Zai Zao Pill ("華佗再造丸"), Xia Sang Ju Granules ("夏桑菊顆粒"), Bao Ji series, ("保濟系列"), Xiao Er Qi Xing Cha Granules ("小兒七星茶顆粒"), An Gong Niu Huang Pills ("安宮牛黃丸"), Zhuang Yao Jian Shen Pills ("壯腰健腎丸"), Shu Jin Jian Yao Pills ("舒筋健腰丸"), Mi Lian Chuan Bei Pi Pa Gao Jelly ("蜜煉川貝枇杷膏"), etc. The main products of western medicine manufacturing enterprises are cefixime series, sildenafil citrate, acafol powder series, amoxicillin, cefuroxime sodium, etc. The main products of pre-packaged food manufacturers include Wang Lao Ji Herbal Tea ("王老吉涼茶"), Ci Ning Ji series ("刺檸吉系列"), etc.

The financial statements were authorized for issue by the Company's Board on 15 August 2025.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



I. GENERAL INFORMATION (Continued)

2. Scope of consolidation

Information about the subsidiaries of the Company please refer to Note VIII “Equity in Other Entities”.

Changes on the scope of consolidated financial statements at current period please refer to Note VII “Changes in the Scope of Consolidation”.

Name of subsidiary	Control
Guangzhou Baiyunshan Xing Qun Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as “Xing Qun”)	Direct holding
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Zhong Yi Pharmaceutical Co., Ltd. (hereinafter referred to as “Zhong Yi”)	Direct holding
Guangzhou Baiyunshan Zhong Sheng Great Health Development Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (hereinafter referred to as “Chen Li Ji”)	Direct holding
Guangzhou Baiyunshan Chen Li Ji Great Health Industry Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (hereinafter referred to as “Guangzhou Han Fang”)	Direct holding
Guangyao Hanfang (Zhuhai Hengqin) Pharmaceutical Co., Ltd.	Indirect holding
Tibet Guangyao Hanfang Ganoderma lucidum Industry Co., Ltd.	Indirect holding
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Direct holding
Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (hereinafter referred to as “Qi Xing”)	Indirect holding
Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (hereinafter referred to as “Jing Xiu Tang”)	Direct holding
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Jiujigong Health Industry Co., Ltd.	Indirect holding
Jingxiutang (Ningbo) Health Industry Development Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (hereinafter referred to as “Pan Gao Shou”)	Direct holding
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (hereinafter referred to as “Wang Lao Ji”)	Direct holding
Guangzhou Wang Lao Ji Food Co., Ltd.	Indirect holding
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Indirect holding
Guangzhou San Gong Zai Pharmaceutical Co, Ltd.	Indirect holding

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

I. GENERAL INFORMATION (Continued)

2. Scope of consolidation (Continued)

Name of subsidiary	Control
Fujian Baiyunshan Cai Shantang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Co., Ltd. (hereinafter referred to as "GP Corp.")	Direct holding
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Indirect holding
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Qi Hua Medical Instruments Co., Ltd.	Indirect holding
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Indirect holding
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Hunan Pharmaceutical Co., Ltd.	Indirect holding
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Hainan) Medical Technology Co., Ltd.	Indirect holding
Guangyao Shanxi Pharmaceutical Co., Ltd.	Indirect holding
Guangdong Meixian Pharmaceutical Co., Ltd.	Indirect holding
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Sichuan Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Ya'an) Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Guangxi) Pharmaceutical Co., Ltd.	Indirect holding
Jian Min International Co., Ltd.	Indirect holding
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Pharmacy (Guangdong) Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Indirect holding
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Indirect holding
Hainan Guangyao Chen Fei Pharmacy Chain Co., Ltd.	Indirect holding
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Indirect holding
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Indirect holding
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Guangzhou Huadu) Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Indirect holding
Guangyao (Maoming) Pharmaceutical Co., Ltd.	Indirect holding

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



I. GENERAL INFORMATION (Continued)

2. Scope of consolidation (Continued)

Name of subsidiary	Control
Guangyao Heilongjiang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Jilin Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (hereinafter referred to as "Cai Zhi Lin")	Direct holding
Meizhou Guangyao Chinese Raw Medicine Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chinese Medical Drink and Pill Co., Ltd.	Indirect holding
Guangyao Baiyunshan Pharmaceutical Great Health Supply Chain (Guangzhou) Co., Ltd.	Indirect holding
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Guangyao Cai Zhi Lin (Meizhou) Pharmaceutical Co., Ltd.	Indirect holding
Gansu Guangyao Baiyunshan Chinese Medicine Technology Co., Ltd.	Indirect holding
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Indirect holding
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	Indirect holding
Guangzhou Caizao Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Bai Di Bio-Technology Co., Ltd. (hereinafter referred to as "Guangzhou Bai Di")	Direct holding
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Biological Products Co., Ltd. (hereinafter referred to as "Baiyunshan Biological")	Indirect holding
Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. (hereinafter referred to as "WLJ Great Health")	Direct holding
Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health E-Commerce Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd.	Indirect holding
Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Lychee Industry Development Co., Ltd.	Indirect holding
WLJ Great Health (Maoming) Lychee Industry Development Co., Ltd.	Indirect holding
Wang Lao Ji (Guangdong) Beverage Co., Ltd.	Indirect holding
Guangxi Baiyunshan Ying Kang Pharmaceutical Co., Ltd. (hereinafter referred to as "Guangxi Ying Kang")	Direct holding

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

I. GENERAL INFORMATION (Continued)

2. Scope of consolidation (Continued)

Name of subsidiary	Control
Guangzhou Guangyao Yi Gan Biological Product Co., Ltd. (hereinafter referred to as “Yi Gan”)	Direct holding
Guangzhou Baiyunshan Medical and Health Industry Investment Co., Ltd. (hereinafter referred to as “BYS M&H Industry”)	Direct holding
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chinese Medicine Hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan 157 hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd. (hereinafter referred to as “Xing Zhu”)	Direct holding
Guangzhou Wang Lao Ji Investment Co., Ltd. (hereinafter referred to as “Wang Lao Ji Investment”)	Direct holding
Guangzhou WLJ Catering Management Development Co., Ltd. (hereinafter referred to as “WLJ Catering”)	Indirect holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (hereinafter referred to as “Tian Xin”)	Direct holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (hereinafter referred to as “Guang Hua”)	Direct holding
Guangzhou Baiyunshan Guang Hua Health Products Co., Ltd. (hereinafter referred to as “Guang Hua Health”)	Indirect holding
Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (hereinafter referred to as “Ming Xing”)	Direct holding
Guangzhou Xing Ji Industries Co., Ltd.	Indirect holding
Baiyunshan Weiling Pharmaceutical Co., Ltd. (hereinafter referred to as “Weiling”)	Direct holding
Guangzhou Baiyunshan Pharmaceutical Technological Development Co., Ltd. (hereinafter referred to as “Pharmaceutical Technological”)	Direct holding
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (hereinafter referred to as “Guangyao Baiyunshan Hong Kong Company”)	Direct holding

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



I. GENERAL INFORMATION (Continued)

2. Scope of consolidation (Continued)

Name of subsidiary	Control
Guangzhou Baiyunshan Macao Co., Ltd.	Indirect holding
Guangyao International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd.	Indirect holding
Guangyao Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	Direct holding
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Indirect holding
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Haima Pharmaceutical Advertising Co., Ltd. (hereinafter referred to as "Guangyao Haima")	Direct holding
Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Research Institute (“Guangyao General Institute”)	Direct holding
Guangzhou Baiyunshan Bi Ge Biotechnology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Medical Instruments Investment Co., Ltd. (hereinafter referred to as “Medical Instruments investment”)	Direct holding
Guangzhou Baiyunshan Yi Hu Health Technology Co., Ltd.	Indirect holding
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Direct holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Direct holding
Guangzhou Baiyunshan Hua Cheng Technology Co., Ltd.	Direct holding
Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd.	Direct holding
Guangzhou Baiyunshan Chemical Pharmaceutical Technology Co., Ltd.	Direct holding
Guangzhou Guangyao Fund Equity Investment Partnership (Limited Partnership)	Direct holding
Guangzhou Baiyunshan Hejigong Pharmaceutical Co., Ltd.	Direct holding
Guangyao Pharmaceutical (Shaoguan) Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Logistics Co., Ltd.	Indirect holding
Guangyao Pharmaceutical (Shantou) Co., Ltd.	Indirect holding
Guangyao Pharmaceutical (Huizhou) Co., Ltd.	Indirect holding
Guangyao Mudanjiang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Pharmaceutical (Zhanjiang) Co., Ltd.	Indirect holding
Dongguan Guangyao Baokang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd.	Direct holding
Guangyao Pharmaceutical (Liangshan) Co., Ltd.	Indirect holding



Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

II. BASIS OF PREPARATION

1. Basis of Preparation

The Company prepared financial statements in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as “*Accounting Standards for Business Enterprises*”), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting issued by the China Securities Regulatory Commission. The financial statements also comply with the applicable disclosure requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited and disclosure provisions under the Hong Kong Companies Ordinance.

2. Going Concern

The Company has the ability to continue as a going concern for at least the next 12 months from the end of this reporting period. There is no significant event affecting its ability to continue as a going concern.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company and its subsidiaries are engaged in pharmaceutical operations. Based on the characteristics of the Company’s actual productions and operations, the Company and its subsidiaries have determined several specific accounting policies and accounting estimates for revenue recognition and other transactions and events according to ASBE. For more details, please refer to Note III. 29 “Revenue”. For description of significant accounting judgments and estimates made by the management, please refer to Note III. 36 “Significant Accounting Judgment and Estimates”.

1. Statement of Compliance with ASBE

The financial statements have been prepared in accordance with the *Accounting Standards for Business Enterprises*, present truly and completely the Company’s financial position as of 30 June 2025, and performance results and cash flows for the period then ended.

2. Accounting Period

Accounting periods are classified into annual periods and interim periods. An interim period is a reporting period shorter than a complete accounting year. The Company has adopted the calendar year as its accounting year, i.e., from 1 January to 31 December.

The accounting period of this financial statements is from 1 January 2025 to 30 June 2025.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

3. Operating Cycle

A normal operating cycle refers to the time period between the acquisition of assets for processing and their realization in cash or cash equivalents. The group's operating cycle is of 12 months' duration, which is used as the classification standard for liquidity of assets and liabilities.

4. Functional Currency

RMB is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. The Company and its domestic subsidiaries choose RMB as the functional currency. The Company's foreign subsidiaries choose HKD as the functional currency according to the primary economic environment in which the Company's foreign subsidiaries operate. The financial statements are prepared in RMB.

5. Methods and Criteria for Determining Importance Standards

(1) The importance of financial statement items

This Company determines the importance of financial statement items based on whether they affect the economic decisions of financial statement users. Both the nature and the amount of financial statement items are considered. The importance of the nature of financial statement items is based on factors such as whether they pertain to routine operating activities, lead to changes in profit or loss, or affect regulatory indicators that have a significant impact on financial condition and operating results. The importance of the amount of financial statement items is based on whether the related items constitute more than 3% of net assets or net profits.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

5. Methods and Criteria for Determining Importance Standards *(Continued)*

(2) The importance of detailed items in the financial statement notes.

Item	Importance Standard
Significant long-term equity investments, other equity instruments, other non-current financial assets	Single external investment activity amount constitutes more than 3% of total net assets
Significant long-term borrowings, short-term borrowings	Single borrowing activity amount constitutes more than 3% of total net assets
Significant contingent liabilities	Single asset guarantee or mortgage activity amount constitutes more than 3% of total net assets
Significant impairment losses on assets, credit impairment losses, gains on asset disposal	Single asset write-off amount constitutes more than 3% of net profit
Significant revenues, costs	Single revenue or cost amount constitutes more than 3% of total net assets
Other significant asset categories	Single asset item amount constitutes more than 3% of total net assets
Other significant liability categories	Single liability item amount constitutes more than 3% of total net assets
Other significant profit and loss categories	Single profit or loss item amount constitutes more than 3% of net profit

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. Business Combination

A business combination is a transaction or event that brings together two or more separate enterprises into one reporting entity. Business combinations are classified into business combinations under common control and business combinations not under common control.

(1) Business combination under common control

A business combination under common control is a business combination in which all the combining enterprises 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 absorbing party is the party that acquires the control right of other involved enterprises on combination date. The combined party is other enterprises involved in the combination. The combination date refers to the date on which the absorbing party effectively obtains control of the party being absorbed.

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

Cost incurred by the absorbing party that are directly attributable to the combination shall be charged against profit or loss in the period in which the cost is incurred.



Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. Business Combination *(Continued)*

(2) Business combination not under common control

A business combination not under common control is a business combination in which all the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. For a business combination not under common control, the party that, on the acquisition date, obtains control of other enterprises participating in the combination is the acquirer. Other enterprises participating in the combination are the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For a business combination not under common control, combination cost is the aggregate of the fair value of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree on the acquisition date. Service expense including audit fees, legal fees, valuation and consulting fees, and other administrative expenses attributable to the business combination shall be charged against profit or loss in the period in which the service expense is incurred. The transaction expense of the equity securities or debt securities issued by the acquirer as combination consideration shall be included in the initial cost of equity securities or debt securities issued. The contingent consideration in the business combination shall be included into the combination cost at its fair value on the acquisition date. In case that within 12 months after the acquisition date, any new or further evidence is found regarding the existing situation as on the acquisition date, which causes adjustment on contingent consideration, goodwill shall be adjusted accordingly. The combination cost incurred by the acquirer and the identifiable net assets acquired in the combination are initially measured at fair value on the acquisition date. The positive difference between the combination cost and the fair value of the identifiable net assets it obtains from the acquiree on the acquisition date is recognized as goodwill. As for the negative difference between the combination cost and the fair value of the identifiable net assets it obtains from the acquiree, it is necessary to review the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination cost. If the combination cost is still less than the fair value of the identifiable net assets it obtains from the acquiree, the difference shall be recorded through profit or loss for the current year.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Business Combination (Continued)

(2) Business combination not under common control (Continued)

Where the deductible temporary difference of the acquiree obtained by the acquirer is not recognized on the ground that the recognition condition of deferred tax asset has not been met on the acquisition date, within 12 months after the acquisition date, if further information is obtained to indicate that the relevant situation on the acquisition date existed and the economic interest brought by the deductible temporary difference of the acquirer on the acquisition date is expected to be realized, the amount of the difference shall be recognized as relevant deferred tax asset and goodwill shall be deducted by the same amount. If the goodwill is insufficient to be deducted, the difference is recognized through profit or loss for the current year; otherwise, the difference recognized as the deferred tax asset which is related to business combination shall be recognized through profit or loss for the current year.

For the business combinations not under common control and completed through multiple transactions, according to *Notice of the Ministry of Finance of the People's Republic of China on Issuing Interpretations No.5 on Accounting Standards for Business Enterprises* (Caikuai [2012] No.19) and the criteria about "package deal" in Article 51 of *Accounting Standards for Business Enterprises No.33 – Consolidated Financial statements*, whether these multiple transactions are included in "package deal" shall be judged. If they are included in "package deal", the accounting treatment shall be conducted in accordance with the descriptions of previous paragraphs of this Part and Note III. 17 "Long-term Equity Investment"; if they are not included in "package deal", relevant accounting treatment shall be conducted differently in separate financial statements and consolidated financial statements.

In separate financial statements, the sum of the book value of the equity investment of the acquiree held before the acquisition date and the investment cost incurred on the acquisition date shall be the initial investment cost of such an investment. If the equity of the acquiree held before the acquisition date involves other comprehensive income, when handling this project, relevant accounting treatment for other comprehensive income shall be conducted on the same base as the acquiree disposes of relevant assets and liabilities directly (all shares shall be transferred into investment income for the current year, except the corresponding shares changed by net liabilities or net assets in benefit plan redesigned by the acquiree under equity method).

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. Business Combination *(Continued)*

(2) Business combination not under common control *(Continued)*

In consolidated financial statements, the equity of the acquiree held before the acquisition date shall be remeasured at fair value of the equity on the acquisition date, and the difference between fair value and book value shall be recorded in the current income from investment. If the equity of the acquiree held before the acquisition date involves other comprehensive income, relevant accounting treatment for other comprehensive income shall be conducted on the same base as the acquiree disposes of relevant assets and liabilities directly (all shares shall be transferred into investment income for the current year which consists of the acquisition date, except the corresponding shares changed by net liabilities or net assets in benefit plan redesigned by the acquiree under equity method).

7. Criteria for Determining Control and Preparation Method for Consolidated Financial Statements

(1) Criteria for Determining Control

The scope of consolidation of consolidated financial statements is determined based on control. An investee entity possessing the following three elements is considered to be controlled: having power over the investee entity, enjoying variable returns from participating in the activities of the investee entity, and having the ability to use power over the investee entity to affect the number of returns.

(2) The method for preparation of consolidated financial statements

- ① *Uniform accounting policies for parent and subsidiary companies, and uniform balance sheet dates and accounting periods for parent and subsidiary companies.*

When preparing consolidated financial statements, if the accounting policies or accounting periods adopted by subsidiaries differ from those of the Group, necessary adjustments are made to the financial statements of subsidiaries in accordance with the Group's accounting policies and accounting periods. For subsidiaries acquired through business combinations not under common control, adjustments are made to their financial statements based on the fair value of identifiable net assets recognized on the acquisition date.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

7. Criteria for Determining Control and Preparation Method for Consolidated Financial Statements *(Continued)*

(2) The method for preparation of consolidated financial statements *(Continued)*

② *Offsetting items in consolidated financial statements.*

Consolidated financial statements are based on the financial statements of the parent company and subsidiaries, and internal transactions between the parent company and subsidiaries, and between subsidiaries, are eliminated. Minority interests, representing portions of equity not owned by the parent company, are presented as “Minority Interests” under the equity item in the consolidated balance sheet. Long-term equity investments held by subsidiaries in the parent company are treated as treasury stock of the parent company and deducted from equity. They are presented as “Deduction: Treasury Stock” under the equity item in the consolidated balance sheet.

③ *Accounting treatment for subsidiaries acquired through business combinations.*

For subsidiaries acquired through business combinations under common control, it is deemed that such subsidiaries have been acquired since the date control was obtained by the ultimate controlling party, and their assets, liabilities, operating results, and cash flows are included in the consolidated financial statements from the beginning of the period of combination. For subsidiaries acquired through business combinations not under common control, adjustments are made to their individual financial statements based on the fair value of identifiable net assets recognized on the acquisition date when preparing consolidated financial statements.

④ *Accounting treatment for disposal of subsidiaries.*

In the case of partial disposal of long-term equity investments in subsidiaries without loss of control, in the consolidated financial statements, the difference between the disposal proceeds and the share of net assets continuously calculated by the subsidiary since the date of purchase or combination is adjusted to capital surplus. If the capital surplus is insufficient, it is deducted from retained earnings. If control over the investee is lost due to the disposal of partial equity investments and other reasons, the remaining equity is remeasured at fair value as of the date of loss of control when preparing consolidated financial statements. The consideration received for the disposal of equity plus the difference between the fair value of the remaining equity and the share of net assets continuously calculated based on the original ownership proportion since the date of purchase or combination is recognized as investment income for the period of loss of control, and goodwill is also reduced. Other comprehensive income related to the original equity investment in the subsidiary is converted into investment income for the period when control is lost.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

8. Classification and Accounting Treatment of Joint Arrangements and Joint Operation

A Joint arrangement is an arrangement of which two or more parties have joint control. The Company divides joint venture arrangement into joint operation and joint venture based on the rights enjoyed and obligations assumed in joint venture arrangements. A joint operation is a joint arrangement whereby the Company has rights to the assets and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the Company has rights to the net assets of the arrangement.

The Company's investments in joint ventures are measured under equity method. Please refer to Note III. 17. (2) ② "Long-term equity investments measured under equity method" for accounting policies for joint venture investment.

As a joint venture party, for joint operation, the Company recognizes the assets held solely and liabilities assumed solely and recognizes the Company's share of any assets held jointly and liabilities assumed jointly; recognizes the Company's revenue from the sale of its share of the output arising from the joint operation; recognizes the Company's share of the revenue from the sale of the output by the joint operation; recognizes the expenses incurred solely by the Company and the Company's share of any expenses incurred jointly.

When the Company invests or sells assets towards joint operation as a party of the joint-venture (this asset does not constitute business, the same below), or upon purchasing assets by joint operation but before selling such assets to the third party, the Company only recognizes the part belonging to other participants of joint operation in profit or loss caused by this transaction. Where such assets belong to the impairment losses for assets according to Accounting Standard for Business Enterprises No. 8 – Impairment of Assets and other regulations, the Company will recognize losses in full amount for investment or sales of assets from the Company to joint operation. For assets purchased by the Company from joint operation, the Company will recognize these losses according to its shareholding proportion.

9. Recognition Criteria for Cash and Cash Equivalents

The Company's cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, short-term (generally due within three months after the purchase date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Foreign Currency Transaction and Translation of Foreign Currency Financial Statements

(1) Methods for Translation of Foreign Currency Transactions

For the foreign currency transaction incurred in the Company, the amount in foreign currency shall be translated into the amount in functional currency at initial recognition as per the spot rate on the transaction date (usually refers to the central parity rate published by the People's Bank of China on that day. The same below); but for foreign exchange businesses and transactions involving foreign exchange, the amount in foreign currency shall be translated into the amount in functional currency as per the actual exchange rate for recording.

(2) Methods for Translation of Monetary Items and Non-Monetary Items in Foreign Currency

As for monetary items in foreign currency on the balance sheet date, the amount in foreign currency shall be translated into the functional currency at the spot rate on the balance sheet date; where, the differences arising from the translation shall be recognized through profit or loss for the current year, except that ① differences between foreign exchange incurred from specific borrowings in foreign currency related to assets purchased and construction where capitalization criterion are met shall be treated as per the borrowings capitalization principle; ② differences in foreign exchange arising from other book balance change other than amortized cost for foreign currency monetary items available-for-sale shall be included into other comprehensive incomes.

When preparing the consolidated financial statements involving the overseas operation, if there are foreign-currency monetary items essentially constituting a net investment in an overseas operation, the exchange difference incurred due to the exchange rate change shall be listed in other comprehensive income. When overseas operations are disposed, the difference shall be transferred to the profit or loss for the current year.

The foreign currency non-monetary items measured at historical cost shall continue to be translated at the spot exchange rates at the dates of the transactions. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate on the date when the fair value has been determined, and the difference between the translated reporting currency amount and the original one shall be treated as the changes in fair value and included in the current profit or loss or recognized as other comprehensive income.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Foreign Currency Transaction and Translation of Foreign Currency Financial Statements *(Continued)*

(3) Translation Method of Financial Statements Denominated in Foreign Currency

When preparing the consolidated financial statements involving the overseas operation, if there are foreign-currency monetary items essentially constituting a net investment in an overseas operation, the exchange difference incurred due to the exchange rate change shall be presented in other comprehensive income as “difference arising from the translation of foreign currency financial statements”. When overseas operations are disposed, the difference shall be transferred to the profit or loss for the current year.

The foreign currency adopted in the foreign currency financial statements for overseas operation shall be translated into RMB as per the following methods: Assets and liabilities on the balance sheet shall be translated at the spot rate at the balance sheet date; shareholders’ equity items shall be translated at the spot rate occurred except for the item of “undistributed profit”. The income and expense items in the profit statement shall be translated at the average rate in the current year. The opening balance of undistributed profits are the closing balance of undistributed profits translated at the prior year; for closing balance of undistributed profits, each item shall be calculated and presented as per the translated profits; and the difference between the asset items and the sum of liability items and shareholders’ equity items after translation shall be recognized into other comprehensive incomes as translation difference from translation of foreign financial statements. When disposing overseas operation and losing the control, difference arising from the translation of foreign currency financial statements, which are presented under shareholders’ equity in the balance sheet and related to the overseas operation, shall be transferred to the profit or loss for the current year in whole or in proportion of the disposed overseas operation.

Cash flows in foreign currencies shall be translated using the average exchange rate for the current reporting period on the transaction date. The amount influenced by the changes in exchange rate on cash flows shall be presented individually in cash flow statement as a reconciling item.

Opening balance and prior year’s actual amount are presented in line with the amount after the translation of prior year financial statements.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Foreign Currency Transaction and Translation of Foreign Currency Financial Statements *(Continued)*

(3) Translation Method of Financial Statements Denominated in Foreign Currency *(Continued)*

For the preparation of consolidated financial statements, when the disposal of all shareholders' equities with respect to the overseas operations by the Company, as well as parts of equity investments, results in a lost in control over the overseas operations, the Company shall convert the difference, which is presented under the items of the owner's equities of the parent company in the balance sheet and which arises from the translation of foreign currency financial statements relating to this overseas business, into the profit or loss of the period for disposal.

When overseas operational control is retained but the proportion of overseas operational equity held by the Company decreases due to disposal of partial equity investments or other reasons, the difference arising from translation of foreign currency relevant to the disposed portion of such overseas operation will be recognized as minority shareholder equity. The difference shall not be transferred into current profit or loss. In the event that the disposed overseas operation involves partial equities of affiliated enterprises and joint ventures, the difference arising from translation of foreign currency relevant to the disposed portion of such overseas operation will be transferred into the current profit or loss for disposal as per the disposed proportion of overseas operation.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Financial Instruments

The Company shall recognize a financial asset or financial liability at the date when the Company enters into a contract concerning about financial instruments.

(1) Classification, recognition and measurement of financial assets

Based on the business model of the Company's management on the financial asset and the features of the cash flows of the financial asset, the Company classifies financial assets into the following categories: financial assets measured at amortized cost; financial assets at fair value through other comprehensive income; financial assets at fair value through profit or loss for the current period.

Financial assets are initially recognized at fair value. Relevant transaction cost of financial assets at fair value through profit and loss for the current period, shall be recognized into profit and loss for the current period. Relevant transaction cost of financial assets listed in other categories shall be included in the amount recognized initially. For accounts receivable or notes receivable arising from the sale of products or rendering of services, exclusive of or without consideration of material financing elements, the initial recognition shall be the amount of consideration to which the company is expected to be entitled.

① *Financial assets measured at amortized cost*

The business model that the company adopts to manage the financial assets measured at amortized cost is to collect the contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic debit, credit arrangements. The cash flow generated on a specific date is only the payment of principal and interest based on the amount of principal outstanding. For such financial assets, the company adopts the effective interest rate method and carries out subsequent measurement according to the amortized cost. The profit or loss generated by the amortization or impairment shall be recognized in the current profit and loss.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Financial Instruments (Continued)

(1) Classification, recognition and measurement of financial assets (Continued)

② *Financial assets at fair value through other comprehensive income*

The company's business model for managing such financial assets is to take the receipt of contract cash flow and sell, and the contract cash flow characteristics of such financial assets are consistent with the basic debit, credit arrangements. The company measures such financial assets according to the fair value and the changes are recognized in other comprehensive income, but the impairment loss or gain, exchange profit and loss and the interest income calculated according to the real interest rate method are recognized in the current profit and loss.

In addition, the company designated some non-tradable equity instruments as financial assets measured at fair value through other comprehensive income. The company shall recognize the relevant dividend income of such financial assets into the current profit and loss, and recognize the change of fair value in other comprehensive income. When the recognition of the financial asset is terminated, the accumulated gains or losses previously recognized in other comprehensive income shall be transferred from other comprehensive income to retained earnings and shall not be recognized in current profit and loss.

③ *Financial assets at fair value through profit or loss for the current period*

The company classifies the financial assets, except for financial assets measured at amortized cost or at fair value through other comprehensive income as mentioned above, into the financial assets measured at fair value through profit or loss for the current period. In addition, the company shall designate some financial assets as financial assets measured at fair value through profit or loss for the current period upon the initial recognition to eliminate or significantly reduce accounting mismatch. For such financial assets, the company adopts the fair value for subsequent measurement, and changes in fair value are recognized in the profit or loss for the current period.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Financial Instruments *(Continued)*

(2) Classification, recognition and measurement of financial liabilities

Financial liabilities shall be classified into other financial liabilities and financial liabilities measured at fair value through profit or loss for the current period upon initial recognition. For financial liabilities measured at fair value through profit or loss for the current period, relevant transaction costs are directly recognized in the current profit and loss, and the relevant transaction costs of other financial liabilities are recognized in the initial recognition amount.

① *Financial liabilities measured at fair value through profit or loss for the current period*

Financial liabilities measured at fair value through profit or loss for the current period comprise financial liabilities held for trading (including derivatives belonging to financial liabilities) and financial liabilities measured at fair value through profit or loss for the current period upon initial recognition.

Financial liabilities held for trading (including derivatives belonging to financial liabilities) shall be subsequently measured at the fair value. Except for those related to hedge accounting, changes in the fair value shall be recognized in the profit or loss of the current period.

For financial liabilities designated to be measured at fair value through profit or loss for the current period, liabilities caused by changes in the company's own credit risk of the changes in fair value recognized in other comprehensive income, when the liability is terminated for recognition, the accumulated change in its fair value caused by the change in its own credit risk recognized in other comprehensive income is transferred to retained earnings. If the above treatment of the impact of the change in the credit risk of such financial liabilities will cause or expand the accounting mismatch in the profit and loss, the company will record all the gains or losses of such financial liabilities (including the amount affected by the change in the credit risk of the enterprise) into the current profit and loss.

② *Other financial liabilities*

In addition to financial liabilities whose transfer of financial assets does not meet the conditions for termination of recognition or arising from the continuing involvement in the transfer of financial assets and other financial liabilities other than the financial security contract are classified as financial liabilities measured by amortized cost, carry out subsequent measurement according to the amortized cost, and record the profits or losses generated by the termination of recognition or amortization into the current profit and loss.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Financial Instruments *(Continued)*

(3) The confirmation basis and measurement method of financial assets transfer

Financial assets that meet one of the following conditions shall be terminated for recognition: ① the contract right of receiving the cash flow of the financial asset is terminated; ② the financial assets have been transferred, and the ownership of financial assets almost all the risks and rewards transferred to the transferee; ③ the financial asset has been transferred, although the enterprise has neither transferred nor retained almost all risks and rewards in the ownership of the financial asset, it has given up its control over the financial asset.

If the enterprise neither transfers nor retains nearly all the risks and rewards in the ownership of the financial assets and does not give up its control over the financial assets, the relevant financial assets shall be recognized according to the degree of continuing involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree of continuing involvement in the transferred financial assets refers to the level of risk faced by the enterprise due to the change in the value of the financial assets.

If the overall transfer of financial assets meets the conditions for the termination of recognition, the balance between the book value of the transferred financial assets and the consideration received due to the transfer and the accumulative amount of changes in the fair value originally recognized in other comprehensive income shall be recognized into the current profit and loss.

If the partial transfer of financial assets meets the conditions for the termination of recognition, the book value of the transferred financial assets shall be apportioned according to its relative fair value between the terminated recognition and the non-terminated recognition, and the difference between the consideration received as a result of the transfer and the accumulative amount of changes in the fair value originally recognized in other comprehensive income and the apportioned book amount shall be recognized in the current profit and loss.

The company shall determine whether almost all risks and rewards in the ownership of the financial assets sold by means of recourse or transferred by endorsement of the financial assets held by the company have been transferred. Where almost all risks and rewards in the ownership of the financial asset have been transferred to the transferee, the recognition of the financial asset shall be terminated; If almost all risks and rewards in the ownership of the financial asset are retained, the recognition of the financial asset shall not be terminated; If there is no transfer or retention of nearly all risks and rewards in the ownership of the financial asset, the enterprise shall continue to judge whether it has retained control of the asset and conduct accounting treatment according to the principles described in the preceding paragraphs.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Financial Instruments *(Continued)*

(4) Derecognition of financial liabilities

If the current obligation of the financial liability (or part thereof) has been discharged, the company shall terminate the recognition of such financial liability (or part thereof). The company (borrower) signs an agreement with the lender to replace the original financial liability by assuming the new financial liability. If the contract terms of the new financial liability and the original financial liability are substantially different, the company shall terminate the confirmation of the original financial liability and simultaneously confirm a new financial liability. If the company materially modifies the contract terms of the original financial liabilities (or part thereof), the original financial liabilities shall be terminated, and a new financial liability shall be recognized according to the revised terms.

Where the recognition of financial liabilities (or part thereof) is terminated, the company shall recognize the difference between its book value and the consideration paid (including the transferred non-cash assets or liabilities) into the current profit and loss.

(5) Offsetting of financial assets and liabilities

When the company has offset the confirmed amount of legal rights of financial assets and financial liabilities, and this kind of legal rights is the executable, at the same time, the company plans to net or cash at the same time when the financial assets and liquidation of the financial liability, financial assets and financial liabilities to offset each other after amount listed in the balance sheet. In addition, financial assets and financial liabilities shall be shown separately in the balance sheet and shall not be offset against each other.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Financial Instruments *(Continued)*

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

Fair value refers to the price that market participants can receive or transfer a liability to pay for the sale of an asset in an orderly transaction on the measurement date. Where there is an active market for a financial instrument, the company shall determine its fair value by quoting in the active market. A quote 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 market price traded in a fair trade. Where there is no active market for the financial instrument, the company shall determine its fair value by means of valuation technology. Valuation techniques include reference to the prices used in recent market transactions by parties familiar with and willing to trade, reference to the current fair value of other financial instruments that are substantially the same, cash flow discounting and option pricing models, etc. In valuation, the company uses valuation techniques applicable in the current situation and supported by sufficient available data and other information to select input values consistent with the characteristics of assets or liabilities considered by market participants in transactions of related assets or liabilities, and gives priority to relevant observable input values as far as possible. Use non-input values where relevant observable input values are not available or are not feasible to obtain.

(7) Equity instruments

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

The Company's equity instruments distribute dividends (including "interests" generated by instruments classified as equity instruments) during the existence period as profit distribution treatment.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Financial Instruments *(Continued)*

(8) Impairment of Financial Instruments

The financial asset that the Company needs to confirm the impairment loss are financial assets measured at amortized cost, debt instrument investment measured at fair value and recognized in other comprehensive income and the leasing receivables, mainly includes notes receivables, accounts receivables, other receivables, creditor's rights investment, other creditor's rights investment, long-term receivables, etc. In addition, for the contract assets and part of the financial security contracts, the provisions for impairment and the recognition of credit impairment losses shall be made in accordance with the accounting policies described in this part.

① *The recognition method of provision for impairment*

Based on the expected credit loss, the Company shall calculate the provision for impairment and confirm the credit impairment loss in accordance with its applicable expected credit loss measurement method for the above-mentioned items.

Credit loss refers to the difference between all contract cash flows receivable under the contract discounted at the effective interest rate and all cash flows expected to be collected, which is the present value of the entire cash shortage. The financial assets purchased or produced by the Company with credit impairment shall be discounted according to the effective interest rate of the financial assets after credit adjustment.

The general method of measuring the expected credit loss refers to whether the credit risk of financial assets (including contract assets and other applicable items, the same below) evaluated by the Company on each balance sheet date has increased significantly since the initial recognition. If the credit risk has increased significantly since the initial recognition, the Company shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration; If the credit risk has not increased significantly since the initial recognition, the Company shall measure the loss provision according to the amount equivalent to the expected credit loss in the next 12 months. The company shall take into account all reasonable and substantiated information, including forward-looking information, in the evaluation of expected credit losses.

For financial instruments with low credit risk on the balance sheet date, the Company assumes that the credit risk has not increased significantly since the initial recognition and chooses to measure the loss provision according to the expected credit loss in the next 12 months.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Financial Instruments *(Continued)*

(8) Impairment of Financial Instruments *(Continued)*

- ② *Criteria for determining whether credit risk has increased significantly subsequent to the initial recognition*

If the probability of default of a financial asset within the expected duration as determined on the balance sheet date is significantly higher than the probability of default within the expected duration as determined at the initial recognition, the credit risk of the financial asset increases significantly. Except in special cases, the Company shall use the change of default risk in the next 12 months as a reasonable estimate of the change of default risk in the whole duration to determine whether the credit risk has increased significantly subsequent to the initial recognition.

- ③ *Portfolio approach to assessing expected credit risk on a portfolio basis*

The company evaluates credit risk separately for the credit risk of significantly different notes receivables, accounts receivables and other receivables with the following characteristics. Such as: related party accounts receivable; accounts receivables in dispute with the other party or involving litigation or arbitration; notes receivables, accounts receivables that have shown clear signs that the debtor is likely to be unable to meet repayment obligations.

In addition to individual financial assets that assess credit risk, the Company classifies financial assets into different groups based on common risk characteristics and evaluates credit risk on a portfolio basis.

- ④ *Accounting treatment of the impairment of financial assets*

In order to reflect the changes in the credit risk of financial instruments since initial recognition, the company remeasures expected credit losses on each balance sheet date, and the increase or reversal of the loss provision thus formed shall be used as impairment losses or gains. Into the current profit and loss, and based on the type of financial instrument, deduct the book value of the financial asset listed in the balance sheet or include it in provision for impairment (loan commitments or financial guarantee contracts) or in other comprehensive income (Debt investments measured at fair value and whose changes are included in other comprehensive income).

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Financial Instruments *(Continued)*

(8) Impairment of Financial Instruments *(Continued)*

⑤ *Method for determining the credit loss of financial assets*

Based on the expected credit loss, the company makes the impairment accounting treatment and recognize the loss provisions on the financial assets (including receivables) measured at amortized cost, classified at fair value and whose changes are included in other comprehensive income (including receivables financing) and lease receivables.

The company assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition at each balance sheet date. The process of credit impairment of financial instruments is divided into three stages. Different stages of financial instrument impairment are applied in different accounting treatment method: (A) In the first stage, if the credit risk of a financial instrument has not increased significantly after initial recognition, the company shall measure the loss provision based on the expected credit loss of the financial instrument in the next 12 months, and shall calculate interest income based on its book balance (that is, without deducting impairment provisions) and the actual interest rate; (B) In the second stage, if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the company will use the expected credit losses measure loss provisions and calculate interest income based on their book balances and actual interest rates; (C) In the third stage, if credit impairment occurs after initial recognition, the company shall measure the loss provisions according to the expected credit loss of the financial instrument throughout its lifetime, and shall use its amortized cost (book balance minus provision for impairment) to calculate interest income with the actual interest rate.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Financial Instruments *(Continued)*

(8) Impairment of Financial Instruments *(Continued)*

⑤ Method for determining the credit loss of financial assets *(Continued)*

- ① Method for measuring loss provision of financial instruments with lower credit risk

For financial instruments with lower credit risk at the balance sheet date, the company can directly make the assumption that the credit risk of the instrument has not increased significantly since initial recognition without comparing with the credit risk at the time of initial recognition.

If the default risk of a financial instrument is low, the debtor's ability to fulfill its contractual cash flow obligations in the short term is strong, and even if there are adverse changes in the economic situation and operating environment over a long period of time, the borrower may not necessarily reduce the performance of its contractual cash flow obligations, this financial instrument should be considered as lower credit risk.

- ② Receivables and contract assets that do not contain significant financing components.

For receivables or contract assets without significant financing components formed by transactions regulated by "Enterprise Accounting Standards No. 14-Revenue", the company adopts a simplified method, which is to always measure loss provisions based on expected credit losses throughout its lifetime.

According to the nature of financial instruments, the company assesses whether the credit risk has increased significantly on the basis of a single financial asset or a portfolio of financial assets. The company divides notes receivable and accounts receivable into several portfolios based on the characteristics of credit risk, and calculates expected credit impairments based on the portfolios. the basis for the portfolio as follows:

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Financial Instruments *(Continued)*

(8) Impairment of Financial Instruments *(Continued)*

⑤ Method for determining the credit loss of financial assets *(Continued)*

- ② Receivables and contract assets that do not contain significant financing components. *(Continued)*

Accounts receivable portfolio 1: Aging Portfolio

Accounts receivable portfolio 2: Individual Accrual Portfolio

Notes Receivable Portfolio 1: Aging Portfolio

Notes Receivable Portfolio 2: Low Risk Portfolio

Aging segment analysis is performed based on its entry date.

Portfolio (aging portfolio): expected credit loss rate:

Aging	expected credit loss rate of aging portfolio (%)
Within 1 year (including 1 year, the same below)	1.00
1 to 2 years	10.00
2 to 3 years	30.00
3 to 4 years	50.00
4 to 5 years	80.00
More than 5 years	100.00

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Financial Instruments (Continued)

(8) Impairment of Financial Instruments (Continued)

⑤ Method for determining the credit loss of financial assets (Continued)

③ Methods for measuring loss provisions for other financial assets

For financial assets other than the above, such as: debt investment, other debt investment, other receivables, long-term receivables except lease receivables, etc., the company measures loss provisions in accordance with the general method, that is, the “three-stage” model.

The company divides other receivables into several portfolios based on the nature of the payment and calculates the expected credit loss on the basis of the portfolio.

the basis for the portfolio as follows:

Other receivables portfolio 1: Aging portfolio

Other receivables portfolio 2: Portfolio of financial assets with extremely low credit risk

Other receivables portfolio 3: Related party portfolio

Other receivables portfolio 4: deposit portfolio

Portfolio (aging portfolio): expected credit loss rate:

Aging	Expected credit loss rate of aging portfolio on other receivables (%)
Within 1 year (including 1 year, the same below)	1.00
1 to 2 years	10.00
2 to 3 years	30.00
3 to 4 years	50.00
4 to 5 years	80.00
More than 5 years	100.00

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Notes Receivables

Please refer to Note III, 11 “Financial Instruments” 8 (5) ② for accounts receivable measured by expected credit losses on a portfolio basis.

13. Receivables Financing

Please refer to Note III, 11 “Financial Instruments” for the recognition basis, measurement method, and termination criteria of financial assets and liabilities.

14. Other Receivables

Please refer to Note III, 11 “Financial Instruments” 8 (5) ③ for accounts receivable measured by expected credit losses on a portfolio basis.

15. Inventories

(1) Category of inventories

Inventories mainly includes materials in transit, raw materials, work in progress, Semi-finished goods, finished goods, low-value consumables, packaging materials, Consigned processing material, goods on consignment, commodity stocks, goods in transit, etc.

(2) Method/formula used to assign cost for inventories

The inventory shall be initially measured at actual costs when acquired. The cost of inventory comprises all costs of purchase, costs of conversion and other costs. Cost is determined using the weighted average method. The cost of finished goods, commodity stocks and work in progress comprises raw material, direct labor and overhead allocated based on normal capacity.

(3) The perpetual inventory system is adopted

(4) Amortization method for low value consumables

Low-value consumables are amortized by the immediate write-off amortization method upon usage. Packaging materials are amortized by the immediate write-off amortization method upon usage.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Inventories *(Continued)*

(5) Recognition of net realizable value of inventory and accruing method of provision for the loss on decline in value of inventories.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. An enterprise shall determine the net realizable value of inventories based on solid evidence obtained and after taking into consideration the purpose for which the inventory is held, and the effect of events occurring after the balance sheet date.

Inventories are required to be measured at the lower of cost and net realizable value on the balance sheet date. If the cost of inventories is higher than the net realizable value, the provision for the loss on decline in value of inventories shall be made. The provision for the loss on decline in value of inventory is assessed based on the difference between the cost of single inventory item and its net realizable value.

After the provision for the loss on decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for the loss on decline in value is reversed and the reversal is included in current profit or loss.

16. Assets Held for Sale and Disposal Company

If the Company recovers its book value primarily through the sale instead of the continuous use of a non-current asset or disposal group (including the exchange of non-monetary assets with commercial substance, the same below), then the assets shall be classified as assets held for sale. The specific criteria are all of the following conditions are achieved: a non-current asset or disposal group can be sold immediately under the current conditions based on the practice of selling such assets or disposal groups in similar transactions; the Company has already decided on the sale plan and obtained the purchase commitment; the sale will be completed within one year. Among them, a disposal group refers to a group of assets that are disposed of as a whole through sale or other methods in a transaction, and liabilities that are directly related to these assets are transferred in the transaction. If the asset group or asset group to which the disposal group belongs is allocated the goodwill acquired in the business combination in accordance with *Accounting Standards for Business Enterprises No. 8 – Impairment of Assets*, the disposal group shall include the goodwill allocated to the disposal group.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Assets Held for Sale and Disposal Company (Continued)

Upon initial measurement or re-measurement of non-current assets held for sale or disposal group on the balance sheet date, if the book value is higher than the net amount of fair value minus sales expense, the book value shall be written down to the net amount of fair value minus sales expense; the amount written down is recognized as impairment losses for assets and included in current profit or loss. Meanwhile, impairment reserves for assets held for sale is accrued. For the disposal group, firstly, the recognized impairment losses for assets deduct the book value of the goodwill in the disposal group. Then the loss proportionally deducts the book value of the various non-current assets in the disposal group under the measurement regulations based on *Accounting Standards for Business Enterprises No. 42 - Non-current Assets Held for Sale, Disposal Companies and Termination of Operations* (hereinafter referred to as the "holding for sale"). If the fair value of the disposal group held for sale on the subsequent balance sheet date minus the sales proceeds increases, the amount previously written down shall be recovered. This part of amount should be reversed within the impairment losses of non-current assets which are applicable for held for sale measurement criteria after these assets are classified as assets held for sale. The reversal amount is recognized in current profit or loss. Meanwhile, the book value of these non-current assets (except goodwill) in disposal group should be increased proportionally according to the book value of each non-current asset which is applicable to held for sale measurement criteria. The book value of goodwill that has been deducted and the impairment losses recognized before the non-current assets classified as held for sale category cannot be reversed.

Depreciation or amortization shall not be accrued for non-current assets held for sale or non-current assets in the disposal group held for sale. The interest of liabilities and other expenses in the disposal group held for sale shall be recognized.

When a non-current asset or disposal group no longer meets the conditions for the held for sale category, the Company no longer divides it into the held for sale category or removes the non-current assets from disposal groups held for sale., and the asset or asset group is measured by the following two items: (1) the amount of book value classified as held for trading after depreciation, amortization, impairment or other adjustments to be recognized based on the hypothesis that they are not classified as held for trading; (2) the recoverable amount, whichever is lower.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Long-term Equity Investments

Long-term equity investments in this part refers to the long-term equity investments that the Company can exercise control, joint control or significant influence over the investee. When the Company can no longer exercise control, joint control or significant influence over the investee, the long-term equity investment shall be treated as financial asset measured at fair value through profit or loss for the current year, and for non-transactional long-term equity investment among which, the Company can designate it to be financial asset measured at fair value through other comprehensive income upon initial recognition. Please refer to Note III. 11. Financial instrument for accounting policies.

Joint control refers to joint control owned by the Company over an arrangement as per relevant agreements and relevant activities of this arrangement must be determined upon consent of participants sharing the right of control. The term “significant influence” refers to the power to participate in making determinations on the financial and operating policies of an investment entity, but not to control or do joint control together with other parties over the formulation of these policies.

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(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Long-term Equity Investments *(Continued)*

(1) Recognition of Investment Cost

If the long-term equity investment is obtained from the business combination involving enterprises under the common control, the share of book value of shareholder's equity of the acquiree in consolidated financial statements of the ultimate controlling party under the combination date shall be deemed as the initial investment cost of the long-term equity investment. The difference between the initial investment cost and the book value of cash paid, non-cash assets transferred, and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. If the Company issues equity securities as the consideration for combination, the book value of the shareholder's equity of the combined party on the combination date in consolidated financial statements of the ultimate controlling party shall be the initial investment cost of long-term equity investments. With the total face value of the shares issued as equity, the difference between the initial investment cost of long-term equity investment and the total face value of the shares issued shall be adjusted as capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be adjusted. If shares of the acquiree are obtained step by step through several transactions, which results in the combination of enterprises under the different control, it shall be treated respectively as per whether it belongs to "a package deal": where it belongs to "a package deal", the accounting treatment for each transaction shall be conducted as a transaction obtaining the right of control. Where it does not belong to "a package deal", the book value of the shareholder's equity of the acquiree on the combination date in consolidated financial statements of the ultimate controlling party shall be the initial investment cost of long-term equity investments. The difference among the initial investment cost of long-term equity investments, the book value of long-term equity investment which has reached the amount before the combination and total book value of new payment consideration obtained under the acquisition date shall be adjusted as capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be adjusted. As the other comprehensive income is measured under equity method or recognized as financial assets measured at fair value through profit or loss for the current year, the accounting treatment on the equity investments held before the combination date shall not be conducted.

Notes to the Financial Statements

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(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Long-term Equity Investments *(Continued)*

(1) Recognition of Investment Cost *(Continued)*

For long-term equity investment obtained through business combination not involving enterprises under the common control, the cost of combination shall be deemed as the initial investment cost of long-term equity investments on the acquisition date, and the cost of combination is the aggregate of the fair values, include the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. If shares of the acquiree are obtained step by step through several transactions, which results in the combination of enterprises under the different control, it shall be treated respectively as per whether it belongs to “a package deal”: where it belongs to “a package deal”, the accounting treatment for each transaction shall be conducted as a transaction obtaining the right of control. Where it does not belong to “a package deal”, the sum of the book value of equity investment of the acquiree held originally and additional investment costs shall be initial investment costs of long-term equity investment if the accounting method is changed as cost approach. If equity held originally is accounted for using equity method, the accounting treatment shall not be conducted on the other comprehensive income related to it.

The intermediary costs for the business combination including the expenses for audit, legal services and consultancy services and other relevant management costs by the merging party and the acquirer shall be recorded into current profit or loss.

Equity investments other than long-term equity investment from business combination are initially measured at cost. Such cost is respectively recognized at the purchase price in cash actually paid by the Company, fair value of equity securities issued by the Company, specified value in investment contracts or agreements, fair value or original book value of transferred assets in non-monetary asset exchange and transactions and fair value of the long-term equity investment itself based on different means of acquiring that long-term equity investment. Expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investment are also included into investment cost. In case of being able to implement significant influence or common control to the invested entity due to additional investment but which does not constitute control, cost of long-term equity investment shall be the sum of fair value of original held equity investment recognized as per the *Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments* and newly increased investment cost.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Long-term Equity Investments *(Continued)*

(2) Subsequent Measurement and Method of Recognition of Profit or Loss

Where an investing enterprise can exercise joint control (except those that constitutes the joint operators) or significant influence over the investee, a long-term equity investment shall be accounted for using the equity method. In addition, the Company uses the cost model in the financial statements to calculate long-term equity investment that can control the investee.

① *Long-term Equity Investment Income Accounted by Cost Method*

The long-term equity investment accounted by the cost model shall be measured at the initial investment cost. And the additional or recovered investments shall be used to adjust the cost of long-term equity investment. Except for the cash dividends or distributions declared and not yet distributed in the considerations paid to acquire the investment, the cash dividend or distributions declared by the investee that belong to the investee shall be recognized as the investment gains.

② *Long-term Equity Investment Accounted by Equity Method*

If the initial cost of a long-term equity investment, accounted by equity method, is more than attributable share of the fair value of the investee's identifiable net assets for the investment in the investee, the initial cost of the long-term equity investment may not be adjusted; if the initial cost of a long-term equity investment is less than the attributable share of the fair value of the investee's identifiable net assets for the investment in the investee, the difference shall be recorded into current profit or loss and the cost of the long-term equity investment shall be adjusted simultaneously.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Long-term Equity Investments *(Continued)*

(2) Subsequent Measurement and Method of Recognition of Profit or Loss *(Continued)*

② Long-term Equity Investment Accounted by Equity Method *(Continued)*

When it is accounted by equity method, the investment gains and other comprehensive incomes shall be recognized respectively, and the book value of long-term equity investment shall be adjusted according to the net profit or loss and other comprehensive incomes realized by the investee, which shall be enjoyed or shared. The enjoyed part shall be accounted according to profits or cash dividends announced to be assigned by the investee with the corresponding decrease of the book value of long-term equity investment. For other changes of shareholder's equity excluding net profit or loss of investee, other comprehensive income and profits distributed, the book value of long-term equity investments shall be adjusted and included into capital reserve. The Company shall, on the ground of the fair value of all identifiable assets of the investee when it obtains the investment, recognize the attributable share of the net profit or loss of the investee after it adjusts the net profits of the investee. If the accounting policies and accounting period adopted by the investee do not consistent with the investor, the financial statements of the investee shall be adjusted according to the accounting policies and accounting periods of the Company, and according to which the investment profits and other comprehensive incomes shall be recognized. If investment and sales of assets cannot be constructed as business in transactions between the Company, associates and joint ventures, the unrealized profit or loss of internal transaction shall be offset through calculating the part attributable to the Company based on sharing ratio so as to recognize the profit or loss of investment. Where the unrealized losses from the internal transactions between the Company and the invested entity belong to the impairment losses from the transferred assets, they shall not be written off. Where the assets contributed by the Company towards joint ventures or associates constitute business, and the investor acquires long-term equity investment but not the control right thereof, the fair value of the contribution shall be the initial investment cost of the newly added long-term equity investment. The balance of book value between initial investment cost and the contribution shall be recorded into current profit or loss in full amount. If the assets sales, from the Company to joint ventures or associates, constitute business, the total difference between consideration achieved and book value of business shall be recorded into current profit or loss. Where the assets purchased by the Company from associates and joint ventures constitute business, accounting treatment shall be carried out based on *Accounting Standards for Business Enterprises No.20 – Business Combination* and recognize the profit or loss in relation to the transaction in full amount.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Long-term Equity Investments *(Continued)*

(2) Subsequent Measurement and Method of Recognition of Profit or Loss *(Continued)*

② Long-term Equity Investment Accounted by Equity Method *(Continued)*

The Company shall recognize the net losses of the investee until the book value of the long-term equity investment and other long-term equity which substantially forms the net investment made to the investee are reduced to zero. In addition, if the Company has the extra obligation towards its investee to undertake extra losses, the extra obligation shall be recognized as Provisions according to expected obligation and recorded into current profit or loss. If the investee realizes any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the unrecognized losses, resume recognizing its attributable share of profits.

③ Minority Equity Purchase

When preparing consolidated financial statements, as for the difference between the long-term equity investment increased newly due to purchase minority equity and the net asset proportion continuously calculated from the purchase date (or combination date) by subsidiary based and enjoyed by the Company based on newly increasing shareholding ratio, capital reserve is adjusted. If the capital reserve is insufficient to write down, the retained income shall be adjusted.

④ Disposal of Long-term Equity Investment

In the consolidated financial statements, the parent company disposes the long-term equity investment of the subsidiary without losing control right. The difference between the disposing amount and the net asset of the subsidiary enjoyed correspondingly in disposing long-term equity investment is recorded into shareholder's equity; If the parent company loses its control right on the subsidiary due to the disposal of the long-term equity investment of the subsidiary, the relevant accounting policy as indicated in Note III, 6 (2) "Method for Preparation of Consolidated Financial Statements" shall be followed for handling.

When disposing of a long-term equity investment under other circumstances, for equity being disposed, the difference between its book value and actual purchase price shall be recorded into current profit or loss.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Long-term Equity Investments *(Continued)*

(2) Subsequent Measurement and Method of Recognition of Profit or Loss *(Continued)*

④ Disposal of Long-term Equity Investment *(Continued)*

If long-term equity investment is accounted by equity method while the residual equity after disposal is still accounted for by equity method, the accounting treatment of other comprehensive income included in shareholder's equity originally shall be conducted as per proportion on the same base as investee disposes of relevant assets and liabilities directly. Other shareholder's equity, which is recognized for changes of other shareholder's equity of the investee excluding net profit or loss, other comprehensive incomes and profits distribution, shall be translated into current profit or loss as per proportion.

If long-term equity investment is accounted by the cost model while the residual equity after disposal is still accounted by the cost model, the accounting treatment of other comprehensive incomes which are recognized for being accounted by equity method or recognition and measurement standards of financial instruments shall be conducted on the same base as investee disposes of relevant assets and liabilities directly, and other comprehensive incomes shall be carried over into current profit or loss as per proportion. Owners' equity, which is recognized for changes of other shareholder's equity of the investee excluding net profit or loss, other comprehensive incomes and profits distribution when the equity method is adopted, shall be carried over into current profit or loss as per proportion.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Long-term Equity Investments *(Continued)*

(2) Subsequent Measurement and Method of Recognition of Profit or Loss *(Continued)*

④ Disposal of Long-term Equity Investment *(Continued)*

When the Company loses the control over investee for disposal of some shares, the accounting method shall be changed as equity method in compiling individual financial statements and the remaining shares shall be deemed to be adjusted by equity method upon being obtained if the remaining shares after disposal still have joint control or significant impacts on investee. While the remaining shares after disposal do not have joint control or significant impacts on investee anymore, the accounting treatment shall be conducted as per regulations related to recognition and measurement standards of financial instruments and its difference between fair value and book value on the date of losing the control shall be included into current profit or loss. For other comprehensive income recognized as being accounted by equity method or recognition and measurement standards of financial instruments before the Company obtains the control over investee, its accounting treatment shall be conducted on the same base as investee disposes of relevant assets and liabilities directly upon losing the control over investee, and other shareholder's entity in net assets of investee accounted for by equity method, excluding net profit or loss, other comprehensive income and profits distribution, shall be carried over into current profit or loss in the event of losing the control over investee. Of which, if the residual equity investment after disposal is calculated by equity method, other comprehensive income and shareholder's equity shall be transferred by proportion; where the residual equity investment after disposal changes to be conducted with accounting treatment according to standard of recognition and measurement of financial instruments, other comprehensive income and shareholder's equity shall be transferred.

Where the Company's common control or significant influence over the investee is lost due to the disposal of partial equity investment, the residual equity after disposal will change to be calculated by standard of recognition and measurement of financial instruments, the balance between the fair value and book value thereof on the date the common control or significant influence is lost shall be included into current profit or loss. Other comprehensive income recognized by calculating original equity investment by equity method shall go through accounting treatment on the same basis on which the investee directly disposes the relevant assets or liabilities when ceasing to use equity method; for the shareholder's equity recognized by other changes on shareholder's equity rather than net profit or loss, other comprehensive income and profit distribution of the investee shall be transferred into current investment income when ceasing to use equity method.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Long-term Equity Investments *(Continued)*

(2) Subsequent Measurement and Method of Recognition of Profit or Loss *(Continued)*

④ Disposal of Long-term Equity Investment *(Continued)*

If the Company's disposal of equity investments in a subsidiaries leading to losing control, the foregoing transaction is package deal, accounting treatment shall be conducted for each transaction as the transaction that the disposal of the subsidiary with loss of control right; before loss of control right, the difference between each price disposal and the book value of long-term equity investment correspondingly in equity disposed shall be firstly recognized in the other comprehensive income and then wholly transferred into current profit or loss when losing control right.

18. Investment Property

Investment property is property held to earn rentals or for capital appreciation or both, including the land use rights which have been rented, land use right held for transfer after capital gain, and buildings which have been rented.

Investment property is measured initially at cost. Subsequent costs related to investment property are recognized in the cost of the investment property, if the economic benefits of the asset will probably flow in and the cost can be measured reliably. Other subsequent costs are recognized through profit or loss in the periods in which they are incurred.

After initial recognition, the Company uses the cost model to measure the investment property, and depreciates and amortizes the investment property according to provisions that buildings should be consistent with land use rights.

Please refer to Note III. 24 "Long-term Asset Impairment" for the methods of impairment test and preparing provisions for the impairment of investment property.

When an owner-occupied property or an inventory are transferred into an investment property, or when an investment property is transferred into an owner-occupied property, the book value prior to the transfer is recognized as the book value after the transfer.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

18. Investment Property *(Continued)*

When an investment property is transferred into an owner-occupied property, the investment property is reclassified as fixed asset or intangible asset since the date of transfer. When the purpose of an owner-occupied property is transferred to generate rent or receive capital gain, the fixed asset or the intangible asset is transferred to investment property since the date of transfer. After the transfer, investment property measured at cost, recognizes the book value prior to the transfer as the book value after the transfer; for investment property transferred to be measured under fair value model, the fair value at the transfer date shall be recognized as the book value after transfer.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the book value of the asset and shall be recognized in profit or loss in the period of the retirement or disposal.

19. Fixed Assets

(1) Recognition Criteria of Fixed Assets

Fixed assets are tangible assets that are held for use in the production or supply of services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Fixed Assets (Continued)

(2) Depreciation Method of Fixed Assets

From the next month of bringing the fixed asset to the expected conditions for use, the fixed assets are depreciated using the straight-line method over their estimated useful lives. Estimated useful life net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation Method	Depreciation period (years)	Residual rate (%)	Annual depreciation rate (%)
Buildings	Straight-line method	10-70	0~10	1.29~10
Machinery equipment	Straight-line method	4-18	0~10	5~25
Transportation equipment	Straight-line method	5-10	0~10	9~20
Electronic equipment	Straight-line method	5-10	0~10	9~20
Office equipment	Straight-line method	4-8	0~10	11.25~25
Decoration	Straight-line method	5	0.00	20

Estimated net residual value of a fixed asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

(3) Impairment Testing and Accounting Treatment

As for impairment testing method and accounting treatment, please refer to Note III. 24 “Long-term Asset Impairment”.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

19. Fixed Assets *(Continued)*

(4) Disposal of Fixed Assets

The subsequent expenses related to a fixed asset, if the economic benefits pertinent to the fixed asset are probably to flow into the enterprise and the cost of the fixed asset can be measured reliably, shall be included in the cost of the fixed asset and the book value of the replaced parts shall be derecognized. Any other subsequent expenses shall be recorded into current profit or loss.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying value and related taxes is recognized in current profit or loss.

The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at the end of each financial year and treats the changes as changes of in accounting estimate.

20. Construction in Progress

The cost of construction in progress is recognized based on actual project expenditure, including each project expenditure during the construction, capitalized borrowing costs before the construction get ready for its intended use and other relevant expenses.

When a construction in progress is available for use, it is recognized in fixed assets and depreciated from the next months. The construction budget, construction cost, construction actual cost, etc. of a construction in progress, which is available for use but not yet completed the final accounts, is recognized at the estimated cost in fixed assets since the date when it is available for use. Provision for depreciation is accrued according to the Company's depreciation policies of fixed assets. The estimated value is adjusted to actual costs subsequent to the completion of settlement.

Please refer to Note III. 24 "Long-term Asset Impairment" for the impairment test method and impairment provision method of construction in progress.

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For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

21. Borrowing Costs

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. Where the borrowing costs incurred to an enterprise can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, they shall be capitalized: (i) Where the expenditures for the asset are being incurred; (ii) Where the borrowing costs are being incurred; and (iii) where the construction activities which are necessary to prepare the asset for its intended use or sale have commenced capitalization of borrowing costs shall cease when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs shall be recognized as expenses in the period in which it is incurred.

The amount of interest of specific-purpose borrowings to be capitalized shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. An enterprise shall determine the amount of interest to be capitalized on general-purpose borrowings by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

During the period of capitalization, the exchange differences on foreign currency specific-purpose borrowings shall be all capitalized; the exchange differences on foreign currency general-purposes borrowings shall be recorded into current profit or loss.

Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months until the acquisition, construction or production is resumed.

Notes to the Financial Statements

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(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. Biological assets

Bearer biological assets

Bearer biological assets refer to biological assets held for the purpose of producing agricultural products, providing labor services or renting, including economic forests, firewood forests, livestock production and working animals. Bearer biological assets are initially measured at cost. The cost of a Bearer biological asset created or propagated by itself is the necessary expenses directly attributable to the asset before the asset reaches its intended production and operation, including borrowing costs that meet the capitalization conditions.

The Bearer biological assets are depreciated over their useful lives using the straight-line method after reaching the intended production and operation objectives. The service life, estimated net residual value rate and annual depreciation rate of various types of Bearer biological assets are listed as follows:

Category	Service life	Estimated Net Residual Rate (%)	Annual Depreciation Rate (%)
Cha Zhigan tree	10 years	5.00	9.50

The Company reviews the useful life, estimated net residual value and depreciation method of the Bearer biological assets at least at the end of the year, and changes the accounting estimates as changes occur.

The difference between the disposal income of the sale, loss, death or damage of the Bearer biological assets, net of its carrying amount and related taxes, is recognized in profit or loss for the current period.

On each balance sheet date, the Company checks the Bearer biological assets for signs of possible impairment. If the asset shows signs of impairment, its recoverable amount is estimated. The estimated recoverable amount of an asset is based on a single asset. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined based on the asset group to which the asset belongs. If the recoverable amount of the asset is lower than its carrying amount, the asset impairment provision is made based on the difference and recognized in profit or loss for the current period.

Once the above asset impairment loss is confirmed, it will not be reversed in the future accounting period.

Notes to the Financial Statements

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(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

22. Biological assets *(Continued)*

Bearer biological assets *(Continued)*

If the Bearer biological assets are changed, as the expendable biological assets, the cost after changing the use is determined according to the book value when the use is changed; if the Bearer biological assets are changed as the public welfare biological assets, then according to the Accounting Standards for Business Enterprises No. 8 No. – Asset Impairment stipulates whether impairment is considered. When impairment occurs, provision for impairment is made, and then the book value after provision for impairment is determined.

23. Intangible Assets

(1) The valuation method for intangible assets

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

The intangible assets shall be initially measured at cost. The expenses pertinent to an intangible asset shall form part of the cost of the intangible assets, if it is probable that the economic profit related to the asset will flow to the Company and the cost can be measured reliably. In addition, the expenditure of other items shall be recorded into current profit or loss in the period in which it is incurred.

The acquisition of land use right is usually recognized as intangible assets for accounting purposes. Building such as self-constructed plant, relevant expenditure incurred for obtaining land use right and construction cost of the building shall be recognized as intangible asset and fixed asset for accounting purposes. Cost incurred on purchased building shall be allocated between land use right and building. The cost shall be recognized as fixed asset if it cannot be reasonably allocated.

(2) The useful life, its determination basis, estimation situation, amortization method or review procedure

The useful life of limited-life intangible assets is amortized according to the following table, and at the end of the year, a review of the useful life and amortization method of intangible assets is conducted. If there is a difference from the original estimate, appropriate adjustments are made. Intangible assets with uncertain useful life are not amortized, but at the end of the year, the service life is reviewed, and when there is conclusive evidence that the useful life is limited, the useful life is estimated.

Notes to the Financial Statements

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(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Intangible Assets (Continued)

(2) The useful life, its determination basis, estimation situation, amortization method or review procedure (Continued)

The useful life and determination basis of limited-life intangible assets and the amortization method:

Asset Category	Useful Life (Years)	Basis for Determining Useful Life	Amortization Method
Land Use Rights	20-50	Duration of Land Use Rights	Straight-Line
Patent Rights	5-20	Estimated Beneficial Life	Straight-Line
Non-patented Technology	5-20	Estimated Beneficial Life	Straight-Line
Trademark Rights	5-10	Estimated Beneficial Life	Straight-Line
Software	2-10	Estimated Beneficial Life	Straight-Line

At the end of the year, a review is conducted for the useful life and amortization method of intangible assets with limited useful life. If changes occur, they are treated as accounting estimate changes. Additionally, based on the available information, intangible assets for which there is conclusive evidence indicating the inability to reasonably estimate their useful life is classified as intangible assets with uncertain useful life.

The Company owns the trademarks of Baiyunshan, Dashen products and series of Xing Qun, Zhong Yi, Pan Gao Shou, Chen Li Ji, Jing Xiu Tang, Qi Xing, Jianzhiqiao, Guo Ying, Jian Min, and Wang Lao Ji Series, Da Zai, Weiyi Series etc. The Company believes that these product trademarks shall be used and bring expected economic benefits inflows in the foreseeable future. Therefore, these trademarks are recognized as intangible assets with uncertain useful life.

(3) Research and development expenditure

The expenditures of the research and development project inside the Company can be divided into research expenditure and development expenditure.

The specific qualifying criteria for the classification of expenditure on the research phase and expenditure on the development phase is as follows: Expenditures on the research phase are all the expenditures incurred before the commencement of Phase III clinical trial for the medicine (including new medicines and changes in the form of the original medicines). Commencement of Phase III clinical trial is determined based on the approval by authorities.

Notes to the Financial Statements

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(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

23. Intangible Assets *(Continued)*

(3) Research and development expenditure *(Continued)*

Expenditures on the development phase are all the attributable expenditures incurred after the commencement of Phase III clinical trial for the medicine (including new medicines and changes in the form of the original medicines). Commencement of Phase III clinical trial is determined based on the approval by authorities.

Research expenditures shall be recorded into profit or loss for the periods in which the expenditures are incurred.

Development expenditures are capitalized when the all-following conditions are met, otherwise it will be recorded into the profits and losses in the current year:

- ① the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ② its intention to complete the intangible asset and use or sell it;
- ③ how the intangible asset will generate economic benefits. Among other things, the enterprise can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- ④ the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- ⑤ its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

If the expenditures cannot be distinguished between research phase and development phase, the Company recognizes all expenditures into current profit or loss.

(4) Impairment test method and impairment provision assessing method of intangible asset

Please refer to Note III. 24 “Long-term Asset Impairment” for the impairment test method and impairment provision method of intangible asset.

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(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

24. Long-term Asset Impairment

The Company assesses impairment indicators for fixed asset, construction in progress, the intangible asset with limited-service life, the investment properties measured at cost pattern, the long-term equity investment in subsidiaries, associates and joint ventures and the non-current and non-financial asset, such as goodwill on the balance sheet date. If the Company finds evidence on asset impairment, the recoverable amount of the asset shall be measured, and impairment test shall be conducted. Impairment test shall be conducted annually for goodwill, the intangible asset with uncertain service life and the intangible asset not reaching available condition, no matter there is impairment indication.

Where the measurement result of the impairment test indicates that an asset's recoverable amount is lower than its book value, impairment reserve shall be withdrawn based on its differences and recorded into the impairment loss. The recoverable amount shall be determined on the basis of the higher one of the net amounts of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset. The fair value of asset is recognized based on the price as stipulated in the sales agreement in the fair transaction; where there is no sales agreement but there is an active market of assets, the fair value is recognized based on the price bidden by the buyer of the asset; where there is no sales agreement and no active market of assets, the fair value of an asset shall be estimated in light of the best information available of asset. The disposal expenses shall include the relevant legal expenses, relevant taxes, truckage as well as the direct expenses for bringing the assets into a marketable state. The present value of the expected future cash flow of an asset shall be determined by the discounted cash with an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of an asset. Asset impairment provision is calculated and recognized based on single asset. In case of the difficulty to estimate the recoverable amount of single asset, the recoverable amount of asset group is recognized in accordance with the asset group that such asset belongs to. The asset group refers to the minimum asset portfolio that can independently generate cash inflow.

When conducting impairment test for goodwill separately listed in financial statements, the book value of the goodwill shall be apportioned to asset groups or asset group portfolios which are expected to benefit from the synergistic effect of business combination. When the test result indicates that the recoverable amount of asset groups or asset group portfolios containing goodwill apportioned is less than its book value, relevant impairment loss of goodwill shall be recognized. The impairment loss of goodwill shall offset the book value of the portion of goodwill apportioned to the asset groups or asset group portfolios, and then offset the book value of other assets according to the proportion of the book value of other asset in asset groups or asset group portfolios after deducting the goodwill.

Once the above asset impairment loss is confirmed, the part that the value is restored in the future period is not allowed to be transferred back

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

25. Long-Term Prepaid Expenses

Long-term prepaid expenses include expenses such as improvements on leasehold fixed assets and expenses that have been occurred but borne in the current year and in the subsequent periods with amortization term of over one year. Amortization is carried out over the expected beneficial period, and disclosed as the net value of the actual expenditures minus accumulated amortization.

26. Contract Liability

Contract liabilities refer to the Company's obligation to transfer goods to customers for consideration received or receivable from customer. If the customer has paid contract consideration or the Company has obtained unconditional right to receive payment prior to the Company transferring goods to the customer, the Company shall recognize payment received or receivable into contract liabilities at the earlier date between the date when the customer makes payment or the due date of payment. Contract assets and contract liabilities under the same contract shall be disclosed in net value. Contract assets and contract liabilities under different contracts cannot be offset.

27. Employee Benefits

The employee benefits of the Company mainly include short-term employee benefits, post-employment benefits, termination benefits, and other long-term employee benefits, including:

Short-term benefits mainly include employee salaries, bonus, allowances and subsidies, staff welfare, social insurance contributions such as premiums or contributions on medical insurance, maternity insurance premiums, work injury insurance, housing funds, labor union running cost, employee education costs, non-monetary benefits, etc. The Company shall recognize, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to profit or loss for the current year or in the cost of relevant asset. Where, the non-monetary benefits shall be measured at its fair value.

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(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

27. Employee Benefits (Continued)

The domestic enterprises of the Company pay basic pension insurance and unemployment insurance for employees according to the relevant regulations of the local government. In the accounting period in which the employees of the Company's domestic enterprises provide services to the Company, the payment shall be calculated according to the local payment base and proportion, and confirmed as liabilities, which are included in current profit or loss or related asset costs. In addition to the basic pension insurance, most of the domestic enterprises of the Company have established an enterprise annuity plan based on the relevant policies of the national enterprise annuity system. The company pays the enterprise annuity according to a certain proportion of the total wages of the employees, and the corresponding expenses are included in the current profit and loss or related asset costs. The Company's Hong Kong company, Guangzhou Pharmaceuticals Baiyunshan Hong Kong Company, provides mandatory provident fund contributions to eligible Hong Kong employees in accordance with the *Mandatory Provident Fund Schemes Ordinance* of Hong Kong. The cost settlement of all plans is deducted from the income statement for the relevant period. The planned assets are held independently by independently managed funds and managed separately from the assets of the Company. At the same time, according to the *Employment Ordinance* of Hong Kong, for an employee who is eligible to receive a long service payment at the time of termination of employment, such payment shall be made when the employment is terminated. The Guangzhou Pharmaceutical Baiyunshan Hong Kong Company has made provision for long-term service payments that are expected to be paid in the future. The provision is calculated based on the estimation of the best service wages might be earned by the employee for rendering of services to the Company as of the settlement date.

Where the labor relationship with employees is terminated prior to the expiration of the labor contract with employees, or compensation suggestions are made to encourage employees to accept the cutback voluntarily, the employee payroll liabilities incurred by the dismissal welfare shall be recognized and recorded into the current profit or loss when the Company cannot withdraw unilaterally the dismissal welfare provided for the termination plan of labor relations or cutback suggestions, or when the Company recognizes the cost related to reorganization involving the payment of dismissal welfare, whichever is earlier. However, if it is anticipated that the dismissal welfare cannot be fully paid within 12 months after the end of the annual report period, such welfare shall be handled as other long-term Employee Payroll.

The internal retirement plan for employee shall be treated by the same principle as the above dismissal welfare. The Company will pay the salary and contribute social insurance for the internal retirement from the service stopped to be provided by such employee to normal retirement. Such fee is recorded in the current profit or loss (dismissal welfare) when conforming to the reorganization condition of estimated liability.

Notes to the Financial Statements

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(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

27. Employee Benefits *(Continued)*

Accounting treatment shall be conducted on other long-term employee payrolls provided to employees by the Company according to defined contribution plans if such plans are conformed, and besides, accounting treatment shall be conducted according to defined benefit plans.

28. Provisions

An obligation related to a contingency shall be recognized as an estimated liability when all of the following conditions are satisfied: (1) the obligation is a present obligation of the enterprise; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

As at the balance sheet date, the contingent liabilities shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Company shall take into full consideration the risks, uncertainty, time value of money, and other factors pertinent to the contingencies. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement shall be recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the book value of the provision.

29. Revenue

If the following conditions are met by the contract between the Company and the customer, revenue is recognized when the customer obtains control over relevant products: (a) the parties to the contract have approved the contract and are committed to perform their respective obligations; (b) each party's rights regarding the goods or services to be transferred have been specified in the contract; (c) the entity can identify the payment terms for the goods or services to be transferred; (d) the contract has commercial substance, such as the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract; and (e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

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(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

29. Revenue *(Continued)*

At the starting date of contract, the Company recognizes individual performance obligations in the contract, and allocates transaction price into each individual performance obligation based on the relevant proportion of the price of good promised in each individual performance obligation when selling separately. The influence of factors such as variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and customer consideration payables are taken into consideration when determining the transaction price.

For each individual performance obligations in the contract, the transaction price shall be recognized into revenue based on performance progress of each individual performance obligation within relevant performance period when one of the following conditions is met: (a) Customer can obtain and consume the economic benefit from the performance of the company at the same time the company performs the contractual obligations; (b) Customer has control over the work in progress when the company performs the contractual obligations; (c) The goods produced from the company's performance of contractual obligations have irreplaceable application. And the company are entitled to receive payments for the accumulated completed portion of the whole contract. Methods of measuring progress include output methods and input methods. When progress cannot be reliably measured, if the cost incurred is expected to be compensated, the amount of cost incurred shall be recognized as revenue until the progress can be reliably measured.

If none of the above-mentioned conditions are met, the portion of transaction price allocated to the individual performance obligation shall be recognized as revenue when the customer obtains the control over relevant goods. When judging whether the customer has obtained the right to control the goods, the enterprise shall consider the following indications: (a) The enterprise is entitled to charge for the goods at present, that is, the customer is obliged to pay for the goods at present; (b) The enterprise has transferred the legal ownership of the goods to the customer, that is, the customer has obtained the legal ownership of the goods; (c) The enterprise has transferred physical possession of the goods to the customer, that is, the customer has physical possession of the goods; (d) The enterprise has transferred the major risks and rewards of the ownership of the goods to the customer, that is, the customer has obtained the major risks and rewards of the ownership of the goods; (e) The customer has accepted the goods; (f) Other indications showing that the customer has obtained the right to control the goods.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

29. Revenue *(Continued)*

The specific principles and measurement methods for revenue recognition determined by business type within this group are as follows:

(1) Sales of Goods:

Contracts with customers typically involve the transfer of goods, constituting the sole performance obligation. Revenue is recognized by the Group at the point in time when the following criteria are met: the present right to payment for the goods, transfer of the significant risks and rewards of ownership, transfer of legal title of the goods, transfer of physical possession of the goods, and customer acceptance of the goods.

Specific methods for revenue recognition:

- ① Revenue is recognized when the Group delivers the goods to the agreed-upon location, and the customer confirms receipt by signing, and payment is received or evidence of payment is obtained.
- ② Revenue is recognized when the customer picks up the goods themselves, confirms receipt by signing, and payment is received or evidence of payment is obtained.

(2) Rendering of Services:

As the Group's performance results in the immediate acquisition and consumption of the economic benefits by the customer, the Group treats its performance obligations as being fulfilled over time. Revenue is recognized based on the progress of performance over a given period.

30. Contract Costs

Contract costs include incremental costs incurred to obtain a contract and costs incurred to fulfill contracts. Incremental costs incurred to obtain a contract ("costs to obtain a contract") are costs that would not have been incurred if the contract had not been obtained. If it is expected that these costs will be recoverable, the Company recognizes them as an asset.

Costs incurred to fulfill a contract that do not fall within the scope of other accounting standards for inventory and meet the following conditions are recognized as an asset as contract fulfillment costs: these costs are directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar costs), costs borne explicitly by the customer, and other costs incurred solely because of the contract; these costs increase the resources expected to be used to fulfill the contract obligations; and it is expected that these costs will be recoverable.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

30. Contract Costs *(Continued)*

Contract fulfillment costs recognized as assets by the Company are amortized over a period not exceeding one year or one normal operating cycle, and are included in the “Inventories” item in the balance sheet at initial recognition; if the amortization period exceeds one year or one normal operating cycle, they are included in the “Other non-current assets” item in the balance sheet at initial recognition.

Contract acquisition costs recognized as assets by the Company are included in the “Other current assets” item in the balance sheet at initial recognition if the amortization period does not exceed one year or one normal operating cycle; if the amortization period exceeds one year or one normal operating cycle, they are included in the “Other non-current assets” item in the balance sheet at initial recognition.

The assets recognized for contract acquisition costs and contract fulfillment costs are amortized on the same basis as the related revenue recognition and recognized in the current period’s profit or loss. If the amortization period for the asset formed by incremental costs incurred to obtain a contract does not exceed one year, it is recognized in profit or loss when incurred.

If there is an excess of the carrying amount of assets related to contract costs over the difference between the expected remaining consideration for the transfer of goods related to the asset and the estimated costs to be incurred to transfer those goods, the Company recognizes the excess as an impairment provision for assets and recognizes it as an impairment loss. If factors that led to impairment in previous periods change, resulting in the excess mentioned above being higher than the carrying amount of the asset, the Company shall reverse the previously recognized impairment provision for the asset and recognize it in profit or loss for the current period. However, after reversal, the carrying amount of the asset shall not exceed the carrying amount of the asset on the date of reversal assuming no impairment provision was made.

31. Government Grants

Government grants are transfer of monetary assets or non-monetary assets from the government to an enterprise at no consideration. However, capital contributions from the government as an owner of the enterprise are excluded. The government grant is classified into government grant related to assets and government grant related to incomes. Government grants of monetary assets are measured at the amount received or receivable. Government grants of non-monetary assets are measured at fair value. If reliably fair value cannot be obtained, nominal amount shall be used for measurement. Government grants measured at nominal amount shall be recognized through profit or loss for the current year.

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(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

31. Government Grants *(Continued)*

The specific standard that the Company make classification of the asset-related grants: Government's documents defined the grants are used to purchase fixed assets or intangible assets, or the financial discounts of specific borrowing, or the grants is undefined by government's documents but is related to the form of long-term assets of the enterprise.

The specific standard that the Company make classification of the income-related grants: It shall be defined to the income-related when not consistent with standard of asset-related grants.

For government grants not clearly specifying subsidy object, basis of determination for asset related government grants or income related government grants are: government grants not clearly specifying subsidy object, but with sufficient evidence indicating that the government supporting fund is related to the formation of long-term asset, shall be recognized as asset related government grant. The others shall be recognized as income related government grant.

The assets-related government grants shall reduce assets-related book value or shall be recognized as deferred income. For those recognized as deferred income, charged into current profit or loss on stages using reasonable and systemic methods during its assets-related useful lives (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income)

The income-related government grants for compensation to the related expenses or loss of the Company in the subsequent periods shall be recognized as deferred income and current profit or loss during the recognition of related expenses or loss (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income) or shall offset related expenses or loss; those for compensation to the related expenses or loss incurred of the Company shall be recognized as current profit or loss (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income) or shall offset related expenses or loss.

For government grants not clearly specifying subsidy object, basis of determination for asset related government grants or income related government grants are: government grants not clearly specifying subsidy object, but with sufficient evidence indicating that the government supporting fund is related to the formation of long-term asset, shall be recognized as asset related government grant. The others shall be recognized as income related government grant.

The government subsidies that contain both the portion pertinent to assets and the portion pertinent to income shall be subject to accounting treatment respectively according to different portions; and those that are difficult to be distinguished shall be classified as the government subsidies pertinent to income related as a whole.

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(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

31. Government Grants *(Continued)*

The government subsidies pertinent to the daily activities of the Company shall be included in other income or used to offset relevant costs and expenses according to the substance of the economic business. The government subsidies irrelevant with the daily activities of the Company shall be included in non-operating revenues and expenses.

If it is necessary to refund any government subsidy which has been recognized, and there is deferred income, the book balance of the deferred income shall be offset, and the excessive part shall be included in the current profits and losses, or if the book value of relevant assets is offset against when the government subsidy is initially recognized, the book value of the assets shall be adjusted. Under any other circumstance, it shall be directly included in the current profits and losses.

32. Deferred Tax Assets/Deferred Tax Liabilities

(1) Current Income Tax

On the balance sheet date, the current tax liabilities (or assets) incurred in the current year or prior years shall be measured in light of the expected payable (refundable) amount of income taxes according to the tax law. The taxable income of enterprises, the basis of the measurement of the current tax, shall be measured according to the adjusted accounting profit before tax for current year by tax law.

(2) Deferred tax assets and deferred tax liabilities

As for the temporary difference arising from the difference between the book value of some asset or liability and its tax base and the difference between the book value of an item that has not been recognized as an asset or liability with its tax base determined in light of the tax law and its tax base, it is allowed to recognize it as the deferred income tax assets or the deferred income tax liabilities by balance sheet liability method.

For temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized. Besides, deferred tax liabilities will not be recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Except the above-mentioned cases, the deferred tax liabilities generated from other all taxable temporary difference are recognized by the Company.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

32. Deferred Tax Assets/Deferred Tax Liabilities *(Continued)*

(2) Deferred tax assets and deferred tax liabilities *(Continued)*

Related to the initial recognition of the assets or liabilities arising from the following transactions that is not business combination and the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected at the time of transaction, the deductible temporary differences are not allowed to recognize relevant deferred tax assets. As for the deductible temporary differences related to the investments in a subsidiary, associated enterprises and joint enterprises, corresponding deferred tax asset shall not be recognized if the temporary differences are unlikely to be reversed in the excepted future and it is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences. Except the above-mentioned cases, the Company shall recognize the deferred tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain, and which can be deducted from the deductible temporary difference.

As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred tax assets shall be recognized to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

On the balance sheet date, the deferred tax assets and deferred tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

The book value of deferred tax assets shall be reexamined at the balance sheet date. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred tax assets, the book value of the deferred tax assets shall be written down. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

(3) Tax expenses

Tax expenses include current tax and deferred tax.

Except that other comprehensive income is recognized, the current tax and deferred income tax related to the transactions or events directly recorded in the other comprehensive income or shareholders' equity and the book value of goodwill is adjusted due to the deferred income tax arising from business combination, other current taxes and deferred income tax expenses or incomes are recorded in the profit or loss for the period.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

32. Deferred Tax Assets/Deferred Tax Liabilities *(Continued)*

(4) Offset of Income Tax

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

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

33. Lease

A lease is a contract in which the company transfers or acquires the right to control the use of one or more identified assets within a certain period in exchange for or payment of consideration.

(1) Accounting Treatments of Operating Leases for Lessees

On the beginning date of the lease term, the company recognizes the right to use the assets and lease liabilities of the lease, excluding the simplified short-term lease low-value asset lease.

The use right asset is initially measured at a cost, which includes: ① the initial measurement amount of the lease liability; ② if the lease incentive exists in the lease payment amount paid on or before the beginning date of the lease term, the amount related to the lease incentive already enjoyed will be deducted; ③ initial direct cost; ④ the expected cost of disassembling and removing the leased asset, recovering the site where the leased asset is located or restoring the leased asset to the state agreed in the lease terms. The company withdraws the depreciation of the right to use assets by referring to the relevant depreciation provisions of accounting standards for business enterprises no. 4 – fixed assets (see Note III, 19 “fixed assets” for details); According to the provisions of “accounting standards for enterprises no. 8 – asset impairment” to determine whether the right to use assets impairment, and identified impairment losses for accounting treatment (see Note III, 24 “long-term asset impairment”).

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

33. Lease *(Continued)*

(1) Accounting Treatments of Operating Leases for Lessees *(Continued)*

The initial measurement of the lease liability is based on the present value of the outstanding lease payment at the beginning of the lease term. The amount of lease payment refers to the amount paid by the company to the lessor in connection with the right to use the leased assets during the lease term, including: ① If the lease incentive exists in the fixed payment amount and the actual fixed payment amount, the amount related to the lease incentive shall be deducted; ② variable lease payments depending on the index or ratio, which is determined at the initial measurement according to the index or ratio at the beginning of the lease period; ③ the exercise price of the option, provided that the company reasonably determines that it will exercise the option; ④ the payment required to exercise the option to terminate the lease, provided that the term of the lease reflects that the company will exercise the option to terminate the lease; ⑤ according to the company's guarantee residual value is expected to pay. The company calculates the interest expense of the leasing liability during the lease term according to the fixed periodic interest rate and includes it into the current profit and loss.

The company shall record the variable lease payment not included in the measurement of lease liabilities into the current profit and loss when it actually occurs.

For short-term lease and low-value asset lease, the company chooses to simplify the process and record the profits and losses of the current period in accordance with the straight-line method during the lease period.

When there is a change in the scope, consideration and term of lease other than the terms of the original contract, the company shall treat the change of lease as a separate lease or not as a separate lease according to the circumstances. If it is not a separate lease, the company shall, on the effective date of the lease change, re-measure the lease liability according to the present value calculated by the lease payment amount after the change and the revised discount rate, and adjust the book value of the right to use assets accordingly. If the carrying value of the right to use assets has been reduced to zero, but the leasing liabilities still need to be further reduced, the company shall record the remaining amount into the current profits and losses.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

33. Lease *(Continued)*

(2) The company records the leasing business as the lessor

① *leasing classification*

On the lease commencement date, the company divides the lease into finance lease and operating lease based on the essence of the transaction. Finance lease refers to the lease that transfers virtually all the risks and rewards related to the ownership of the leased assets. The term “operating lease” refers to any lease other than finance lease.

② *operating lease*

The company adopts the straight-line method to recognize the rental income for each period of the lease term. The initial direct expenses related to the operating lease are capitalized at the time of occurrence and are recorded into the profits and losses of the current period in accordance with the same basic stages as recognized rental income during the whole lease period. The variable lease payment amount acquired related to the operating lease and not included in the lease receipt shall be recorded into the current profit and loss when actually incurred.

③ *financial lease*

On the commencement date of the lease term, the company shall confirm the receivables of the finance lease and terminate the confirmation of the finance lease assets.

The finance lease receivables are initially measured by the sum of the present value discounted by the embedded interest rate of the lease, which is the unsecured residual value and the unreceived lease receipt at the beginning of the lease term. The amount of lease payment includes: a. fixed amount of payment and substantial fixed amount of payment to be paid by the lessee. If there is A lease incentive, the amount related to the lease incentive will be deducted; B. Variable lease payments, subject to an index or ratio, determined at the time of initial measurement based on the index or ratio at the date of commencement of the lease period; C. The exercise price of the option, provided that it is reasonably determined that lessee will exercise the option; D. The amount payable by the lessee to exercise the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; E. Residual value of security provided to lessor by lessee, parties related to lessee and an independent third party capable of performing its security obligations.

The variable lease payment acquired by the company, which is not included in the measurement of net lease investment, shall be recorded into the current profit and loss when actually incurred.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

34. Other Important Accounting Policies and Accounting Estimates

(1) Discontinued operation

Discontinued operation is a component that meets one of the following conditions and can be separately distinguished and disposed of by the Company or classified as held for sale:

① this component represents an independent principal business or a separate principal operation area; ② this component is part of an associated program to be disposed of for an independent main business or a separate main business area; ③ this component is a subsidiary acquired for resale.

For the accounting treatment of discontinued operations, please refer to the descriptions in Note III. 16. "Assets Held for Sale and Disposal Company".

35. Changes in Significant Accounting Policies and Accounting Estimates

Nil

36. Significant Accounting Judgments and Estimates

In the application of the accounting policies, due to the intrinsic uncertainty of business operations, the Company needs to judge, estimate, and make assumptions on the book value of report item which cannot be reliably measured. These judgments, estimations, and assumptions are made based on the Company management's historical experiences, and with references of other related factors. These judgments, estimations and assumptions can have impact on the reported amount of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. It is probable that the actual results arising from the uncertainty of these estimates are different from the current estimates of the Company's management, and then lead to significant adjustments to the book value of assets or liabilities influenced in future.

The Company performs periodic revision on the above determinations, estimations, and assumptions on the basis of constant operation. When a change in accounting estimation is just influencing the current term, its influenced amount is recognized in the current term. When a change is influencing not only the current term but also the future terms, its influenced amount is recognized in the current term and also the future terms.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

36. Significant Accounting Judgments and Estimates *(Continued)*

The following are the critical judgments that the Company has made in the process of judging, evaluating and assuming as at balance sheet date:

(1) Revenue recognition

As stated in Note III. 29 - Revenue, the Company makes the following significant accounting judgments and estimates in terms of revenue recognition: identifying customer contracts; estimating the recoverability of the considerations that are entitled to be obtained by transferring goods to customers; identifying the performance obligation in the contract; estimating the variable consideration in the contract and cumulative revenue recognized where it is highly probable that a significant reversal therein will not occur when the relevant uncertainty is resolved; assessing whether there is a significant financing component in the contract; estimating the individual selling price of the individual performance obligation in the contract; determining whether the performance obligation is performed in a certain period of time or at a certain point in time; the determination of the progress of the contract, etc.

The Company make judgments primarily based on historical experiences and works to. Changes in these significant judgments and estimates can have significant impacts on the operating income, operating costs, and profit or loss of the current or subsequent periods.

(2) Impairment of financial assets

Expected credit loss model is adopted by the Company to evaluate the impairment of financial assets. Adopting expected credit loss model requires making significant judgment and evaluation, considering all the reasonable and supportable information, including forward-looking information. To conclude the expected change in of credit risk of the debtor, the Company shall make such judgment and evaluation based on historical data with factors such as change in economy policies, macroeconomic indicators, industry risk, external market environment, technology environment, customer condition, etc.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

36. Significant Accounting Judgments and Estimates *(Continued)*

(3) Provision for decline in value of inventories

The Company accrues inventory falling price reserves of inventories with higher cost than net realizable value and obsolete and unsalable inventories according to their cost and net realizable value, whichever is lower, based on inventory accounting policies. The impairment of inventory to net realizable value is based on the evaluation of its sale ability and net realizable value. The identification of impairment of inventory calls for the management to make judgment and estimation after receiving sound evidence and considering the purpose of holding the inventory and the influence factors of events after balance sheet date. Difference between the actual results and the original estimation will be calculated, provided or reversed by the influence on the book value of inventories and inventory falling price reserves in the estimated change period.

(4) Fair value of financial instruments

The Company recognizes the fair value of financial instruments without active trading market through various valuation methods. These valuation methods include discounted cash flow model analysis, etc. The Company needs to evaluate the future cash flow, credit risks, market volatility and relevance, etc. and choose the proper discount rate. These relevant hypotheses are uncertain, and the changes will inflict impact on the fair value of financial instruments.

Where an investment in equity instruments or contract has a public offer, the Company does not use the cost as the best estimate of its fair value.

(5) Provision for the impairment of long-term assets

The Company will judge whether there exists indication showing that the impairment might incur on non-current assets rather than financial assets on the balance sheet date. Except impairment test conducted each year, when there exists indication of impairment, then impairment test should be conducted too for intangible asset that service life is uncertain. Impairment test should be conducted on non-current assets rather than financial assets if the Company finds evidence that book value is unrecoverable.

When the book value of assets or asset group is higher than recoverable amount, which is the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset, it indicates that the impairment incurs.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

36. Significant Accounting Judgments and Estimates *(Continued)*

(5) Provision for the impairment of long-term assets *(Continued)*

Net amount of the fair value minus disposal expense should be determined by reference to sales agreement price or observable market price of similar assets in fair transaction minus incremental cost directly attributable to such assets disposed.

Upon estimation of current value of future cash flow, significant judgment on production, sale price, related operation cost and discount rate for current value calculation is required. The Company may use all attainable relevant information upon estimation of the recoverable amounts, including estimation on the capacity, sale price and relevant operation cost made based on reasonable and supportable hypothesis.

The Company will test if the goodwill suffers from impairment at least once a year. It requires estimation of the current value of future cash flow for asset groups or their combinations with good will distributed. Upon estimation of future cash flow, the Company needs to estimate cash flow generated by future asset groups or their combinations and meanwhile choose proper discount rate to recognize the current value of future cash flow.

(6) Depreciation and Amortization

The Company calculates and accrues depreciation and amortization by the method of line within service life after considering the remaining value of investment properties, fixed assets and intangible assets. The Company periodically reviews service life to decide the amount to be included into each report period of depreciation and amortization expenses. Service life is recognized by the Company based on past experience for the same type of assets together with anticipated technological updates. If past estimation has been significantly changed, expenses for depreciation and amortization should be adjusted in the future.

(7) Deferred tax assets

If it is highly possible that there is enough taxable profit to offset losses, the Company recognizes deferred income assets for all unused taxation losses. It requires huge judgment of the management of the Company to estimate the time and amount of future taxable profit together with tax payment planning strategy to decide the amount of deferred income tax assets to recognized.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

36. Significant Accounting Judgments and Estimates *(Continued)*

(8) Income Taxes

During regular business activities of the Company, there are uncertainties in final taxation disposal and calculation for some transactions. Whether some projects can list approval needed from taxation authorities before tax. If the final recognition result of these taxation matters is different from the initially estimated amount, such difference will influence the income tax and deferred income tax of current year during final recognition.

(9) Provisions

Based on the contract terms, existing knowledge and historical experience, the Company estimates and makes provision for product quality assurance, estimated contract losses, and penalty for delay in delivery. In the event that such contingent events have formed a current obligation and the performance of such current obligations is likely to result in the outflow of economic benefits from the Company, the Company recognizes the contingent liabilities as the provisions according to the best estimate of the expenditure required to perform the relevant current obligations. The recognition and measurement of Provisions is mainly dependent on management's judgment. In the process of making judgments, the Company needs to assess factors such as risks, uncertainties and time value of money related to such contingent events.

Among them, the Company will provide provisions for after-sales warranty to customers for the sale, repair and modification of the products sold. The Company's recent maintenance experience data has been taken into account when estimating liabilities, but recent maintenance experience may not reflect future maintenance. Any increase or decrease in this preparation may affect the profit and loss of the future year.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

IV. TAXES

1. Main Tax Types and Tax Rate

Types of tax	Tax basis	Specified tax rate
Value added tax ("VAT")	Taxable income	(1) Sales of goods: 13%, 9%; (2) Services etc.: 6%, 5%, 3%
Consumption tax	Taxable income	10%
Urban maintenance and construction tax	Actual payment of turnover tax	7%, 5%
Education surcharge	Actual payment of turnover tax	3%
Local education surcharge	Actual payment of turnover tax	2%
Corporate income tax	Taxable profit	Please refer the details below.
Cont.		
Taxpayer	Income tax rate	
The Company, Xing Qun, Zhong Yi, Chen Li Ji, Guangzhou Han Fang, Qi Xing, Jing Xiu Tang, Pan Gao Shou, Wang Lao Ji, Guangdong Hanchao, WLJ Great Health, Tian Xin, Guang Hua, Ming Xing, Guangyao General Institute, Guangxi Ying Kang, Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd., Guangzhou Pharmaceutical Information Technology Co., Ltd., Weiling, Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd., Wei Yi Industry, Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd., Gansu Guangyao Baiyunshan Chinese Medicine Technology Co., Ltd., Guangyao (Hainan) Pharmaceutical Co., Ltd.	Calculated and paid at 15% of the taxable income	
The Group's domestic subsidiaries other than the above-mentioned enterprises	Calculated and paid at 25% of the taxable income	
The Group's enterprises located in Hong Kong	Calculated and paid at 16.5% of the taxable income	
The Group's enterprises located in Macao	Calculated and paid at 3% – 12% of the taxable income	

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



IV. TAXES (Continued)

2. Important Tax Preferential Treatments and Approval Documents

(1) Tax preferential policies for High/New enterprises

According to the state's relevant tax preferential policies for High/New enterprises, qualified High/New enterprises can enjoy preferential corporate income tax policies and pay corporate income tax at a reduced rate of 15%.

The subsidiaries of the Group, which have obtained the Certificates of High/New Technology Enterprises, can enjoy preferential tax rate of 15% for current period, which including: the Company (No. GR202344004122), Xing Qun (No. GR202344002036), Zhong Yi (No. GR202344010147), Chen Li Ji (No. GR202344005874), Guangzhou Han Fang (No. GR202344010098), Qi Xing (NO. GR202344004761), Jing Xiu Tang (No. GR202344007214), Pan Gao Shou (No. GR202344009572), Wang Lao Ji (No. GR2023344003015), Guand Dong Han Chao (No. GR202344003019), Tian Xin (No. GR202344004253), Guang Hua (No. GR202444002191), Ming Xing (No. GR202344008105), Guangyao General Institute (No. GR202444009410), Guangxi Ying Kang (No. GR202445000589), Baiyunshan Weiling Pharmaceutical Co., Ltd. (No. GR202244012147), Guangzhou Pharmaceutical Information Technology Co., Ltd. (No. GR202344009159), Wei Yi Industrial Co., Ltd. (No. GR202444001470), Guangyao Wanglaoji (Bijie) Industrial Co., Ltd. (No. GR202452000044), Gansu Guangyao Baiyunshan Chinese Medicine Technology Co., Ltd. (No. GR202462000057).

(2) Other tax preferential policies

- ① Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) pharmaceutical Import and Export Co., Ltd., WLJ Great Health and Guizhou Wanglaoji Cilinji Industry Development Co., Ltd. enjoy tax incentives for encourage industries, and paid enterprise income tax at a reduced rate of 15% in 2025.
- ② According to the "Announcement on Value-Added Tax Incremental Deduction Policy for Advanced Manufacturing Enterprises" (Announcement No. 43 of 2023 issued by the Ministry of Finance and the State Administration of Taxation), from January 1, 2023, to December 31, 2027, advanced manufacturing enterprises are allowed to deduct 5% of the deductible input VAT amount to offset the payable VAT amount, the Company as well as Xingqun Pharmaceutical, Zhongyi Pharmaceutical, Chenliji Pharmaceutical Factory, Guangzhou Hanfang, Jingxiutang Pharmaceutical, Pangaoshou Pharmaceutical, Wanglaoji Pharmaceutical, Wanglaoji Great Health, Guangxi Yingkang, Mingxing Pharmaceutical, Guanghua Pharmaceutical, Tianxin Pharmaceutical, Guanghua Pharmaceutical are entitled to enjoy the aforementioned VAT incremental deduction policy.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at Bank and on Hand

Item	Closing balance	Closing balance of last year
Cash on hand	483,406.03	501,913.33
Cash at bank	9,965,461,455.49	16,281,500,959.05
Other currency balance (note)	1,861,278,548.91	1,991,147,240.20
Total	11,827,223,410.43	18,273,150,112.58
Including: Total amount of cash kept in foreign countries	202,404,898.01	220,637,136.92

Note: Other monetary funds amounted to RMB1,861,278,548.91 (December 31, 2024: RMB1,991,147,240.20), mainly including third-party payment accounts, investment deposits, offsite deposits, credit card deposits, margin deposits for letters of credit and letters of guarantee, time deposits, large-denomination certificates of deposit, housing funds, margin deposits for bank acceptance bills, frozen accounts, and others.

As on 30 June 2025, the amount of the Group's cash at bank and on hand with restrictions on ownership was RMB1,717,153,110.67 (31 December 2024: RMB1,967,597,541.71). Breakdown of cash at bank and on hand with restrictions on use is as follows:

Item	Closing balance	Closing balance of last year
Deposit for notes payable	1,391,917,308.65	1,353,069,844.30
Term deposit, Certificate of deposit	148,158,435.14	463,152,107.43
Frozen account funds	119,557,044.11	77,266,280.98
Deposit for Letters of credit	47,536,203.33	64,802,197.05
Guarantee deposits	8,466,737.26	8,342,520.80
Housing funds	939,446.88	939,292.05
Other	577,935.30	25,299.10
Total	1,717,153,110.67	1,967,597,541.71

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes Receivable

(1) Category of notes receivable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	439,519,755.59	435,855,637.42
Commercial acceptance notes	84,358,403.74	122,211,336.80
Less: Bad debt reserves	1,196,324.02	4,147,454.81
Total	522,681,835.31	553,919,519.41

Note: The Company hold certain bank acceptance notes receivable with a business model objective is achieved by both collecting contractual cash flows and selling financial assets. These bank acceptance notes receivable are classified as financial assets measured at FVOCI and are included in the Financing receivables of the financial statements. The balance at the end of this period is RMB2,125,471,102.90.

(2) No pledged notes receivable at the period end

(3) Notes which are not matured as at the balance sheet date but have been endorsed or discounted at the period end

Item	Amount derecognized at the period end	Amount not derecognized at the period end
Bank acceptance notes		177,643,897.22
Commercial acceptance notes	136,763,768.87	—
Total	136,763,768.87	177,643,897.22

Notes:

- ① Pursuant to provisions of the Negotiable Instruments Law of the People's Republic of China, if the bank of acceptance refuses to pay the payables, the holding party is entitled to recover the payables (continuing involvement) from the Group. Consequently, the Group is in continuing involvement in the notes which are not matured at balance sheet date but have been endorsed or discounted of this amount, RMB136,763,768.87 of the above-mentioned unexpired but discounted commercial acceptances. Having entered into a non-recourse supplementary agreement with the bank, the group has transferred almost all the risks and rewards of the above commercial acceptance and is no longer involved.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes Receivable (Continued)

(3) Notes which are not matured as at the balance sheet date but have been endorsed or discounted at the period end (Continued)

Notes: (Continued)

- ② The Group considers that it has transferred almost all the risks and rewards of the above-mentioned endorsed or discounted notes receivable, and the fair value of the continuing involvement is not significant. The Group has not recognized any assets or liabilities in its books due to such continuing involvement. After assessment, the Group has not derecognized the portion of notes receivable for which almost all the risks and rewards have not been completely transferred. Due to the continuing involvement, the Group has recognized notes receivable of RMB136,763,768.87 in its books, and at the same time, recognized short-term borrowings and accounts payable of RMB136,763,768.87.
 - ③ The maximum loss that the Group may incur from the above-mentioned endorsed or discounted notes receivable due to continuing involvement is equal to their carrying amount, i.e., RMB136,763,768.87.
 - ④ The undiscounted cash flows that the Group may need to pay for the possible repurchase of the above-mentioned endorsed or discounted notes receivable are equal to their carrying amount. Among them, the balance of notes receivable as of June 30, 2025, will mature on or before December 31, 2025.
 - ⑤ For the period from January to June 2025, the Group did not recognize any gains or losses on the transfer date of the above-mentioned items. The Group has no income or expenses recognized during the period of continuing involvement in derecognized financial assets, either on a periodic or cumulative basis.
 - ⑥ The above-mentioned endorsed or discounted notes receivable occurred approximately evenly during the current period, with an approximately even distribution.
- (4) As on 30 June 2025, the bank acceptance notes endorsed by the Group to other parties but not matured was RMB155,461,294.96 (31 December 2024: RMB202,102,250.93).
- (5) As on 30 June 2025 and 31 December 2024, the Group had no commercial acceptance bills that had been endorsed to other parties but not yet matured.
- (6) As on 30 June 2025, commercial acceptance notes discounted by the Group but not matured and not derecognized was RMB22,182,602.26 (31 December 2024: RMB11,005,721.60).
- (7) As on 30 June 2025, commercial acceptance notes discounted by the Group but not matured was RMB136,763,768.87 (31 December 2024: RMB99,567,964.90).

Note: The above-mentioned unexpired but discounted commercial acceptance notes was RMB136,763,768.87. The group has entered into a non-recourse supplementary agreement with the bank. Therefore, the group has transferred the above commercial acceptance bill almost all the risks and rewards, no longer involved.

- (8) As on 30 June 2025 and 31 December 2024, the Group had no accounts receivable transferred from notes receivable due to the inability of performance by the drawer.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes Receivable (Continued)

(9) Notes receivable disclosed by methods of accruing provision for bad debts

Category	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	523,878,159.33	100.00	1,196,324.02	0.23	522,681,835.31
Including: portfolio 1	84,358,403.74	16.10	1,196,324.02	1.42	83,162,079.72
portfolio 2	439,519,755.59	83.90	-	-	439,519,755.59
Total	<u>523,878,159.33</u>	<u>100.00</u>	<u>1,196,324.02</u>	<u>0.23</u>	<u>522,681,835.31</u>

Cont.

Category	Closing balance of last year				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	558,066,974.22	100.00	4,147,454.81	0.74	553,919,519.41
Including: portfolio 1	122,211,336.80	21.90	4,147,454.81	3.39	118,063,881.99
portfolio 2	435,855,637.42	78.10	-	-	435,855,637.42
Total	<u>558,066,974.22</u>	<u>100.00</u>	<u>4,147,454.81</u>	<u>0.74</u>	<u>553,919,519.41</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes Receivable (Continued)

(9) Notes receivable disclosed by methods of accruing provision for bad debts (Continued)

① The Group had no notes receivable which are subject to separate provision at the end of the period.

② portfolio 1: Notes receivable which are subject to provision by aging portfolio

Item	Closing balance		
	Book balance	Provision for bad debts	Expected credit loss (%)
Within one year	81,002,299.56	810,023.00	1.00
1 to 2 years	3,102,651.10	310,265.10	10.00
2 to 3 years	253,453.08	76,035.92	30.00
Total	<u>84,358,403.74</u>	<u>1,196,324.02</u>	<u>1.42</u>

③ portfolio 2: Notes receivable which are subject to provision by financial asset portfolio with extremely low credit risk

Item	Closing balance		
	Notes receivable	Provision for bad debts	Expected credit loss (%)
Notes receivable with extremely low credit risk	<u>439,519,755.59</u>	<u>—</u>	<u>—</u>
Total	<u>439,519,755.59</u>	<u>—</u>	<u>—</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes Receivable (Continued)

(10) Provision for bad debts

Item	Closing balance of last year	Current Movement			Closing balance
		Provision	Return or Recovery	Pay-off or write off	
Provision for bad debts of notes receivable	4,147,454.81	(2,951,130.79)	—	—	1,196,324.02
Total	4,147,454.81	(2,951,130.79)	—	—	1,196,324.02

(11) No Notes receivable actually written off during this year.

3. Accounts receivable

(1) The aging analysis of accounts receivable based on booking date is as follows:

Aging	Closing balance	Closing balance of last year
Within 1 year	16,621,637,082.71	14,366,926,508.25
1 to 2 years	1,874,460,108.42	1,447,254,521.49
2 to 3 years	401,289,687.02	246,382,554.97
3 to 4 years	119,424,978.22	95,992,780.94
4 to 5 years	41,027,153.48	37,140,920.37
Over 5 years	250,204,846.04	235,917,479.98
Subtotal	19,308,043,855.89	16,429,614,766.00
Less: Provision for bad debts	840,517,080.63	703,632,104.83
Total	18,467,526,775.26	15,725,982,661.17

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(2) Accounts receivable disclosed by method of accruing provision for bad debts

Category	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	Amount
Accounts receivable subject to separate provision	329,767,700.41	1.71	270,410,007.82	82.00	59,357,692.59
Accounts receivable subject to provision by portfolio	18,978,276,155.48	98.29	570,107,072.81	3.00	18,408,169,082.67
Including: portfolio 1	18,978,276,155.48	98.29	570,107,072.81	3.00	18,408,169,082.67
Total	19,308,043,855.89	100.00	840,517,080.63	4.35	18,467,526,775.26

Category	Closing balance of last year				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	Amount
Accounts receivable subject to separate provision	306,599,132.52	1.87	267,447,705.28	87.23	39,151,427.24
Accounts receivable subject to provision by portfolio	16,123,015,633.48	98.13	436,184,399.55	2.71	15,686,831,233.93
Including: portfolio 1	16,123,015,633.48	98.13	436,184,399.55	2.71	15,686,831,233.93
Total	16,429,614,766.00	100.00	703,632,104.83	4.28	15,725,982,661.17

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

① Accounts receivable subject to separate provision at the end of the period

Accounts receivable (by debtor)	Book balance	Provision for bad debts	Expected credit loss (%)	Reason
Customer 1	145,751,717.98	145,751,717.98	100.00	Litigation is involved.
Customer 2	65,606,957.71	8,482,313.17	12.93	Amount is expected to be unrecoverable fully.
Customer 3	21,093,295.40	21,093,295.40	100.00	Litigation is involved.
Customer 4	19,432,662.47	19,432,662.47	100.00	Litigation is involved.
Customer 5	15,709,515.92	15,709,515.92	100.00	Litigation is involved, which has been decided and is in the implementation stage
Customer 6	10,182,695.97	10,182,695.97	100.00	Litigation is involved.
Customer 7	8,533,215.28	8,533,215.28	100.00	Litigation is involved.
Customer 8	8,170,856.57	7,353,770.91	90.00	Litigation is involved, which has been decided and is in the implementation stage
Customer 9	4,130,812.22	4,130,812.22	100.00	Amount is expected to be unrecoverable fully.
Customer 10	4,122,456.00	4,122,456.00	100.00	Litigation is involved, which has been decided and is in the implementation stage
Others	27,033,514.89	25,617,552.50	94.76	Amount is expected to be unrecoverable fully.
Total	<u>329,767,700.41</u>	<u>270,410,007.82</u>	-	-

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

② Accounts receivable subject to provision by portfolio

Portfolio 1 : aging portfolio

Aging	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Expected credit loss(%)	Book balance	Provision for bad debts	Expected credit loss(%)
Within 1 year	16,553,825,325.29	165,535,081.26	1.00	14,321,319,158.51	143,213,000.51	1.00
1 to 2 years	1,872,711,189.65	187,271,119.01	10.00	1,447,069,038.24	144,706,903.90	10.00
2 to 3 years	400,936,377.25	120,280,913.17	30.00	245,686,608.90	73,709,171.21	30.00
3 to 4 years	97,688,770.22	48,844,385.17	50.00	58,061,274.18	29,030,637.14	50.00
4 to 5 years	24,694,594.30	19,755,675.44	80.00	26,774,334.20	21,419,467.34	80.00
Over 5 years	28,419,898.77	28,419,898.76	100.00	24,105,219.45	24,105,219.45	100.00
Total	<u>18,978,276,155.48</u>	<u>570,107,072.81</u>	-	<u>16,123,015,633.48</u>	<u>436,184,399.55</u>	-

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(3) Provision for bad debts accrued, return or recovered or reversed this period

Category	Closing balance of last year	Current movement				Closing balance
		Provision	Return or recovery	Pay-off or write-off	Other decreases	
Provision for bad debts of accounts receivable	703,632,104.83	137,644,751.69	788,871.40	11,886.46	(40,981.97)	840,517,080.63
Total	703,632,104.83	137,644,751.69	788,871.40	11,886.46	(40,981.97)	840,517,080.63

Including: There are no significant cases of accounts receivable reversal in the current period.

(4) Accounts receivable written off in the current period:

Item	Amount written off
Accounts receivable written off	11,886.46

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(5) The top five customers by balances at the period end are as follows

Company	Closing balance	Proportion to total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	292,230,088.27	1.51	4,492,620.32
Customer 2	272,943,253.23	1.41	2,735,040.39
Customer 3	259,116,735.68	1.34	3,683,385.19
Customer 4	232,424,879.94	1.20	2,548,171.58
Customer 5	208,864,104.62	1.08	2,088,641.05
Total	<u>1,265,579,061.74</u>	<u>6.54</u>	<u>15,547,858.53</u>

4. Receivables Financing

(1) Financing situation of the receivables

Item	Closing balance	Closing balance of last year
Notes receivable	2,125,471,102.90	1,595,651,821.83
Accounts receivable	<u>1,979,075,104.52</u>	<u>1,580,197,798.48</u>
Total	<u>4,104,546,207.42</u>	<u>3,175,849,620.31</u>

(2) There are no pledged receivables financing at the end of the current period.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Receivables Financing (Continued)

- (3) Receivables financing that is endorsed or discounted at the end of the period but is not yet due at the balance sheet date

Item	Amount derecognized at the period end	Amount not derecognized at the period end
Bank acceptance notes	<u>2,325,318,282.56</u>	—
Total	<u><u>2,325,318,282.56</u></u>	<u><u>—</u></u>

5. Advances to suppliers

- (1) The aging analysis of advances to suppliers based on booking date is as follows:

Aging	Closing balance		Closing balance of last year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	726,484,304.06	95.80	559,316,246.06	96.78
1 to 2 years	30,095,595.51	3.97	16,757,682.60	2.90
2 to 3 years	422,818.73	0.06	543,398.53	0.09
Over 3 years	<u>1,314,043.77</u>	<u>0.17</u>	<u>1,325,058.77</u>	<u>0.23</u>
Total	<u><u>758,316,762.07</u></u>	<u><u>100.00</u></u>	<u><u>577,942,385.96</u></u>	<u><u>100.00</u></u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Advances to suppliers (Continued)

(2) The top five suppliers by balances are as follows:

Company	Closing balance	Proportion to total closing balance of advances to suppliers (%)
Supplier 1	287,457,040.02	37.91
Supplier 2	125,242,163.53	16.52
Supplier 3	22,333,440.00	2.95
Supplier 4	19,709,244.63	2.60
Supplier 5	13,690,373.78	1.81
Total	468,432,261.96	61.77

6. Other Receivables

Item	Closing balance	Closing balance of last year
Dividends receivable	1,900,304.88	1,500,000.00
Other receivables	1,078,372,330.75	992,150,235.33
Total	1,080,272,635.63	993,650,235.33

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other Receivables (Continued)

(1) Dividends receivable

① Dividends receivable are as follows

Item	Closing balance	Closing balance of last year
Chuangmei Pharmaceutical Co., Ltd. (hereinafter referred to as "Chuangmei")	400,304.88	
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Co., Ltd. (hereinafter referred to as "HWBYS")	1,500,000.00	1,500,000.00
Subtotal	1,900,304.88	1,500,000.00
Less: Provision for bad debts		
Total	1,900,304.88	1,500,000.00

(2) Other receivables

① Other receivables disclosed per aging:

Aging	Closing balance	Closing balance of last year
Within 1 year	903,181,080.35	833,179,727.37
1 to 2 years	104,998,837.84	83,951,384.38
2 to 3 years	19,690,411.69	22,659,236.35
3 to 4 years	35,495,692.75	43,559,710.58
4 to 5 years	18,842,644.23	15,285,918.19
Over 5 years	52,184,003.71	40,178,092.82
Subtotal	1,134,392,670.57	1,038,814,069.69
Less: Provision for bad debts	56,020,339.82	46,663,834.36
Total	1,078,372,330.75	992,150,235.33

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other Receivables (Continued)

(2) Other receivables (Continued)

② Category of other receivables as per nature

Nature	Closing book balance	Closing book balance of last year
Receivables due from external parties	793,610,522.57	714,364,907.96
Margin, deposit and down payment	158,145,207.86	148,751,045.77
Advances to employees	30,402,245.70	18,461,903.70
Receivables due from related parties	12,796,282.13	13,806,761.59
Petty cash	5,094,499.51	621,189.11
Tax refund for exports	170,778.27	221,618.04
Others	134,173,134.53	142,586,643.52
Total	<u>1,134,392,670.57</u>	<u>1,038,814,069.69</u>

③ Provision for bad debts

Provision for bad debts	First stage Expected credit losses in the next 12 months	Second stage Expected credit losses throughout life (no credit impairment)	Third stage Lifetime expected credit losses (credit impairment has occurred)	Total
Opening balance on 1 Jan 2025	13,779,780.37		32,884,053.99	46,663,834.36
Provision at current period	7,848,742.63		1,510,160.82	9,358,903.45
Reversal of bad debt provision at current period			1,285,902.46	1,285,902.46
Written off at current period				
Other changes	5,630,151.73		(6,913,656.20)	(1,283,504.47)
Ending balance on 30 June 2025	<u>15,998,371.27</u>	<u></u>	<u>40,021,968.55</u>	<u>56,020,339.82</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other Receivables (Continued)

(2) Other receivables (Continued)

④ Provision for bad debts

Item	Closing balance of last year	Current movement			Other Less	Closing balance
		Provision	Return of recovery	Pay-off or write-off		
Provision for bad debts of other receivables	46,663,834.36	9,358,903.45	1,285,902.46	-	(1,283,504.47)	56,020,339.82
Total	46,663,834.36	9,358,903.45	1,285,902.46	-	(1,283,504.47)	56,020,339.82

⑤ There is no significant return or recovery of bad debt reserves in the current period.

⑥ There is no actual write-off of other receivables in the current period.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other Receivables (Continued)

(2) Other receivables (Continued)

⑦ The top five debtors by balances are as follows

Company	Nature	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
Other receivables 1	Performance bet compensation payment	52,872,680.00	1 to 2 years	4.66	
Other receivables 2	Purchase rebates receivable from suppliers	51,048,626.69	Within 1 year	4.50	510,486.27
Other receivables 3	Purchase rebates receivable from suppliers	45,780,164.41	Within 1 year	4.04	456,855.06
Other receivables 4	Purchase rebates receivable from suppliers	34,551,252.77	Within 1 year	3.05	345,512.49
Other receivables 5	Purchase rebates receivable from suppliers	28,264,321.51	Within 1 year Over 5 years	2.49	431,143.21
Total		<u>212,517,045.38</u>		<u>18.74</u>	<u>1,743,997.03</u>

⑧ The Group had no other receivables related to government grants for this period.

⑨ The Group had no other receivables derecognized due to the transfer of financial assets for this period.

⑩ This period has no other amounts related to assets or liabilities arising from continued involvement in the transfer of other receivables (such as securitization or factoring) for this period.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Inventories

(1) Disclosure of inventories by categories is as follows

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for decline in value of inventories	Book value	Book balance	Provision for decline in value of inventories	Book value
Raw materials	786,765,551.86	7,746,996.40	779,018,555.46	910,359,255.74	4,157,314.67	906,201,941.07
Turnover materials	143,472,745.62	2,629,550.79	140,843,194.83	158,209,977.62	2,699,488.01	155,510,489.61
Consignment processing material	25,324,683.89	–	25,324,683.89	38,955,351.32	–	38,955,351.32
Work in progress	488,192,627.96	2,436,408.01	485,756,219.95	712,306,533.72	2,436,408.01	709,870,125.71
Commodity stocks	9,957,505,308.31	71,463,165.62	9,886,042,142.69	11,076,044,276.19	74,679,730.11	11,001,364,546.08
Total	11,401,260,917.64	84,276,120.82	11,316,984,796.82	12,895,875,394.59	83,972,940.80	12,811,902,453.79

(2) Provision for decline in value of inventories

Item	Closing balance of last year	Increase in this period		Decrease in this period			Closing balance
		Provision	Others	Reversed or Written-off	Return of recovery	Others	
Raw materials	4,157,314.67	3,883,881.73	–	294,200.00	–	–	7,746,996.40
Commodity stocks	74,679,730.11	3,267,568.25	–	–	4,301,408.49	2,182,724.25	71,463,165.62
Turnover materials	2,699,488.01	114,732.99	–	184,670.21	–	–	2,629,550.79
Work in progress	2,436,408.01	–	–	–	–	–	2,436,408.01
Total	83,972,940.80	7,266,182.97	–	478,870.21	4,301,408.49	2,182,724.25	84,276,120.82

(3) In current period end, there is no capitalization of borrowing costs in the inventory.

(4) No amortization of contract performance costs in this period.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Non-current assets due within one year

Item	Closing balance	Closing balance of last year
Debt investment due within 1 year	5,065,732,895.47	3,783,355,648.62
Total	5,065,732,895.47	3,783,355,648.62

The important debt investments are as follows:

Item	Closing balance			
	Par value	Nominal interest rate	Effective rate of interest; true rate of interest	Date due
Certificate of deposit	500,000,000.00	3.45%	3.45%	15 Aug 2025
Time deposit	500,000,000.00	3.40%	3.40%	15 Aug 2025
Time deposit	500,000,000.00	3.40%	3.40%	31 Aug 2025
Time deposit	300,000,000.00	3.30%	3.30%	10 Jan 2026
Time deposit	200,000,000.00	3.30%	3.30%	9 Jan 2026
Total	2,000,000,000.00			

Cont.

Item	Closing balance			
	Par value	Nominal interest rate	Effective rate of interest; true rate of interest	Date due
Time deposit	500,000,000.00	3.40%	3.40%	15 Aug 2025
Time deposit	500,000,000.00	3.40%	3.40%	31 Aug 2025
Certificate of deposit	500,000,000.00	3.45%	3.45%	15 Aug 2025
Certificate of deposit	450,000,000.00	3.30%	3.30%	15 Feb 2025
Certificate of deposit	160,000,000.00	3.45%	3.45%	18 Aug 2025
Total	2,110,000,000.00			

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Other Current Assets

Item	Closing balance	Closing balance of last year
Input VAT to be certified	924,012,434.53	715,606,381.30
Certificate of deposit	3,977,845,710.02	662,865,159.60
Value-added tax debit balance outstanding	98,693,477.17	346,536,718.37
Refunds payable	54,086,635.93	99,280,764.07
Undisposed assets for whole relocation (Note)	1,498,397.39	1,498,397.39
Others	34,853,005.18	40,688,251.47
Total	<u>5,090,989,660.22</u>	<u>1,866,475,672.20</u>

Note: According to the notice of Haifuzhengfang [2015] No. 2, Haizhengbankexiezi [2015] No. 1 and Haizhengbankexiezi [2016] No.1, Guangzhou Qi Xing Pharmaceutical Factory and Qi Xing Pharmaceutical, subsidiary of the Group, have ceased production and moved out of the building for whole relocation before September 2015. The values of the land and houses, machinery and equipment and inventories for compensation shall be appraised with a professional appraisal report. The transfer to relevant government departments begun on June 29, 2020.

10. Debt investment

(1) Classification of debt investment

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Certificate of deposit held to maturity	3,917,764,829.86	-	3,917,764,829.86	4,112,572,346.40	-	4,112,572,346.40
Fixed deposit held to maturity	4,266,378,074.29	-	4,266,378,074.29	3,941,352,999.78	-	3,941,352,999.78
Total	<u>8,184,142,904.15</u>	<u>-</u>	<u>8,184,142,904.15</u>	<u>8,053,925,346.18</u>	<u>-</u>	<u>8,053,925,346.18</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term Equity Investment

Investee	Closing balance of last year	Change in the current period						Closing balance	Closing balance of provision for impairment
		Increase	Decrease	Investment gains and losses recognized under equity method	Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits		
I. Joint ventures									
HMBYS	186,708,238.77	-	-	(25,283,487.71)	-	-	(15,000,000.00)	-	-
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd.	85,908,094.14	-	-	3,779,072.50	-	-	-	-	-
Chengdu Hejin	16,818,971.39	-	-	123,167.74	-	-	-	-	-
Subtotal	289,435,304.30	-	-	(21,381,247.47)	-	-	(15,000,000.00)	-	-
II. Associates									
Guangzhou Guangao Industry Investment Equity Investment Partnership (Limited Partnership)	77,398,013.48	-	-	(2,790,955.62)	-	-	-	-	-
Jinying Fund Management Co., Ltd	86,581,494.07	-	-	1,235,334.91	-	-	-	-	-
Guangzhou Baiyunshan Weiye Medical Investment Management Co., Ltd.	2,101,533.45	-	-	17,064.05	-	-	-	-	-
Yi Xin Tang Pharmaceutical (Group) Co., Ltd. (hereinafter referred as "Yi Xin Tang")	402,061,558.08	-	-	13,092,554.64	-	-	(9,264,091.20)	-	-
Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment Development Co., Ltd. (hereinafter referred to as "Baiyunshan Yi Xin Tang")	72,162,179.41	-	-	(3,737,616.17)	-	-	-	-	-
								385,666,507.83	
								68,424,563.24	

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term Equity Investment (Continued)

Investee	Change in the current period							Closing balance of provision for impairment		
	Closing balance of last year	Increase	Decrease	Investment gains and losses recognized under equity method	Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits		Provision for impairment	Others
Guangdong Guanggao Jishen Equity Investment Fund Management Co., Ltd.	5,992,778.11	-	-	142,586.69	-	-	-	-	-	6,135,364.80
Guangzhou Guanggao Jizhang equity investment partnership (limited partnership)	35,466,615.60	-	-	(1,849,799.98)	-	-	-	-	-	33,616,815.62
Guangzhou Dufen Health Industry Co., Ltd.	65,476.18	-	-	-	-	-	-	-	-	65,476.18
Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	38,091,107.88	-	-	(643,529.26)	-	-	-	-	-	37,447,578.62
Guangzhou Guanggao Industry Investment (Venture Capital Fund Partnership (limited Partnership)	156,147,078.81	-	-	410,308.08	-	-	-	-	-	156,557,386.89
Guangzhou Zhongcheng Medical Instruments Industry Development Co., Ltd.	167,988.98	-	-	52.28	-	-	-	-	-	168,041.26
Wobolan Guanggao (Guangzhou) Equity investment partnership (limited partnership)	341,587,945.59	-	-	2,554,578.42	-	-	-	-	-	344,142,524.01
Guangzhou Kechuang Zhihui No.3 Venture Capital Partnership (Limited Partnership)		100,000,000.00	-	(1,160,766.97)	-	-	-	-	-	98,839,233.03
Subtotal	1,217,823,769.64	100,000,000.00	-	7,269,811.07	-	-	(9,264,091.20)	-	-	1,315,829,489.51
Total	1,507,259,073.94	100,000,000.00	-	(14,111,436.40)	-	-	(24,264,091.20)	-	-	1,568,883,546.34

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Other Equity Instruments investments

(1) Other Equity Instruments investments

Item	Closing balance of last year	Change in the current period					Closing balance
		Increase	Decrease	Gains included in other composite income	Losses included in other composite income	Other	
Sino-Israel Bio-industry Investment Fund	93,454,816.88	-	-	-	8,411,402.08	-	85,043,414.80
South China Center for Innovative Pharmaceuticals Co., Ltd.	10,100,000.00	-	-	-	-	-	10,100,000.00
Yilin Bio-industry Co., Ltd	625,692.57	-	-	-	76,601.01	-	549,091.56
Guangzhou Nanxin Pharmaceutical Co., Ltd.	-	-	-	-	-	-	-
Total	104,180,509.45	-	-	-	8,488,003.09	-	95,692,506.36

Cont.

Item	Dividend income recognized in the current period	Gains accrued to other composite income	Losses accruing to other composite income	Reasons designated as measured at fair value and their changes included in other comprehensive income
Sino-Israel Bio-industry Investment Fund	-	-	(32,024,581.15)	Long-term holdings for strategic purposes
South China Center for Innovative Pharmaceuticals Co., Ltd.	-	100,000.00	-	Long-term holdings for strategic purposes
Yilin Bio-industry Co., Ltd	-	80,909.66	-	Long-term holdings for strategic purposes
Guangzhou Nanxin Pharmaceutical Co., Ltd.	-	-	(7,677,876.51)	Long-term holdings for strategic purposes
Total	-	180,909.66	(39,702,457.66)	-

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Other Non-Current Financial Assets

Item	Closing balance	Closing balance of last year
Financial assets classified at FVTPL for this year	517,928,063.35	531,000,228.05
Including: Debt instrument investment	4,000,000.00	4,000,000.00
Equity instrument investment	513,928,063.35	527,000,228.05
Total	517,928,063.35	531,000,228.05

Important other non-current financial assets are as follows:

Types	Item	Closing balance	Closing balance of last year
Equity instrument investment	Guangzhou Baxter Medical Supply	230,000,000.00	230,000,000.00
Equity instrument investment	C.Q.Pharmaceutical Holding Co.,Ltd	129,701,726.70	139,838,735.40
Total		359,701,726.70	369,838,735.40

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Investment Properties

(1) Investment property measured using the cost model

Item	Buildings	Land use right	Working in progress	Total
I. Original cost				
1. Opening balance	300,965,836.83	19,867,393.15	23,329,283.00	344,162,512.98
2. Increase	4,813.89	–	2,275,210.87	2,280,024.76
(1) Purchase	4,813.89	–	2,275,210.87	2,280,024.76
3. Decrease	5,426,287.86	–	–	5,426,287.86
(1) Disposal	4,177,589.99	–	–	4,177,589.99
(2) Changes in foreign exchange rate	96,412.36	–	–	96,412.36
(3) Inventory, fixed assets and transferred from working in progress	1,152,285.51	–	–	1,152,285.51
4. Closing balance	295,544,362.86	19,867,393.15	25,604,493.87	341,016,249.88
II. Accumulated depreciation and amortization				
1. Opening balance	187,271,428.55	11,819,506.44	–	199,090,934.99
2. Increase	4,035,004.99	170,412.07	–	4,205,417.06
(1) Provision or amortization	4,035,004.99	170,412.07	–	4,205,417.06
3. Decrease	5,299,986.25	–	–	5,299,986.25
(1) Disposal	4,135,814.09	–	–	4,135,814.09
(2) Changes in foreign exchange rate	54,844.85	–	–	54,844.85
(3) Inventory, fixed assets and transferred from working in progress	1,109,327.31	–	–	1,109,327.31
4. Closing balance	186,006,447.29	11,989,918.51	–	197,996,365.80

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Investment Properties (Continued)

(1) Investment property measured using the cost model (Continued)

Item	Buildings	Land use right	Working in progress	Total
III. Provision for impairment				
1. Opening balance	-	-	-	-
2. Increase	-	-	-	-
3. Decrease	-	-	-	-
4. Closing balance	-	-	-	-
IV. Book value				
1. Closing balance of book value	109,537,915.57	7,877,474.64	25,604,493.87	143,019,884.08
2. Opening balance of book value	113,694,408.28	8,047,886.71	23,329,283.00	145,071,577.99

Notes:

- ① Depreciation is RMB4,035,004.99 from Jan to June 2025 (Jan to June 2024: RMB6,704,272.42). Amortization is RMB170,412.07 in Jan to June 2025 (Jan to June 2024: RMB183,185.95).
- ② All of the investment properties with land use right are located in Mainland China with useful life vary from 20 to 50 years.

15. Fixed Assets

Item	Closing balance	Closing balance of last year
Fixed assets	5,770,255,666.76	5,562,042,542.06
Disposal of fixed assets	-	-
Less: Provision for impairment	35,367,637.28	32,029,329.21
Total	5,734,888,029.48	5,530,013,212.85

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed Assets (Continued)

(1) Fixed assets

① Fixed assets

Item	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office equipment	Decoration of fixed assets	Total
I. Original cost							
1. Opening balance	5,225,068,701.81	4,184,903,861.55	135,919,115.37	380,019,985.06	425,674,104.50	73,539,439.44	10,425,125,207.73
2. Increase	345,191,079.20	153,010,530.75	2,204,608.27	5,001,253.46	16,585,086.45	638,647.25	522,631,205.38
(1) Purchases	2,030,685.57	42,943,738.40	842,072.78	3,800,809.92	8,027,353.17	17,126.96	57,661,786.80
(2) Transfer of construction, use assets, development expenditure, investment real estate	324,778,077.43	102,772,252.01	971,700.68	487,112.36	8,223,073.06	562,007.02	437,794,222.56
(3) Other	18,382,316.20	7,294,540.34	390,834.81	713,331.18	334,660.22	59,513.27	27,175,196.02
3. Decrease	8,563,700.24	52,905,152.07	2,785,095.37	1,369,482.92	10,182,494.38	2,136.75	75,808,061.73
(1) Disposal or scrap	8,445,245.89	50,876,231.24	2,785,095.37	1,180,120.24	9,927,759.50	2,136.75	73,216,588.99
(2) Changes in foreign exchange rate	118,454.35	-	-	-	11,748.93	-	130,203.28
(3) Other	-	2,028,920.83	-	189,362.68	242,985.95	-	2,461,269.46
4. Closing balance	5,561,696,080.77	4,285,009,240.23	135,338,628.27	383,651,755.60	432,076,696.57	74,175,949.94	10,871,948,351.38
II. Accumulated depreciation							
1. Opening balance	1,945,311,381.45	2,247,359,266.76	81,524,439.83	250,128,881.82	284,568,395.15	54,190,300.66	4,863,082,665.67
2. Increase	86,149,714.04	167,357,220.89	10,387,316.28	14,785,643.25	24,219,995.04	2,090,490.35	304,990,379.85
(1) Provision	75,538,994.38	161,016,617.79	10,008,206.51	14,138,171.52	23,969,538.89	2,042,383.80	286,713,912.89
(2) transfer of investment properties/use assets, etc.	4,284,386.06	-	-	-	-	-	4,284,386.06
(3) Other	6,326,333.60	6,340,603.10	379,109.77	647,471.73	250,456.15	48,106.55	13,992,080.90
3. Decrease	6,345,934.92	46,995,984.52	2,581,699.70	1,225,392.24	9,229,319.61	2,029.91	66,380,360.90
(1) Disposal or scrap	6,301,956.53	45,869,017.37	2,581,699.70	1,096,943.47	9,120,005.13	2,029.91	64,971,652.11
(2) Changes in foreign exchange rate	43,978.39	-	-	-	8,240.00	-	52,218.39
(3) Other	-	1,126,967.15	-	128,448.77	101,074.48	-	1,356,490.40
4. Closing balance	2,025,115,160.57	2,367,720,503.13	89,330,056.41	263,689,132.83	299,559,070.58	56,278,761.10	5,101,692,684.62

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed Assets (Continued)

(1) Fixed assets (Continued)

① Fixed assets (Continued)

Item	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office equipment	Decoration of fixed assets	Total
III. Provision for impairment							
1. Opening balance	11,767,229.72	4,542,010.22	-	15,718,589.27	1,500.00	-	32,029,329.21
2. Increase	3,485,159.42	61,264.76	-	-	-	-	3,546,424.18
(1) Other	3,485,159.42	61,264.76	-	-	-	-	3,546,424.18
3. Decrease	11,894.25	196,221.86	-	-	-	-	208,116.11
(1) Disposal or scrap	11,894.25	196,221.86	-	-	-	-	208,116.11
4. Closing balance	15,240,494.89	4,407,053.12	-	15,718,589.27	1,500.00	-	35,367,637.28
IV. Book value							
1. Closing balance of book value	3,521,340,425.31	1,912,881,683.98	46,008,571.86	104,244,033.50	132,516,125.99	17,897,188.84	5,734,888,029.48
2. Opening balance of book value	3,267,990,090.64	1,933,002,584.57	54,394,675.54	114,172,513.97	141,104,209.35	19,349,138.78	5,530,013,212.85

Notes:

- ① The original price of transferring from construction in progress to fixed assets from Jan to June 2025 is RMB436,641,937.05 (Jan to June 2024: RMB232,832,626.47).
- ② The original price of fixed assets decreased RMB130,203.28 due to exchange rate fluctuations, and accumulated depreciation decreased RMB52,218.39 from Jan to June 2025 (Jan to June 2024: RMB62,595.10, RMB28,086.04).
- ③ Fixed assets depreciation accrued in Jan to June 2025 is RMB300,705,993.79 (Jan to June 2024: RMB257,843,949.02), which is comprised of depreciation in operating cost RMB131,819,797.14, depreciation in selling expenses RMB131,819,797.14, RMB66,371,449.54, RMB81,785,076.58 and RMB20,729,670.53 (Jan to June 2024: RMB96,858,725.27, RMB78,727,054.81, RMB61,275,016.20 and RMB20,983,152.74).

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed Assets (Continued)

(1) Fixed assets (Continued)

② Temporary idle fixed assets

Item	Original cost	Accumulated depreciation	Provision for impairment	Book value	Note
Buildings	430,613.36	315,670.27	–	114,943.09	/
Machinery and equipment	8,403,205.93	6,137,598.88	41,280.83	2,224,326.22	/
Total	<u>8,833,819.29</u>	<u>6,453,269.15</u>	<u>41,280.83</u>	<u>2,339,269.31</u>	<u>/</u>

③ There is no fixed assets leased out under operating lease in this period

④ Fixed assets which do not have a certificate of property right

Item	Reason for do not have certificate of property right	Estimated time for acquiring certificate of property right
Buildings	996,279,110.10	Processing but necessary procedures were not complete
Total	<u>996,279,110.10</u>	

- ⑤ As on 30 June 2025, The Group has fixed assets of houses and buildings with an original value of HKD8,892,895.00 and the net book value of HKD5,811,717.05 (Converted into RMB5,299,995.36), and investment property with the original costs of HKD6,842,608.50 and the net value of HKD2,892,187.30 (Converted into RMB2,637,530.21) pledged as collateral, and obtained a credit line with a limit of HKD300,000.00, the letter of credit and the total amount of 90-day credits of HKD100,000 thousand, and an issued but unexpired letter of credit of HKD911,726.40.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in Progress

Item	Closing balance	Closing balance of last year
Construction in progress	1,859,457,680.27	1,859,900,136.40
Construction material	–	–
Less: Provision for impairment	13,455,469.07	13,707,203.45
Total	1,846,002,211.20	1,846,192,932.95

(1) Construction in progress

① Basic information of the Construction in progress

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	<u>1,859,457,680.27</u>	<u>13,455,469.07</u>	<u>1,846,002,211.20</u>	<u>1,859,900,136.40</u>	<u>13,707,203.45</u>	<u>1,846,192,932.95</u>
Total	<u>1,859,457,680.27</u>	<u>13,455,469.07</u>	<u>1,846,002,211.20</u>	<u>1,859,900,136.40</u>	<u>13,707,203.45</u>	<u>1,846,192,932.95</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in Progress (Continued)

(1) Construction in progress (Continued)

② Changes of significant construction in progress in the current year

Project	Budget	Opening balance	Increase	Amount transferred into fixed assets in the current year	Other decrease in the current year	Closing balance	Proportion of construction investment/(%)	Project progress/(%)	Accumulated amount of interest capitalized	Including: capitalized amount of interest in the current period	Ration/(%)	Source of funds
Construction of Bio-island												
R&D Headquarters	1,099,853,000.00	780,324,048.02	23,579,309.80	233,233,744.41	-	570,669,613.41	84.31	96.43	-	-	-	Self-raised funds; issuing shares
Baiyunshan Heji public relocation project	699,521,600.00	272,431,562.34	66,735,766.20	-	-	339,167,328.54	66.53	66.53	-	-	-	Self-raised funds; issuing shares
Baiyun Base Logistics Project, Phase II.Q	615,124,000.00	71,490,609.76	141,438,674.86	-	-	212,929,284.62	34.75	34.75	-	-	-	Self-raised funds
Lanzhou production base	350,000,000.00	101,150,663.47	34,016,952.51	-	-	135,167,615.98	56.81	91.00	-	-	-	Self-raised funds
Ming Xing relocation improvement	686,410,000.00	91,647,834.55	17,628,551.40	11,677,663.23	-	97,598,722.72	97.00	97.00	-	-	-	Self-raised funds; issuing shares
Meizhou project II	99,800,000.00	33,028,884.32	43,747,079.12	-	-	76,775,963.44	76.90	76.90	-	-	-	Self-raised funds
Construction of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	768,552,600.00	67,334,466.39	9,768.00	-	-	67,344,234.39	97.10	98.00	-	-	-	Self-raised funds; issuing shares
Intelligent three-dimensional warehouse project	102,740,000.00	43,469,408.85	5,501,857.39	-	-	48,971,266.24	54.00	70.00	-	-	-	Self-raised funds
Caizhin Meizhou Traditional Chinese Medicine Industrialization Production Service Base Project	59,960,000.00	14,307,616.29	32,033,422.22	-	-	46,341,038.51	77.29	77.29	-	-	-	Self-raised funds
Intelligent workshop technical transformation project(B)	54,000,000.00	37,985,555.93	3,424,871.56	5,245,687.94	-	36,164,739.55	81.83	81.83	-	-	-	Self-raised funds
Ming Xing Bai Yun Factory Area Transformation Project	70,000,000.00	40,620,925.56	7,166,580.81	5,052,806.25	15,920,157.78	26,814,542.34	93.90	93.90	-	-	-	Self-raised funds
Food supporting production line project	42,400,000.00	22,172,989.05	-	-	-	22,172,989.05	86.15	95.00	-	-	-	Self-raised funds
Biotech Island Science and Technology Museum Exhibition Project	28,250,000.00	18,593,762.30	-	-	-	18,593,762.30	79.85	79.85	-	-	-	Self-raised funds
Main Plant Water Storage Cooling Project	34,810,000.00	25,562,315.55	2,670,990.48	15,000,267.45	-	13,233,038.58	81.36	95.00	-	-	-	Self-raised funds
Tianbao Preparation Building Reinforcement Project	8,000,000.00	4,930,040.45	2,854,305.33	-	-	7,784,345.78	50.00	-	-	-	-	Self-raised funds
Traditional Chinese Medicine Modernization GMP Phase III Construction Project	287,620,000.00	7,328,246.63	3,259,338.61	2,797,595.71	22,632.08	7,767,357.45	84.34	-	-	-	-	Self-raised funds
New Factory R & D Workshop project	66,940,000.00	26,050,152.69	3,223,318.22	21,768,794.53	-	7,504,676.38	77.02	-	-	-	-	Self-raised funds
Intelligent Traditional Chinese Medicine Decoction System	48,000,000.00	7,445,095.39	5,252,113.97	6,672,566.40	-	6,024,642.96	80.76	-	-	-	-	Self-raised funds
Nansha Base Project	750,000,000.00	1,749,562.94	4,544,534.07	5,278,957.30	-	1,015,139.71	81.05	-	-	-	-	Self-raised funds; issuing shares
Production line expansion project	20,356,000.00	15,140,978.38	2,524,612.60	17,665,590.98	-	-	86.78	-	-	-	-	Self-raised funds
Head Factory upgrading Project of Science and Technology Innovation Center	84,110,000.00	55,052,008.82	17,687,452.71	72,739,461.53	-	-	80.50	-	-	-	-	Self-raised funds
Intelligent workshop technical transformation project(A)	48,550,000.00	8,085,863.60	1,834,179.37	9,920,042.97	-	-	95.16	-	-	-	-	Self-raised funds
Total	-	1,745,902,591.28	419,133,679.23	407,053,178.70	15,942,789.86	1,742,040,301.95	-	-	-	-	-	-

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in Progress (Continued)

(1) Construction in progress (Continued)

③ There is no new provision for impairment of construction in progress in current period.

④ *Impairment of construction in progress*

Item	Closing balance of last year	Increase	Decrease	Closing balance	Reason
Vial production line	11,699,669.07			11,699,669.07	Equipment idling
Equipment to be installed	1,755,800.00	–	–	1,755,800.00	Production equipment could not be put into operation
Guanghua Wastewater Treatment Plant Expansion Project	251,734.38	–	251,734.38	–	Project suspension, has been disposed
Total	<u>13,707,203.45</u>	<u>–</u>	<u>251,734.38</u>	<u>13,455,469.07</u>	

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Bearer Biological Assets

(1) Cost Measurement Method

Item	Unripe bearer biological assets – Camellia Citrus	Total
I. Original cost		
1. Opening balance	3,678,000.00	3,678,000.00
2. Increase	–	–
3. Decrease	–	–
4. Closing balance	3,678,000.00	3,678,000.00
II. Accumulated depreciation		
1. Opening balance	1,921,755.00	1,921,755.00
2. Increase	174,705.00	174,705.00
(1) Provision	174,705.00	174,705.00
3. Decrease	–	–
4. Closing balance	2,096,460.00	2,096,460.00
III. Provision for impairment		
1. Opening balance	635,472.90	635,472.90
2. Increase	–	–
3. Decrease	–	–
4. Closing balance	635,472.90	635,472.90
IV. Book value		
1. Closing balance of book value	946,067.10	946,067.10
2. Opening balance of book value	1,120,772.10	1,120,772.10

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Right-of-use Assets

Item	Buildings	Machinery and equipment	Total
I. Original cost			
1. Opening balance	1,173,488,810.37	46,258,424.84	1,219,747,235.21
2. Increase	113,411,777.96	–	113,411,777.96
(1) New lease	113,411,777.96	–	113,411,777.96
3. Decrease	181,403,182.37	–	181,403,182.37
(1) Disposal	169,125,571.33	–	169,125,571.33
(2) Other	12,277,611.04	–	12,277,611.04
4. Closing balance	1,105,497,405.96	46,258,424.84	1,151,755,830.80
II. Accumulated depreciation			
1. Opening balance	617,185,318.68	41,155,591.50	658,340,910.18
2. Increase	114,646,263.99	2,314,829.22	116,961,093.21
(1) Provision	114,646,263.99	2,314,829.22	116,961,093.21
3. Decrease	160,174,904.44	–	160,174,904.44
(1) Disposal	150,638,797.61	–	150,638,797.61
(2) Other	9,536,106.83	–	9,536,106.83
4. Closing balance	571,656,678.23	43,470,420.72	615,127,098.95
III. Book value			
1. Closing balance of book value	533,840,727.73	2,788,004.12	536,628,731.85
2. Opening balance of book value	<u>556,303,491.69</u>	<u>5,102,833.34</u>	<u>561,406,325.03</u>

Note: The short-term lease expenses and low-value asset lease expenses included in the current profit and loss for the current year, the sub-leasing right-of-use assets and the acquisition of sub-leasing income are detailed in Note V. (65) Lease.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Intangible Assets

(1) Intangible assets

Item	Land use right	Industrial property right and know-how	Non-patent technology	Industry and commercial trademark	Non-Industry and commercial trademark	Software and others	Total
I. Original cost							
1. Opening balance	1,402,194,905.79	46,723,956.48	64,508,666.68	1,562,539,531.60	127,793,900.00	391,243,483.84	3,595,004,444.39
2. Increase	9,179,109.88	-	-	971,837.39	-	13,050,787.82	23,201,735.09
(1) Purchase	8,709.80	-	-	80,000.00	-	12,940,528.14	13,029,237.94
(2) Other	9,170,400.08	-	-	891,837.39	-	110,259.68	10,172,497.15
3. Decrease	724,974.38	-	181,666.38	-	-	11,794.87	918,435.63
(1) Disposal	-	-	-	-	-	11,794.87	11,794.87
(2) Other	724,974.38	-	181,666.38	-	-	-	906,640.76
4. Closing balance	1,410,649,041.29	46,723,956.48	64,327,000.30	1,563,511,368.99	127,793,900.00	404,282,476.79	3,617,287,743.85
II. Accumulated amortization							
1. Opening balance	307,468,018.29	34,752,896.96	56,421,757.33	32,993,062.16	-	333,570,192.08	765,205,926.82
2. Increase	17,948,042.42	590,554.94	1,857,372.60	99,947.59	-	19,101,303.73	39,597,221.28
(1) Provision	16,055,229.51	590,554.94	1,857,372.60	63,941.87	-	19,026,124.83	37,593,223.75
(2) Other	1,892,812.91	-	-	36,005.72	-	75,178.90	2,003,997.53
3. Decrease	207,060.95	-	85,786.93	-	-	11,794.87	304,642.75
(1) Disposal	-	-	-	-	-	11,794.87	11,794.87
(2) Other	207,060.95	-	85,786.93	-	-	-	292,847.88
4. Closing balance	325,208,999.76	35,343,451.90	58,193,343.00	33,093,009.75	-	352,659,700.94	804,498,505.35
III. Provision for impairment							
1. Opening balance	-	453,343.04	-	583,573.00	-	-	1,036,916.04
2. Increase	-	-	-	-	-	-	-
3. Decrease	-	-	-	-	-	-	-
4. Closing balance	-	453,343.04	-	583,573.00	-	-	1,036,916.04
IV. Book value							
1. Closing balance of book value	1,085,440,041.53	10,927,161.54	6,133,657.30	1,529,834,786.24	127,793,900.00	51,622,775.85	2,811,752,322.46
2. Opening balance of book value	1,094,726,887.50	11,517,716.48	8,086,909.35	1,528,962,896.44	127,793,900.00	57,673,291.76	2,828,761,601.53

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Intangible Assets (Continued)

(1) Intangible assets (Continued)

Notes:

- ① All of the lands and relevant land use right in the intangible assets are located in Mainland China with useful life vary from 20 to 50 years.
- ② The amortization amount from Jan to June 2025 was RMB39,597,221.28 (Jan to June 2024: RMB40,430,013.16), which included in the current profit or loss RMB39,597,221.28.

20. Goodwill

(1) Book value of goodwill

The investee's name or the event resulting in goodwill	Closing balance of last year	Increase		Decrease		Closing balance
		Arising from business combination	Others	Disposal	Others	
GP Corp.	932,349,003.84	–	–	–	–	932,349,003.84
Guangzhou Baiyunshan Hospital	9,216,610.56	–	–	–	–	9,216,610.56
San Gong Zai	3,900,000.00	–	–	–	–	3,900,000.00
Fujian Baiyunshan Caishantang Pharma. Co., Ltd.		3,236,307.91				3,236,307.91
Guangyao Haima	2,282,952.18	–	–	–	–	2,282,952.18
Guangyao (Ya'an)						
Pharmaceutical Co., Ltd.	1,381,538.08	–	–	–	–	1,381,538.08
Guangxi Ying Kang	475,756.92	–	–	–	–	475,756.92
Total	949,605,861.58	3,236,307.91	–	–	–	952,842,169.49

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Goodwill (Continued)

(2) Provision for impairment of goodwill

The investee's name or the event resulting in goodwill	Closing balance of last year	Increase		Decrease		Closing balance
		Provision	Others	Disposal	Others	
GP Corp.	118,275,499.68					118,275,499.68
Guangxi Ying Kang	475,756.92					475,756.92
Total	118,751,256.60	-	-	-	-	118,751,256.60

21. Long-term prepaid expenses

Item	Closing balance of last year	Increase	Amortization	Other decrease	Closing balance
Decoration expenses	144,808,570.99	4,717,832.90	23,444,637.38	-	126,081,766.51
GMP reconstruction expenses	11,660,956.25	2,507,198.86	2,675,608.98	-	11,492,546.13
Computer system expenses	1,003,711.49	-	328,530.20	-	675,181.29
Others	31,086,104.43	5,285,412.56	6,108,216.84	-	30,263,300.15
Total	188,559,343.16	12,510,444.32	32,556,993.40	-	168,512,794.08

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Deferred Tax Assets and Deferred Tax Liabilities

(1) Detail of deferred tax assets before offset

Item	Closing balance		Closing balance of last year	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of long-term investments	385,666,507.83	57,849,976.18	385,666,507.83	57,849,976.17
Provision for credit impairment	875,501,854.16	206,573,555.48	751,167,601.92	179,919,791.78
Provision for decline in value of inventories	81,703,275.15	15,541,470.16	76,465,861.33	14,511,366.35
Provision for impairment of construction in progress	13,455,469.07	2,018,320.36	13,707,203.45	2,056,080.52
Provision for impairment of fixed assets	14,301,924.08	2,162,440.04	14,592,366.35	2,206,006.38
Fixed assets depreciation differences between accounting and tax law	68,960,589.66	16,725,856.23	68,960,589.66	16,725,856.23
Intangible assets depreciation differences between accounting and tax law	11,125,564.55	1,668,834.68	11,125,564.55	1,668,834.68
Other equity instruments investments	39,852,457.74	5,977,868.66	31,441,055.66	4,716,158.35
Other non-current financial assets	25,664,339.18	3,849,650.88	15,358,084.13	2,303,712.62
Employee benefits payable	113,058,460.83	19,698,246.42	99,635,249.79	16,786,418.47
Other payables	1,715,081,971.66	342,397,536.29	1,627,914,572.86	327,586,493.33
Lease liabilities	571,191,420.98	128,783,551.59	591,113,674.55	136,535,688.43
Provisions	1,041,387,389.20	156,208,108.38	1,062,316,728.20	159,347,509.23
Deductible tax losses	416,030,241.44	88,712,296.40	434,782,546.19	84,620,708.22
Deferred income	637,178,211.65	100,072,235.90	648,084,676.54	101,677,599.42
Impact on total profit arising from elimination	374,783,755.60	78,628,612.90	352,967,696.84	74,731,488.53
Others	168,204,699.73	28,080,466.94	164,604,848.64	27,160,004.76
Total	<u>6,553,148,132.51</u>	<u>1,254,949,027.49</u>	<u>6,349,904,828.49</u>	<u>1,210,403,693.47</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Deferred Tax Assets and Deferred Tax Liabilities (Continued)

(2) Detail of deferred tax liabilities before offset

Item	Closing balance		Closing balance of last year	
	Deductible temporary difference	Deferred tax liabilities	Deductible temporary difference	Deferred tax liabilities
Other receivables	1,050,185,609.35	262,546,402.34	1,041,878,033.35	260,469,508.34
Right-to-use assets	531,070,484.82	119,434,102.70	555,955,437.40	141,107,729.48
Book value of the appreciated intangible assets and fixed assets in business combination	401,851,962.24	97,925,189.10	419,269,935.37	102,211,549.03
Other non-current financial assets	195,216,868.16	29,282,530.22	195,216,868.16	29,282,530.22
Fixed assets depreciation differences between accounting and tax law	92,710,213.54	13,906,532.02	92,710,213.54	13,906,532.02
Book value of amortization provided for intangible assets appreciation	24,124,318.48	3,975,064.14	8,000,766.40	1,205,046.96
Book value of depreciation provided for fixed assets appreciation	19,947,680.74	3,383,543.07	1,212,888.00	181,933.20
Other equity instruments investments	257,510.67	27,136.45	257,510.67	38,626.60
Others	762,294,820.75	115,148,430.50	509,231,899.03	77,154,021.21
Total	<u>3,077,659,468.75</u>	<u>645,628,930.54</u>	<u>2,823,733,551.92</u>	<u>625,557,477.06</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Deferred Tax Assets and Deferred Tax Liabilities (Continued)

(3) Deductible temporary differences and deductible losses that are not recognized as deferred income tax assets

Item	Closing balance	Closing balance of last year
Deductible temporary difference	53,852,520.56	52,491,178.23
Deductible losses	991,912,316.24	841,211,061.02
Total	1,045,764,836.80	893,702,239.25

(4) Deductible losses which are not recognized as deferred tax assets will expire in the following years

Year	Closing balance	Closing balance of last year	Remark
2025	89,666,175.18	89,666,175.18	/
2026	118,880,928.69	118,880,928.69	/
2027	234,887,073.08	234,887,073.08	/
2028	165,880,061.08	165,880,061.08	/
2029	271,611,792.99	231,896,822.99	/
2030	110,986,285.22	–	/
Total	991,912,316.24	841,211,061.02	–

23. Other Non-current Assets

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Advance payment of project	89,757,966.14	–	89,757,966.14	212,699,075.85	–	212,699,075.85
Total	89,757,966.14	–	89,757,966.14	212,699,075.85	–	212,699,075.85

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Ownership or Use Right restricted Assets

Item	Closing balance				Closing balance of last year			
	Book balance	Book value	Restricted type	Conditions	Book balance	Book value	Restricted type	Conditions
Cash at bank and on hand	1,717,153,110.67	1,717,153,110.67	Freeze/Fixed deposit	Deposit on acceptance bill, credit deposit, frozen account funds, guarantee deposit, housing fund, fixed deposit	1,967,597,541.71	1,967,597,541.71	Freeze/Fixed deposit	Deposit on acceptance bill, credit deposit, frozen account funds, guarantee deposit, housing fund, fixed deposit
Notes receivable	177,643,897.22	177,643,897.22	Endorsed / Discounted	Deposit for acceptance bill	213,107,972.53	213,107,972.53	Endorsed / Discounted	Endorse or discounted to the bank
Debt investment	150,000,000.00	150,000,000.00	Pledge	Mortgage to a bank	50,000,000.00	50,000,000.00	Pledge	Pledge to a bank
Fixed assets	8,109,875.60	5,299,995.36	Credit collateral	Mortgage to a bank	8,235,176.49	5,414,988.13	Credit collateral	Mortgage to a bank
Investment real estate	6,240,116.82	2,637,530.21	Credit collateral	Mortgage to a bank	6,336,529.18	2,731,950.24	Credit collateral	Mortgage to a bank
Accounts receivable	-	-			3,133,548.00	3,133,548.00	Pledge	Pledge to a bank
Total	<u>2,059,147,000.30</u>	<u>2,052,734,533.46</u>			<u>2,248,410,767.91</u>	<u>2,241,986,000.61</u>		

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Short-term Borrowings

(1) Category of short-term borrowings

Item	Closing balance	Closing balance of last year
Credit borrowings	8,761,751,557.04	7,971,957,445.04
pledge loan	–	2,060,871.62
Bills Discounted	1,503,344,486.82	1,148,964,134.66
Total	10,265,096,043.86	9,122,982,451.32

Note: As on 30 June 2025, the weighted average annual interest rate of short-term borrowings is 1.9995% (31 December 2024: 2.6102%).

(2) The Group had no overdue short-term borrowings as on 30 June 2025.

26. Notes Payable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	4,246,701,770.02	4,549,772,836.27
Commercial acceptance notes	13,600,000.00	35,081,522.51
Total	4,260,301,770.02	4,584,854,358.78

Note: As on 30 June 2025, amount expected to be matured within a year is RMB4,260,301,770.02 (31 December 2024: RMB4,584,854,358.78).

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Accounts Payable

(1) The aging of accounts payable is as follows:

Item	Closing balance	Closing balance of last year
Within 1 year	12,696,608,962.67	11,206,378,453.13
Over 1 year	547,227,860.72	528,288,083.56
Total	13,243,836,823.39	11,734,666,536.69

(2) Significant accounts payable with aging over 1 year:

Item	Closing balance	Reason for outstanding or carrying forward
Supplier 1	27,838,088.08	Not yet due for settlement
Supplier 2	21,441,267.51	Not yet due for settlement
Supplier 3	16,517,242.33	Not yet due for settlement
Supplier 4	15,722,854.98	Not yet due for settlement
Supplier 5	15,205,522.47	Not yet due for settlement
Total	96,724,975.37	

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Advance payments

(1) Ageing classification

Item	Closing balance	Closing balance of last year
Within 1 year (including 1 year)	<u>2,881,340.72</u>	<u>4,548,223.86</u>
Total	<u><u>2,881,340.72</u></u>	<u><u>4,548,223.86</u></u>

29. Contract liabilities

(1) Contract liabilities are as follows:

Item	Closing balance	Closing balance of last year
Product sales payment received in advance	<u>869,247,743.92</u>	5,064,805,503.26
Medical payment received in advance	<u>3,275,322.32</u>	<u>7,171,755.66</u>
Total	<u><u>872,523,066.24</u></u>	<u><u>5,071,977,258.92</u></u>

(2) Contract liabilities disclosed by aging:

Item	Closing balance	Closing balance of last year
Within 1 year	<u>837,844,454.79</u>	5,039,680,570.92
Over 1 year	<u>34,678,611.45</u>	<u>32,296,688.00</u>
Total	<u><u>872,523,066.24</u></u>	<u><u>5,071,977,258.92</u></u>

- (3) The Group had no significant contract liabilities with aging over 1 year as on 30 June 2025 and 31 December 2024.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Employee Benefits Payable

(1) Presentation of employee benefits payable

Item	Closing balance of last year	Increase	Decrease	Closing balance
Short-term employee benefits	896,630,613.25	2,770,422,191.93	2,644,060,236.68	1,022,992,568.50
Post-employment benefits-set up a deposit plan	1,914,527.55	317,376,377.55	317,229,804.54	2,061,100.56
Termination benefits	568,677.70	5,310,860.93	5,879,538.63	–
Total	<u>899,113,818.50</u>	<u>3,093,109,430.41</u>	<u>2,967,169,579.85</u>	<u>1,025,053,669.06</u>

(2) Presentation of short-term benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Wages, bonuses, allowances and subsidies	844,041,389.83	2,409,418,128.22	2,279,186,089.20	974,273,428.85
Employee welfare	4,137,614.62	57,122,733.60	57,225,296.88	4,035,051.34
Social Insurance premium	93,080.81	97,173,422.77	97,149,679.82	116,823.76
Including: Medical insurance premium	79,544.70	87,617,699.89	87,597,211.44	100,033.15
Industrial injury insurance premium	13,536.11	9,213,189.32	9,209,934.82	16,790.61
Maternity insurance premium	–	342,533.56	342,533.56	–
Housing funds	796,676.84	164,016,945.25	162,306,803.49	2,506,818.60
Labor-union expenditure and employee education funds	17,666,255.60	35,516,957.52	38,939,389.51	14,243,823.61
Non-monetary welfare	151,242.00	90,572.77	90,572.77	151,242.00
Housing allowance	29,432,199.85	6,120,443.78	8,219,396.56	27,333,247.07
Other short-term benefits	312,153.70	962,988.02	943,008.45	332,133.27
Total	<u>896,630,613.25</u>	<u>2,770,422,191.93</u>	<u>2,644,060,236.68</u>	<u>1,022,992,568.50</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Employee Benefits Payable (Continued)

(3) Disclosure of defined contribution plan by categories

Item	Closing balance of last year	Increase	Decrease	Closing balance
Basic pension insurance	261,318.35	236,562,365.89	236,540,623.60	283,060.64
Unemployment insurance premiums	13,309.72	11,128,557.06	11,125,764.60	16,102.18
Enterprise annuity	1,371,923.86	61,000,075.01	60,633,229.49	1,738,769.38
Others	267,975.62	8,685,379.59	8,930,186.85	23,168.36
Total	1,914,527.55	317,376,377.55	317,229,804.54	2,061,100.56

(4) Termination benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Compensation for termination of labor relations	568,677.70	5,310,860.93	5,879,538.63	—
Total	568,677.70	5,310,860.93	5,879,538.63	—

Note: The ending balance of employee benefits payable is mainly the wages, bonuses and wages of labor assigned by labor service intermediary agent company provided by the Group at the end of Jun 2025. There are no overdue employee benefits payable. The balance is expected to be paid and utilized in next half of the year.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Tax Payable

Item	Closing balance	Closing balance of last year
Value-added tax	248,401,273.55	84,190,661.72
Enterprise income tax	158,749,376.05	118,402,755.85
Urban maintenance and construction tax	15,906,079.16	5,582,710.79
Property tax	11,007,117.71	4,207,694.05
Stamp duty	10,769,284.00	10,887,032.43
Educational surcharge	6,841,154.17	2,416,979.62
Individual income tax	5,462,270.66	21,018,902.89
Local education surcharge	4,523,192.17	1,573,742.62
Land use tax	2,348,555.96	54,750.08
Others	278,202.36	576,024.10
Total	<u>464,286,505.79</u>	<u>248,911,254.15</u>

32. Other payables

Item	Closing balance	Closing balance of last year
Dividends payable	136,632,254.31	50,492,925.62
Other payables	4,863,598,136.36	5,023,805,906.64
Total	<u>5,000,230,390.67</u>	<u>5,074,298,832.26</u>

(1) Interest payable

Nil

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Other payables (Continued)

(2) Dividends payable

Item	Closing balance	Closing balance of last year
Foreign public shares	88,122,874.71	163,627.25
Domestic public shares	1,495,407.70	3,437,221.59
Minority shareholders	47,013,926.89	46,892,031.77
BYS Group	45.01	45.01
Total	136,632,254.31	50,492,925.62

(3) Other payables

① Disclosures of other payables by nature

Nature of amount	Closing balance	Closing balance of last year
Accounts payable to external entities	1,703,435,299.49	1,660,151,925.86
Sales discounts	1,538,759,544.65	1,806,648,826.15
Accrued expenses	928,228,625.37	857,429,002.32
Margin, deposit, and down payment received	498,843,527.63	523,691,630.70
Accruals for fixed assets	31,025,923.92	49,682,034.39
Epidemic prevention supplies turnover fund	26,965,470.93	28,115,893.84
Current accounts to related parties	23,961,757.30	21,613,882.68
Funds received temporarily from employees	20,744,977.39	11,704,101.85
Others	91,633,009.68	64,768,608.85
Total	4,863,598,136.36	5,023,805,906.64

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Other payables (Continued)

(3) Other payables (Continued)

② Breakdown of accrued expenses

Item	Closing balance	Closing balance of last year
Advertisement and promotion expenses	367,420,504.67	232,588,237.78
Terminal expenses	176,825,676.06	184,153,396.85
Freight expenses	156,146,687.38	218,951,400.51
Research and development expenditures	48,131,650.70	40,607,835.25
Travel expenses	30,180,564.81	20,577,649.53
Conference expenses	23,621,713.45	26,300,713.81
Utilities expenses	14,934,808.49	10,643,206.62
Rental expenses	7,679,361.96	6,399,306.83
Agency fee	1,340,379.06	5,533,107.84
Trademark fee	776,270.00	676,551.92
Consulting fee	–	966,607.83
Others	101,171,008.79	110,030,987.55
Total	928,228,625.37	857,429,002.32

③ Disclosures of other payables by aging:

Item	Closing balance	Closing balance of last year
Within 1 year	4,202,088,614.89	4,438,077,761.06
Over 1 year	661,509,521.47	585,728,145.58
Total	4,863,598,136.36	5,023,805,906.64

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Other payables (Continued)

(3) Other payables (Continued)

④ Important other payables with an age of more than 1 year

Item	Closing balance	Reasons for repayment or carrying forward
Biological Island project payment	53,719,523.08	Not to the settlement period
Treasury Payment Bureau of Guangdong Provincial Department of Finance	18,160,851.31	Not to the settlement period
Total	71,880,374.39	

33. Non-current liabilities due within one year

Item	Closing balance	Closing balance of last year
Long-term borrowings due within 1 year (Note V. 35)	2,425,501,936.87	1,332,047,797.30
Lease liabilities due within 1 year (Note V. 36)	195,478,682.42	190,569,530.25
Total	2,620,980,619.29	1,522,617,327.55

34. Other Current Liabilities

Item	Closing balance	Closing balance of last year
Pending output VAT	103,487,687.39	651,719,293.54
Prepaid product sales revenue	556,858.91	
Total	104,044,546.30	651,719,293.54

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Long-term Borrowings

(1) Classification of long-term borrowings

Item	Closing balance	Closing balance of last year	Interest rate range
Credit borrowings	5,006,053,323.90	4,137,586,402.74	/
Less: Long-term borrowings due within 1 year (Note V. 33)	<u>2,425,501,936.87</u>	<u>1,332,047,797.30</u>	/
Total	<u><u>2,580,551,387.03</u></u>	<u><u>2,805,538,605.44</u></u>	/

Note: As on 30 Jun 2025, the average annual rate of long-term borrowings is 2.4229% (as on 31 December 2024: 2.6364%).

(2) The Group had no overdue long-term borrowings as on 30 June 2025.

36. Lease Liabilities

Item	Closing balance	Closing balance of last year
Lease liabilities	614,940,350.46	636,284,737.12
Less: Amount due within 1 year (Note V. 33)	<u>195,478,682.42</u>	<u>190,569,530.25</u>
Total	<u><u>419,461,668.04</u></u>	<u><u>445,715,206.87</u></u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Long-term Payables

Item	Closing balance	Closing balance of last year
Long-term payables	<u>19,666,964.60</u>	<u>19,666,964.60</u>
Total	<u><u>19,666,964.60</u></u>	<u><u>19,666,964.60</u></u>

(1) Long-term payables

Item	Closing balance	Closing balance of last year
State funds payable	<u>17,393,650.77</u>	<u>17,393,650.77</u>
Department of Finance of Guangxi Zhuang Autonomous Region	<u>2,264,426.47</u>	<u>2,264,426.47</u>
Others	<u>8,887.36</u>	<u>8,887.36</u>
Total	<u><u>19,666,964.60</u></u>	<u><u>19,666,964.60</u></u>

38. Long-term Employee Benefits Payable

Item	Closing balance	Closing balance of last year
Post-employment benefits – provision for long service bonus	<u>295,118.51</u>	<u>299,678.21</u>
Total	<u><u>295,118.51</u></u>	<u><u>299,678.21</u></u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Provisions

Item	Closing balance of last year	Increase	Decrease	Closing balance	Cause
Employee benefits for restructuring of Guangyao General Institute	41,816,966.14	–	454,372.65	41,362,593.49	Note ①
Estimated loss on return of products	500,191.19			500,191.19	Estimated based on the disposal assets agreement. It has not been settled yet
Pending litigation	1,827,443.25			1,827,443.25	The expected loss due to the proceedings
Total	<u>44,144,600.58</u>	<u>–</u>	<u>454,372.65</u>	<u>43,690,227.93</u>	–

Note:

- ① The Company obtained 100% of the share of Guangyao General Institute through business combination involving enterprises under common control in year of 2015. According to the employee resettlement scheme, when agreed in the restructuring, Guangyao General Institute should offer pension and medical benefits for the retirees, in-service staff, family members and dependents who were enrolled as on 31 Dec 2014, and employee benefits are accrued consequently.

40. Deferred income

Item	Closing balance of last year	Increase	Decrease	Closing balance	reason
Governmental subsidy	1,001,862,397.10	138,867,647.69	155,637,825.06	985,092,219.73	Government funding
Total	<u>1,001,862,397.10</u>	<u>138,867,647.69</u>	<u>155,637,825.06</u>	<u>985,092,219.73</u>	–

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Deferred income (Continued)

Projects involving government subsidies:

Item	Closing balance of last year	Current increase in grants	Amount recognized into non-operating income	Amount recognized into other income	Amount offset costs	Appropriation to cooperators	Other decrease	Closing balance	Asset related/ Income related
Government grants related to assets	683,828,454.56	15,311,922.13	55,987.32	19,032,997.62	–	13,641,600.00	600,000.00	667,009,791.75	
Including:									
Technology funds granted by the government	70,363,970.48	6,760,922.13		6,086,758.43		13,641,600.00	600,000.00	57,996,534.18	Asset related
Compensation for relocation	224,344,511.37		36,498.78	–				224,308,012.59	Asset related
Special project funds for environmental protection	1,686,375.41		–	157,400.84				1,528,974.57	Asset related
Construction funds for innovation platform and laboratory	25,005,897.90		–	2,431,704.30				22,574,193.60	Asset related
Land support funds granted by the government	53,187,639.17		–	1,753,471.20				51,434,167.97	Asset related
Support funds for industrial development	236,344,826.66	6,451,000.00	–	7,251,362.91				235,544,463.75	Asset related
Others	72,895,233.57	2,100,000.00	19,488.54	1,352,299.94				73,623,445.09	Asset related
Government grants related to income	318,033,942.54	123,555,725.56	62,515,457.87	58,951,888.77	85,389.06	313,813.00	(1,640,691.42)	318,082,427.98	
Including:									
Technology funds granted by the government	103,303,872.98	25,369,842.08		16,938,166.52	59,954.65	–	(900,000.00)	110,775,593.89	Income related
Special fund for innovative enterprises	9,609,141.91	900,000.00		4,900,276.32	–	–		5,608,865.59	Income related
Compensation for relocation	160,000,000.00	62,000,000.00	62,000,000.00					160,000,000.00	Income related
Support funds for industrial development		2,600,000.00		2,600,000.00					Income related
Others	45,120,927.65	32,685,883.48	515,457.87	34,513,445.93	25,434.41	313,813.00	(740,691.42)	41,697,968.50	Income related
Total	1,001,862,397.10	138,867,647.69	62,571,445.19	77,984,886.39	85,389.06	13,955,413.00	(1,040,691.42)	985,092,219.73	

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Other non-current liabilities

Item	Closing balance	Closing balance of last year
Commitment to the investment of Guangzhou Baiyunshan in Southern Anti-tumor Biological Products Co., Ltd.	50,225,000.00	50,225,000.00
Pending output VAT	4,574,592.60	5,276,488.82
Total	54,799,592.60	55,501,488.82

Note: Performance obligation according to the agreement and the Article as the subsidiaries of the Group acquired 50% shares of Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Share capital

Item	Closing balance of last year	Changes in the current period (+, -)				Subtotal	Closing balance
		Issuance	Share dividends	Capitalizing of capital reserves	Others		
Shares held by other domestic investors	-	-	-	-	-	-	-
shares held by State-owned legal persons	-	-	-	-	-	-	-
Other shares held by domestic capital	-	-	-	-	-	-	-
Including: Shares held by companies							
other than state-owned companies	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Shares held by foreign investors	-	-	-	-	-	-	-
Total restricted shares	-	-	-	-	-	-	-
Unrestricted shares	-	-	-	-	-	-	-
Ordinary shares denominated in RMB	1,405,890,949.00	-	-	-	-	-	1,405,890,949.00
Domestically-listed shares held by foreign investors		-	-	-	-	-	
Overseas-listed shares held by foreign investors	219,900,000.00	-	-	-	-	-	219,900,000.00
Others		-	-	-	-	-	
Total Unrestricted shares	1,625,790,949.00	-	-	-	-	-	1,625,790,949.00
Total shares	1,625,790,949.00	-	-	-	-	-	1,625,790,949.00

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Capital Surplus

Item	Closing balance of last year	Increase	Decrease	Closing balance
1.Share premium	9,056,276,911.69	–	885,429.36	9,055,391,482.33
2.Other capital reserves	1,057,444,795.52	–	–	1,057,444,795.52
Including: Capital reserve transferred under previous accounting system	24,955,836.66	–	–	24,955,836.66
Total	<u>10,113,721,707.21</u>	<u>–</u>	<u>885,429.36</u>	<u>10,112,836,277.85</u>

Note: The decrease of RMB885,429.36 in the current period represents the difference between the consideration paid by the Company for the acquisition of a 17.15% minority equity interest in its subsidiary Guangxi Yingkang and the book value of the corresponding minority shareholders' equity.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Other Comprehensive Income

Item	Closing balance of last year	Current period					Closing balance
		Current amount before tax	Less: profit or loss transferred from other comprehensive income in previous period	Less: retained earnings transferred from other comprehensive income in previous period	Attributable to the parent company, net of tax	Attributable to minority shareholders, net of tax	
I. Other comprehensive income that will not be reclassified to profit or loss	(20,517,433.32)	(8,488,003.09)	-	-	(7,214,802.63)	-	(27,732,235.95)
Including:							
Other comprehensive income that will not be reclassified to profit or loss under equity method	1,448,181.81	-	-	-	-	-	1,448,181.81
Change in fair value of investments in other equity instruments	(21,965,615.13)	(8,488,003.09)	-	-	(7,214,802.63)	-	(29,180,417.76)
II. Other comprehensive income that may be reclassified into profit or loss	6,677,769.35	(1,633,345.98)	-	-	(2,079,904.03)	95,570.15	4,597,865.32
Including:							
Other comprehensive income that may be reclassified to profit or loss under equity method	29,136.57	-	-	-	-	-	29,136.57
Difference arising from the translation of foreign currency financial statements	10,440,917.60	(3,037,297.58)	-	-	(3,037,297.58)	-	7,403,620.02
Change in fair value of investments in other debt instruments	(13,636,719.40)	(4,927,833.01)	-	-	(3,360,426.08)	(335,448.68)	(16,997,145.48)
Provision for credit impairment of other debt investments	9,844,434.58	6,331,784.61	-	-	4,317,819.63	431,018.83	14,162,254.21
Total other comprehensive income	(13,839,663.97)	(10,121,349.07)	-	-	(9,294,706.66)	95,570.15	(23,134,370.63)

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Surplus Reserve

Item	Closing balance of last year	Increase	Decrease	Closing balance
Statutory surplus reserve	2,244,592,723.54	–	–	2,244,592,723.54
Discretionary surplus reserve	118,925,617.49	–	–	118,925,617.49
Total	2,363,518,341.03	–	–	2,363,518,341.03

Notes:

- ① In accordance with the provisions of the Company Law and the Articles of Association, the Group shall withdraw the statutory surplus reserve at 10% of the net profit. If the accumulative statutory surplus reserve reaches more than 50% of the registered capital of the Group, it may not be withdrawn.
- ② After the Group has set aside the statutory surplus reserve, it may set aside the discretionary surplus reserve. With approval, the discretionary surplus reserve can be used to make up for losses of previous years or increase share capital.

46. Undistributed profits

Item	Closing balance	Closing balance of last year
Closing balance of undistributed profits of prior year before adjustments	21,815,336,535.32	20,959,330,809.10
Adjustments to opening balance of undistributed profits at the current period (Add: +; Less: -)	–	–
Undistributed profits at the beginning of current year after adjustments	21,815,336,535.32	20,959,330,809.10
Add: Net profit attributable to shareholders of the parent company for the current period	2,516,140,986.67	2,835,496,163.51
Less: Appropriation of statutory surplus reserve	–	111,456,636.89
Appropriation of discretionary surplus reserve	–	–
Ordinary share dividends payable	650,316,379.60	1,868,033,800.40
Ordinary shares dividends converted to share capital	–	–
Closing balance of undistributed profits	23,681,161,142.39	21,815,336,535.32

Note: According to the resolution of the 2024 Annual General Meeting of Shareholders held on June 3, 2025, the Company will distribute cash dividends to all shareholders at RMB0.40 per share (inclusive of tax). Based on the 1,625,790,949 shares issued by the Company as of the end of 2024, the total amount of cash dividends is RMB650,316,379.60.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Operating Income and Operating Costs

(1) Operating Income and Operating Costs

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Main businesses	41,711,009,198.23	34,123,852,774.43	40,939,646,545.07	33,206,751,842.75
Other businesses	123,536,915.58	47,455,082.66	103,168,542.88	37,303,824.10
Total	<u>41,834,546,113.81</u>	<u>34,171,307,857.09</u>	<u>41,042,815,087.95</u>	<u>33,244,055,666.85</u>

(2) Disclosure by category

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	5,240,711,133.81	2,635,429,098.61	6,182,517,384.87	3,108,092,739.44
Great Health	7,023,240,743.43	3,886,238,466.07	6,537,825,789.43	3,727,628,886.70
Great Commerce	29,000,435,948.75	27,221,397,536.84	27,819,358,464.34	26,040,534,934.18
Others	446,621,372.24	380,787,672.91	399,944,906.43	330,495,282.43
Total	<u>41,711,009,198.23</u>	<u>34,123,852,774.43</u>	<u>40,939,646,545.07</u>	<u>33,206,751,842.75</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Operating Income and Operating Costs (Continued)

(3) Disclosure by primary operating region

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	31,192,846,159.01	26,551,784,343.26	29,742,587,366.38	25,198,881,944.93
Eastern China Area	3,448,505,142.06	2,382,088,368.25	3,600,749,787.03	2,556,256,669.62
Northern China Area	1,765,146,984.68	1,282,673,379.88	1,995,182,473.57	1,350,138,456.00
Northeast Area	1,246,792,065.69	1,100,514,274.57	1,022,660,668.12	858,945,950.06
Southwest Area	2,875,824,685.16	1,886,131,449.44	3,281,409,016.47	2,257,497,563.18
Northwest Area	1,059,985,253.00	817,171,124.08	1,157,070,671.91	859,342,359.79
Export	121,908,908.63	103,489,834.95	139,986,561.59	125,688,899.17
Total	41,711,009,198.23	34,123,852,774.43	40,939,646,545.07	33,206,751,842.75

(4) Other business income and other business cost

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Leases of assets	39,837,135.49	5,939,832.00	40,343,150.53	4,799,449.43
E-commerce platform and store service fee	23,022,088.15	–	8,145,778.53	–
Technical service income	10,242,774.44	3,242,180.32	7,530,136.39	540,811.98
Sales of materials	6,098,232.54	2,660,261.68	3,540,734.03	2,427,581.96
Property management fee	4,971,780.73	3,032,625.27	5,137,270.03	4,978,669.50
Trademark fee income	1,430,615.84	–	1,265,970.73	–
Consulting fee	1,340,117.95	8,800.00	5,267,722.38	–
Service income	126,403.82	21,753.90	61,179.95	102,900.32
Others	36,467,766.62	32,549,629.49	31,876,600.31	24,454,410.91
Total	123,536,915.58	47,455,082.66	103,168,542.88	37,303,824.10

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Taxes and Surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	77,360,092.06	68,165,655.54
Education surcharge	33,193,021.05	29,250,051.28
Stamp duty	28,477,037.80	32,360,376.30
Local education surcharge	22,128,649.88	19,501,422.02
House property tax	17,092,773.71	15,600,447.63
Land use tax	3,087,604.43	2,903,359.48
Vehicle and vessel use tax	88,653.73	87,737.25
Others	130,175.94	184,826.03
Total	181,558,008.60	168,053,875.53

Note: Please refer to Note IV. Taxes for basic rates of the above taxes and surcharges.

49. Selling and distribution expenses

Item	Current period	Prior period
Employee benefits	1,649,597,754.30	1,582,191,884.10
Advertising and promotion fees	490,478,500.58	658,027,523.23
Sales and service fees	455,879,925.98	458,530,006.94
Depreciation expenses	120,257,745.87	138,852,240.61
Traveling expenses	72,469,504.96	72,806,085.13
Freight and miscellaneous charges	63,193,368.79	73,665,189.17
Conference expenses	23,230,454.96	23,227,900.11
Office expenses	16,988,527.60	17,119,295.51
Rental expenses	16,939,951.30	13,431,492.10
Others	119,442,100.42	81,563,553.64
Total	3,028,477,834.76	3,119,415,170.54

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. General and administrative expenses

Item	Current period	Prior period
Employee benefits	802,741,635.53	832,223,488.56
Depreciation expenses	113,252,587.13	94,223,910.60
Amortization	64,212,007.44	69,189,107.04
Office expenses	34,639,723.96	38,237,546.81
Agency fees	15,852,765.55	13,423,018.97
Repairing expenses	13,482,467.25	18,951,672.38
Utilities	10,724,632.69	14,412,106.42
Traveling expenses	10,040,989.32	10,565,379.09
Freight and miscellaneous charges	9,686,284.04	7,284,718.81
Consulting	6,039,944.66	9,196,163.20
Conference expenses	5,497,903.37	4,756,217.61
Rental expenses	4,237,950.46	3,531,413.61
Trademark license fees	3,452,174.15	1,925,888.91
Insurance premium	2,646,641.99	3,058,358.50
Others	105,624,675.25	91,894,501.36
Total	<u>1,202,132,382.79</u>	<u>1,212,873,491.87</u>

51. Research and development expenditures

Item	Current period	Prior period
Employee benefits	150,937,597.84	168,529,504.23
Special research and development	34,008,447.87	69,421,788.54
Trial production expenses	25,705,516.02	55,988,821.34
Raw materials	24,195,764.86	32,346,667.99
Depreciation expenses	20,979,215.92	20,990,772.97
Clinical trial expenses	3,853,993.80	4,720,886.98
Amortization cost	2,511,581.52	2,467,976.07
Technique research expenses	462,375.99	583,962.73
Others	22,630,665.53	36,094,930.56
Total	<u>285,285,159.35</u>	<u>391,145,311.41</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Financial expenses

Item	Current period	Prior period
Interest expenses	204,001,098.97	213,346,142.39
Including: Interest expenses related to lease	14,458,678.90	16,828,347.44
Less: interest revenue	84,796,417.84	278,159,615.53
Exchange gains/(losses)	(6,020,101.70)	(5,303,780.37)
Service charge of finance institutions	9,183,931.04	9,209,764.57
Others	769,058.39	1,238,572.20
Total	<u>123,137,568.86</u>	<u>(59,668,916.74)</u>

53. Other Income

Item	Current period	Prior period
Government grants	<u>125,656,795.41</u>	<u>184,412,396.76</u>
Total	<u>125,656,795.41</u>	<u>184,412,396.76</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. Other Income (Continued)

Government subsidies included in other income:

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period	Asset related/ income related
Technology funds granted by the government	6,086,758.43	6,062,402.79		Asset related
Special project fund for environmental protection	157,400.84	86,400.84		Asset related
Construction funds for innovation platform and laboratory	2,431,704.30	1,145,554.71		Asset related
Government land support funds	1,753,471.20	1,753,471.20		Asset related
Support funds for industrial development	7,251,362.91	7,777,149.39		Asset related
Others	1,352,299.94	1,096,917.42		Asset related
Subtotal	19,032,997.62	17,921,896.35	–	/
Technology funds granted by the government	17,160,793.93	12,235,519.41	17,160,793.93	Income related
Special fund for innovative enterprises	4,900,276.32	6,851,148.66	4,900,276.32	Income related
Support funds for industrial	2,600,000.00	1,141,000.00	2,600,000.00	Income related
Additional Deduction for Value-Added Tax	38,740,679.07		57,513,478.96	Income related
Others	43,222,048.47	88,749,353.38	43,222,048.47	Income related
Subtotal	106,623,797.79	166,490,500.41	67,883,118.72	/
Total	125,656,795.41	184,412,396.76	67,883,118.72	/

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54. Investment Income

Item	Current period	Prior period
Long-term equity investment income under equity method	(11,673,633.37)	11,109,142.58
Investment income from disposal of long-term equity investment	3,346,947.76	—
Dividend income during the holding year of other equity instruments	—	—
Investment income from trading financial assets during the holding period	—	—
Investment income during the holding period of other non-current financial assets	1,184,549.41	35,032,051.46
Investment income from disposal of other non-current financial assets	—	—
Interest income from finance products and structured deposits	251,613,388.60	128,196,091.36
Derecognition income of financial assets measured at amortized cost	(10,378,682.66)	(7,289,089.90)
Others	(12,980,051.16)	(9,599,644.67)
Total	<u>221,112,518.58</u>	<u>157,448,550.83</u>

55. Gains from changes in fair value

Sources of gains from change in fair value	Current period	Prior period
Other non-current financial assets	(11,422,164.70)	445,754.97
Total	<u>(11,422,164.70)</u>	<u>445,754.97</u>

56. Impairment Losses in respect of credit

Item	Current period	Prior period
Loss on bad debts of notes receivable	2,951,130.79	2,445,607.91
Loss on bad debts of accounts receivable	(136,855,880.29)	(75,629,187.56)
Loss on bad debts of receivables financing	(6,331,784.61)	(5,960,546.48)
Loss on bad debts of other receivables	(8,073,000.99)	(2,984,436.38)
Total	<u>(148,309,535.10)</u>	<u>(82,128,562.51)</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

57. Impairment loss in respect of assets

Item	Current period	Prior period
Loss on decline in value of inventories	(6,787,312.76)	(1,316,286.19)
Total	(6,787,312.76)	(1,316,286.19)

58. Gains from disposal of assets

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Gains on disposal of non-current assets	3,632,646.69	293,002.28	3,632,646.69
Including: Gains from disposal of fixed assets	3,381,254.22	83,135.86	3,381,254.22
Gains from disposal of right-of-use assets	251,392.47	209,866.42	251,392.47
Total	3,632,646.69	293,002.28	3,632,646.69

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

59. Non-operating income

(1) Non-operating income by item

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Government grant	62,571,445.19	56,987.32	62,571,445.19
Income from sale of scrap	2,736,004.38	2,974,759.97	2,736,004.38
Penalty income	2,528,213.24	544,384.16	2,528,213.24
Debt forgiveness	696,420.08	1,218,493.56	696,420.08
Proceed from damage and scrapping of non-current assets	552,713.94	310,670.29	552,713.94
Compensation income	366,322.11	8,990,264.35	366,322.11
Others	3,793,545.99	1,510,224.14	3,793,545.99
Total	<u>73,244,664.93</u>	<u>15,605,783.79</u>	<u>73,244,664.93</u>

(2) Government grant included in non-operating income

Item	Current period	Prior period	Asset related/ income related
Demolition compensation	36,498.78	36,498.78	Asset related
Others	19,488.54	19,488.54	Asset related
Subtotal	<u>55,987.32</u>	<u>55,987.32</u>	–
Demolition compensation	62,000,000.00		Income related
Others	515,457.87	1,000.00	Income related
Subtotal	<u>62,515,457.87</u>	<u>1,000.00</u>	–
Total	<u>62,571,445.19</u>	<u>56,987.32</u>	–

Notes to the Financial Statements

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(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. Non-operating expenses

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Public welfare donation expenditure	4,534,487.41	4,054,042.82	4,534,487.41
Penalty and overdue fines	2,369,807.01	1,246,939.08	2,369,807.01
Losses on damage and scrapping of non-current assets	1,450,295.54	1,677,899.95	1,450,295.54
Inventory loss	3,072.88	581.81	3,072.88
Extraordinary losses	1,021.53	—	1,021.53
Others	999,901.93	5,318,288.04	999,901.93
Total	<u>9,358,586.30</u>	<u>12,297,751.70</u>	<u>9,358,586.30</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Income Tax Expenses

(1) Income tax expenses details

Item	Current period	Prior period
Current tax expenses	542,927,143.85	601,784,664.91
Deferred tax expenses	(28,433,207.03)	(40,413,320.52)
Total	514,493,936.82	561,371,344.39

(2) Adjustment processes of accounting profit and income tax expenses

Item	Current period
Total profit	3,090,416,329.11
Income tax expenses calculated at statutory/applicable rates	463,562,449.37
Tax effect of different rates applicable to subsidiaries	23,042,759.45
Adjustment effect of income tax of prior period	7,041,901.83
Tax effect of non-taxable income	(998,743.52)
Tax effect of costs, expenses and losses not deductible for tax purposes	3,823,676.20
Tax effect of use of deductible loss of previously unrecognized DTA	(3,639,901.33)
Tax effect of deductible temporary differences or deductible loss of unrecognized DTA in the current period	38,638,122.64
Tax effect of R&D expenditure deduction	(16,976,327.82)
Income tax expenses	514,493,936.82

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Items in the Cash Flow Statement

(1) Cash for operating activities

① Cash received from other operating activities

Item	Current period	Prior period
Interest income	84,796,417.84	278,159,615.53
Government grant	147,798,877.64	147,450,229.30
Other operating income	123,536,915.58	103,168,542.88
Non-operating income	9,399,604.36	5,848,494.77
Others	86,156,669.52	182,313,894.14
Total	451,688,484.94	716,940,776.62

② Cash paid to other operating activities

Item	Current period	Prior period
Cash paid for selling and distribution expenses	1,157,700,797.21	741,243,512.54
Cash paid for general and administrative expenses	334,609,410.77	415,548,144.09
Financial expenses—bank charges	9,183,931.04	9,209,764.57
Others	117,097,941.38	123,914,635.44
Total	1,618,592,080.40	1,289,916,056.64

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Items in the Cash Flow Statement (Continued)

(2) Cash for investing activities

① Cash received from Important investing activities

Item	Current period	Prior period
Cash received from certificates of deposit/Time deposit	1,648,270,323.00	115,000,000.00
Cash received from dividends	25,045,243.30	59,481,293.20
Interest received from fixed deposits/certificates of deposit	56,256,823.25	4,080,816.97
Total	1,729,572,389.55	178,562,110.17

② Cash paid to Important investing activities

Item	Current period	Prior period
Deposit time deposit/large deposit certificate	5,862,291,373.27	3,527,761,463.65
Units outside investment	100,000,000.00	
Total	5,962,291,373.27	3,527,761,463.65

③ Cash received from other investing activities

Item	Current period	Prior period
Interest received	210.48	1,035.36
Cash and cash equivalents held by the subsidiary on the acquisition date	2,262,641.88	
Total	2,262,852.36	1,035.36

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Items in the Cash Flow Statement (Continued)

(2) Cash for investing activities (Continued)

④ Cash paid to other investing activities

Item	Current period	Prior period
Cash reduced due to the decrease of subsidiaries in the consolidation scope	977,424.66	
Total	977,424.66	

(3) Cash for financing activities

① Cash received from other financing activities

Item	Current period	Prior period
Other	–	356,539.34
Total	–	356,539.34

② Cash paid to other financing activities

Item	Current period	Prior period
Lease payment	115,196,037.44	126,739,498.00
Minority shareholders' equity payment	–	27,833,332.40
Other	–	2,178,139.25
Total	115,196,037.44	156,750,969.65

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Items in the Cash Flow Statement (Continued)

(3) Cash for financing activities (Continued)

③ Changes in liabilities arising from fund-raising activities

Item	Closing balance of last year	Increase		Decrease		Closing balance
		Cash changes	Non- cash movements	Cash changes	Non- cash movements	
Short-term borrowing	9,122,982,451.32	5,996,388,479.36	3,058,702,447.14	7,902,382,451.96	10,594,882.00	10,265,096,043.86
Dividends payable	50,492,925.62	–	660,035,887.27	573,896,558.58	–	136,632,254.31
Non-current liabilities due within one year	1,522,617,327.55	–	2,524,262,739.82	1,425,899,448.08	–	2,620,980,619.29
Other current liabilities	651,719,293.54	–	104,044,546.30	–	651,719,293.54	104,044,546.30
Long-term borrowing	2,805,538,605.44	2,199,783,817.09	1,377,851.37	646,950.00	2,425,501,936.87	2,580,551,387.03
Lease liabilities	445,715,206.87	–	93,851,650.78	21,344,386.66	98,760,802.95	419,461,668.04
Total	14,599,065,810.34	8,196,172,296.45	6,442,275,122.68	9,924,169,795.28	3,186,576,915.36	16,126,766,518.83

(4) Significant activities involving no cash receipts or payments

Item	Current period	Prior period
Accounts Payable Financing Factoring (Note ①)	2,859,987,015.13	2,927,644,691.32
Accounts Payable to Yunxin Platform (Note ②)	137,203,690.46	238,999,729.39
Endorsement of notes receivable	3,759,352,432.95	4,478,366,859.60
Obtain right-of-use assets by taking on lease liabilities	113,411,777.96	69,298,842.02

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Items in the Cash Flow Statement (Continued)

(4) Significant activities involving no cash receipts or payments (Continued)

Notes:

- ① The subsidiary of the Group has initiated a payable financing business with the bank. The subsidiary applies to the bank, and on the due date of the payable, the bank directly pays the supplier on behalf of the subsidiary. At the end of the agreed financing period, the subsidiary repays the corresponding amount to the bank. When the bank pays the supplier, the subsidiary ceases to recognize the related payable and simultaneously forms a liability to the bank. Since this liability does not involve cash inflows or outflows at the time of recognition, it is classified as a major non-cash financing activity. When the subsidiary repays the corresponding amounts to banks upon maturity, as the related cash outflows are essentially for the payment of accounts payable, they are recorded as outflows from operating activities.
- ② The Group's subsidiary has initiated a supply chain factoring business with Zhongqi Yunlian (Beijing) Financial Information service Co., Ltd. Within the credit line, our subsidiary issues "Yunxin" (a digital voucher for accounts receivable claims) to suppliers via Zhongqi Yunlian's electronic service platform. Upon receipt, suppliers can choose to finance these digital vouchers or hold them until maturity for payment, with the subsidiary committing to unconditional and full repayment at maturity. After issuing these digital vouchers, the subsidiary ceases to recognize the payable accounts to suppliers and instead records other payables to the Zhongqi Yunlian's platform. Since this liability does not involve cash inflows or outflows at the time of recognition, it is classified as a major non-cash financing activity. When the Group's subsidiary repays the corresponding amount to the Zhongqi Yunlian platform upon maturity, the related cash outflow is essentially for the payment of goods and is classified under operating cash outflows.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Supplementary Information of Cash Flow Statement

(1) Supplementary information of cash flow statement

Item	Current period	Prior period
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	2,575,922,392.29	2,668,032,032.33
Add: Provision for assets impairment	6,787,312.76	1,316,286.19
Impairment loss in respect of credit	148,309,535.10	82,128,562.51
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	290,928,281.79	287,632,644.33
Depreciation of right-of-use assets	116,961,093.21	122,382,322.49
Amortization of intangible assets	37,593,223.75	40,430,013.16
Amortization of long-term prepaid expenses	32,556,993.40	31,169,295.68
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" refers to income)	(3,632,646.69)	(293,002.28)
Losses on scrapping of fixed assets ("-" refers to income)	897,581.60	1,367,229.66
Loss on changes in fair value ("-" refers to income)	11,422,164.70	(445,754.97)
Financial expenses ("-" refers to income)	204,001,098.97	213,346,142.39
Investment losses ("-" refers to income)	(231,491,201.24)	(164,737,640.73)
Decrease in deferred tax assets ("-" refers to income)	(44,545,334.02)	(55,836,958.59)
Increase in deferred tax liabilities ("-" refers to income)	20,071,453.48	16,463,796.71
Decrease in inventories ("-" refers to income)	1,486,323,731.95	754,940,049.06
Decrease of operating receivables ("-" refers to income)	(4,094,199,492.62)	(2,258,976,631.75)
Increase of operating payables ("-" refers to income)	(3,955,042,456.46)	(3,775,658,880.78)
Others ("-" refers to income)	—	—
Net cash flow from operating activities	(3,397,136,268.03)	(2,036,740,494.59)

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Supplementary Information of Cash Flow Statement (Continued)

(1) Supplementary information of cash flow statement (Continued)

Item	Current period	Prior period
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	–	–
Convertible company bonds due within one year	–	–
Fixed assets held under finance leases	–	–
Accounts payable for factoring financing	–	–
3. Net changes in cash and cash equivalents		
Cash at the end of period	10,106,808,592.20	14,471,487,165.36
Less: Cash at the beginning of year	16,302,938,963.14	19,823,543,794.72
Add: Cash equivalents at the end of the year	–	–
Less: Cash equivalents at the beginning of the year	–	–
Net increase in cash and cash equivalents	(6,196,130,370.94)	(5,352,056,629.36)

(2) Net cash paid for acquisition of subsidiaries in the current period

Nil

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

Nil

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Supplementary Information of Cash Flow Statement (Continued)

(4) Breakdown of cash and cash equivalents

Item	Current period	Prior period
I. Cash	10,106,808,592.20	16,302,938,963.14
Including: Cash on hand	483,406.03	501,913.33
Bank deposits that are readily available for payment	9,965,068,960.46	16,281,500,959.05
Other cash that are readily available for payment	141,256,225.71	20,936,090.76
II. Cash equivalents		
Including: Debt investment maturing within three months	—	—
III. Closing balance of cash and cash equivalents	10,106,808,592.20	16,302,938,963.14
Including: Cash and cash equivalents in the parent or subsidiaries with restriction in use	—	—

(5) Related information about the supplier financing arrangement

① Terms and conditions of the supplier financing arrangement:

Supplier financing arrangement ①: Accounts payable financing factoring. The subsidiaries of the Group carry out accounts payable financing business with banks. The subsidiary of the Group apply for accounts payable financing from banks, and on the due date of accounts payable, the banks directly pay the accounts payable to the suppliers on behalf the Group's subsidiaries. After the expiration of the agreed financing period, the Group's subsidiaries shall pay the relevant amount to the banks. When the pay the accounts payable to the suppliers on behalf of the Group's subsidiaries, the Group's subsidiaries terminate the confirmation of the relevant accounts payable and form to the banks.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Supplementary Information of Cash Flow Statement (Continued)

(5) Related information about the supplier financing arrangement (Continued)

① Terms and conditions of the supplier financing arrangement: (Continued)

Supplier financing arrangement ②: Accounts payable supply chain factoring business. The subsidiaries of the Group carry out supply chain factoring business China Enterprises Cloud Chain (Beijing) Financial Information Service Co., Ltd. The subsidiaries of the Group issue cloud payments (digital certificates of accounts receivable) to suppliers within the credit limit through the China Enterprises Cloud Chain electronic service platform. Suppliers can choose to finance and cash the digital certificates held or them until maturity for payment after receiving the aforementioned vouchers. The subsidiaries of the Group are responsible for paying the China Enterprises Cloud Chain (Beijing) Financial Service Co., Ltd. unconditionally and in full at maturity. After issuing the aforementioned digital vouchers, the subsidiaries of the Group terminate the confirmation accounts payable to suppliers, while forming other payables to the China Enterprises Cloud Chain platform.

② Related information about financial liabilities that are part of a supplier financing arrangement

Item	Closing balance	Closing balance of last year
Short-term loan	2,832,667,492.52	3,450,397,694.11
Including: Amounts received from financiers by the supplier	2,832,667,492.52	3,450,397,694.11
Other payables	166,915,769.97	417,590,030.94
Including: Total amount of money received by the supplier from the financier	166,915,769.97	417,590,030.94

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Supplementary Information of Cash Flow Statement (Continued)

(5) Related information about the supplier financing arrangement (Continued)

② Related information about financial liabilities that are part of a supplier financing arrangement (Continued)

Comparable payables that are not part of the supplier financing arrangement have a payment period of 30 days to 90 days. In the of the supplier financing arrangement, the Company will pay the financing provider 180 days to 365 days after the financing provider makes payment to the supplier.

In the first half of 2025, the changes in the financial liabilities of the above-mentioned subsidiaries of the group era not affected by business combinations or exchange rate fluctuations.

In the first half of 2025, among the changes in the above-mentioned company's financial liabilities, due to the termination of the supplier financing arrangement, the accounts payable derecognized and the short-term borrowings or other payables recognized amount to RMB2,859,987,015.13 and RMB137,203,690.46 respectively.

(6) Monetary funds not classified of cash and cash equivalents

Item	Current period	Prior period	Reason
Accrued interest	3,261,707.56	2,613,607.73	Accrued interest
Fixed deposits	148,158,435.14	463,152,107.43	Not readily available for payment
Other deposits	1,568,994,675.53	1,504,445,434.28	Not readily available for payment
Total	<u>1,720,414,818.23</u>	<u>1,970,211,149.44</u>	

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Foreign Currency Funds Items

Item	Closing Balance of Foreign Currency	Exchange rate	Closing balance of RMB in equivalent
Cash at bank and on hand			203,286,007.85
Including: USD	25,878,745.40	7.1586	185,255,586.82
HKD	19,009,878.48	0.9120	17,336,058.68
Euro	36,252.57	8.4024	304,608.59
AUD	83,250.34	4.6817	389,753.12
JPY	13.00	0.0496	0.64
Accounts receivable			5,155,467.40
Including: USD	145,687.36	7.1586	1,042,917.54
HKD	4,509,622.08	0.9120	4,112,549.86
Other receivables			1,501,297.23
Including: USD	98,430.00	7.1586	704,621.00
HKD	873,596.39	0.9120	796,676.23
Shor-term borrowings			32,177,503.71
Including: HKD	35,284,285.00	0.9120	32,177,503.71
Accounts payable			163,336,356.54
Including: USD	9,409,215.06	7.1586	67,356,806.93
HKD	105,246,504.31	0.9120	95,979,549.61

65. Lease

(1) As Lessee

Item	Amount
The variable lease payments not included in the measurement of lease liabilities and recognized in the relevant asset cost or current period expenses	–
Including: the portion generated from sale and leaseback transactions	–
The simplified treatment of short-term lease expenses recognized in the relevant asset cost or current period expenses	32,615,991.84
The simplified treatment of low-value asset lease expenses recognized in the relevant asset cost or current period expenses (excluding short-term lease expenses of low-value assets)	545,673.98
Revenue from the resale of right-of-use assets	151,181.59
Total cash outflows related to lessee	141,466,860.38

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Lease (Continued)

(2) As Lessor

① Operating lease

Item	Lease income	Including: Income relating to variable lease payments not included in lease receipts
Income from House rentals	40,804,261.49	—
Income from rental of machinery. and equipment	7,079.65	—
Total	40,811,341.14	—

② Financial Leasing

Nil.

(3) Confirm profit and loss of financial lease sales as manufacturer or distributor

Nil

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

VI. RESEARCH AND DEVELOPMENT EXPENSES

1. Listed by Nature of Expenses

Items	Current period	Prior period
Employee salaries and benefits	162,693,414.25	183,591,677.75
Specialized research and development expenses	35,302,826.50	69,421,788.54
Raw materials	30,640,141.78	43,250,744.21
Testing and trial production expenses	27,921,231.47	56,919,220.82
Depreciation expenses	24,047,861.12	25,746,926.89
Clinical trial expenses	3,853,993.80	4,720,886.98
Amortization expenses	3,702,802.72	4,939,607.67
Technological research expenses	462,375.99	1,323,533.07
Others	24,910,704.22	44,171,716.10
Total	313,535,351.85	434,086,102.03
Including: Expense of research and development expenditures	285,285,159.35	391,145,311.41
Capitalized research and development expenditures	28,250,192.50	42,940,790.62

2. Development expenses for research projects meeting capitalization criteria

Items	Opening balance	Increase in the current year		Decrease in the current year			Closing balance
		Internal development expenses	Others	Recognition as intangible assets	Transfer to current period profit and loss	Others	
Freeze-dried human rabies vaccine (Vero cell) PM strain project	364,997,087.43	28,250,192.50	-	-	-	-	393,247,279.93
Innovation project	4,937,826.31	-	-	-	-	-	4,937,826.31
Total	369,934,913.74	28,250,192.50	-	-	-	-	398,185,106.24

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



VI. RESEARCH AND DEVELOPMENT EXPENSES *(Continued)*

2. Development expenses for research projects meeting capitalization criteria *(Continued)*

(1) Significant Capitalized Research and Development Projects

Items	Research and Development Progress	Estimated Completion Time	Expected Economic Benefits Generation Method	Commencement of Capitalization	Specific Basis
Freeze-dried human rabies vaccine (Vero cell) PM strain project	The product marketing license application has been submitted and the acceptance notice has been obtained. The inspection of the clinical trial site and production site has been completed	Before 2026.8	After successful research and development, obtaining the drug registration certificate for the PM strain, establishing industrial-scale production, and realizing sales revenue.	2019.3	After entering the Phase III clinical trial stage of research and development (subject to approval documents from relevant regulatory authorities).

(2) Impairment provision for development expenses

Nil

3. Significant Outsourced In-Process Projects

Nil

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

VII. CHANGE IN THE SCOPE OF CONSOLIDATION

1. Business combination not under the common control during the current period.

(1) Basic information on acquisition

Name	Equity acquisition date	Equity acquisition cost	Equity acquisition ratio(%)	Equity acquisition method	Purchase date	Basis for determining the purchase date	Income of the acquired party from the purchase date to the end of the reporting period	Net profit of the acquired party from the purchase date to the end of the reporting period	Cash flow of the acquired party from the purchase date to the end of the reporting period
Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd.	21 Feb 2025	49,500,000.00	67%	Business combination not under common control	21 Feb 2025	Obtain control	1,599,700.19	(335,891.95)	1,842,005.58

(2) Acquisition cost and goodwill

	Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd.
Acquisition cost	
Cash	49,500,000.00
Total Acquisition Cost	<u>49,500,000.00</u>
Less: Acquired Recognizable Net Asset Fair Value Shared Goodwill/Merger Costs Less Than Acquired Recognizable Net Asset Fair Value Share	46,263,692.09
	<u><u>3,236,307.91</u></u>

- ① Method for determining the fair value of the acquisition cost: The fair value of non-cash assets in the consideration for the acquisition of Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd. has been determined based on the valuation results provided by Zhongjing Minxin (Beijing) Asset Appraisal Co., Ltd. using the income approach.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



VII. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

1. Business combination not under the common control during the current period. (Continued)

(3) Identifiable assets and liabilities of the acquired party at the acquisition date

Item	Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd.	
	Fair value	Book value
Assets:		
Cash funds	51,762,641.88	51,762,641.88
Accounts receivable	1,813,514.98	1,813,514.98
Advance payments	67,938.30	67,938.30
Other receivable	125,371.78	125,371.78
Inventory	3,546,476.61	3,546,476.61
Fixed asset	9,636,690.90	5,557,028.25
Intangible asset	8,168,499.62	4,554,150.53
Liabilities:		
Accounts payable	34,931.86	34,931.86
Employee Benefits Payable	305,690.73	305,690.73
Taxes payable	141,441.78	141,441.78
Other payables	3,665,266.06	3,665,266.06
Including: Dividends payable		
Contract Liabilities	14.00	14.00
Deferred Income Tax Liabilities	1,923,502.94	
Net assets	69,050,286.70	63,279,777.90
Less: Minority interest	22,786,594.61	20,882,326.71
Acquired net assets	<u>46,263,692.09</u>	<u>42,397,451.19</u>

- ① Method for determining the fair value of identifiable assets and liabilities: The fair value of the net assets of Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd. has been determined based on the valuation results provided by Zhongjing Minxin (Beijing) Asset Appraisal Co., Ltd. using the asset-based approach.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

VII. CHANGE IN THE SCOPE OF CONSOLIDATION *(Continued)*

2. Business combination under common control occurring in the current period

Nil

3. Counter purchase in the period

Nil

4. Equity of subsidiaries sold in the period

Nil

5. Other reasons for changes in the scope of consolidation

Compared with the previous period, in the current period the number of consolidated entities increased by 2 and decreased by 2 due to other reasons. The reasons are as follows:

- (1) In Feb 2025, the Company's subsidiary, Guangzhou Wanglaoji Pharmaceutical Co., Ltd., acquired Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd. The registered capital of this company is RMB53.397 million, among which the subscribed capital contribution of Guangzhou Wanglaoji Pharmaceutical Co., Ltd. accounts for 67% of the registered capital.
- (2) In Mar 2025, the Company's subsidiary, Tibet Linzhi Guangyao Development Co., Ltd., completed voluntary liquidation.
- (3) In May 2025, the Company's subsidiary, Caizhilin Pharmaceutical Co., Ltd., established Guangzhou Caizao Pharmaceutical Co., Ltd. with a registered capital of RMB50 million, of which Caizhilin Pharmaceutical Co., Ltd. subscribed 51% of the registered capital.
- (4) In May 2025, Guangzhou Baiyunshan Yihu Health Technology Co., Ltd., a controlled subsidiary of the Company, transferred its equity interest in Guangzhou Yufeng Jianhu Medical Supplies Co., Ltd. to an external party, and the company is no longer included in the consolidated scope.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



VIII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Composition of Enterprises Group

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Xing Qun	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	77,168.90	88.99		Establishment or Investment
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00		88.99	Establishment or Investment
Zhong Yi	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	217,410.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Zhong Sheng Great Health Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Science and technology promotion application service	5,000.00		100.00	Establishment or Investment
Chen Li Ji	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	112,845.42	100.00		Establishment or Investment
Guangzhou Chen Li Ji Great Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	15,000.00		44.00	Establishment or Investment
Guangzhou Han Fang	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	252,564.30	100.00		Establishment or Investment
Guangyao Hanfang (Zhuhai Hengqin) Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Pharmaceutical manufacturing	2,000.00		100.00	Establishment or Investment
Tibet Guangyao Hanfang Ganoderma lucidum Industry Co., Ltd.	Tibet	Tibet	Limited liability company	Pharmaceutical manufacturing	6,000.00		100.00	Establishment or Investment
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	82,416.70	100.00		Establishment or Investment
Qi Xing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00		100.00	Establishment or Investment
Jing Xiu Tang	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	86,230.00	88.40		Establishment or Investment
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00		45.08	Establishment or Investment
Guangzhou Baiyunshan Jiuji Gong Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00		45.08	Establishment or Investment

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(Unless otherwise stated, amount shall be expressed in RMB.)

VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Jingxiutang (Ningbo) Health Industry Development Co., Ltd.	Ningbo	Ningbo	Limited liability company	Commercial services	500.00		88.40	Establishment or Investment
Pan Gao Shou	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	65,440.00	87.77		Establishment or Investment
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	14,000.00		87.77	Establishment or Investment
Wang Lao Ji	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	204,756.88	96.09		Business combination not under common control
Guangzhou Wang Lao Ji Food Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	1,000.00		96.09	Business combination not under common control
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Bijie	Bijie	Limited liability company	Wholesale and retail	1,025.76		96.09	Establishment or Investment
Guangzhou San Gong Zai Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		96.09	Business combination not under common control
Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd.	Longyan	Longyan	Limited liability company	Pharmaceutical manufacturing	53,397.00		67.00	Business combination not under common control
GP Corp.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,449,305.50	90.92		Business combination not under common control
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical Retail	140,000.00		90.92	Business combination not under common control
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical Distribution	37,000.00		90.92	Business combination not under common control
Guangyao Qi Hua Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Medical Devices Retail and Distribution	100,000.00		90.92	Business combination not under common control
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Fuzhou	Fuzhou	Limited liability company	Pharmaceutical Distribution	30,100.00		47.28	Business combination not under common control
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical Retail and Distribution	552,000.00		90.92	Business combination not under common control
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical Retail and Distribution	123,000.00		90.92	Business combination not under common control

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For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Foshan	Foshan	Limited liability company	Pharmaceutical Retail and Distribution	13,500.00		90.92	Business combination not under common control
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Shenzhen	Shenzhen	Limited liability company	Pharmaceutical Retail and Distribution	120,000.00		90.92	Business combination not under common control
Guangyao Hunan Pharmaceutical Co., Ltd.	Changsha	Changsha	Limited liability company	Pharmaceutical Retail and Distribution	105,000.00		90.92	Business combination not under common control
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Haikou	Haikou	Limited liability company	Pharmaceutical Distribution	220,000.00		90.92	Business combination not under common control
Hainan Guangyao Chenfei Pharmacy Chain Co., Ltd.	Haikou	Haikou	Limited liability company	Pharmaceutical Retail	20,000.00		90.92	Business combination not under common control
Guangyao (Hainan) Medical Technology Co., Ltd.	Haikou	Haikou	Limited liability company	Pharmaceutical Distribution	20,000.00		90.92	Establishment or Investment
Guangyao (Hainan) Pharmaceutical Co., Ltd.	Haikou	Haikou	Limited liability company	Pharmaceutical Wholesale	50,000.00		90.92	Business combination not under common control
Guangyao Shanxi Pharmaceutical Co., Ltd.	Xi'an	Xi'an	Limited liability company	Pharmaceutical Retail and Distribution	87,500.00		90.92	Business combination not under common control
Guangdong Meixian Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Limited liability company	Pharmaceutical Retail and Distribution	214,000.00		90.92	Business combination not under common control
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Jiangmen	Jiangmen	Limited liability company	Pharmaceutical Distribution	80,000.00		90.92	Business combination not under common control
Guangyao Sichuan Pharmaceutical Co., Ltd.	Chengdu	Chengdu	Limited liability company	Pharmaceutical Retail and Distribution	100,000.00		90.92	Business combination not under common control
Guangyao (Ya'an) Pharmaceutical Co., Ltd.	Ya'an	Ya'an	Limited liability company	Pharmaceutical Distribution	5,000.00		90.92	Business combination not under common control
Guangyao (Guangxi) Pharmaceutical Co., Ltd.	Nanning	Nanning	Limited liability company	Pharmaceutical Retail and Distribution	50,000.00		90.92	Business combination not under common control
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Limited liability company	Consulting Services	18,840.00		90.92	Business combination not under common control
Jian Min International Co., Ltd.	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical Retail and Distribution	18,576.71		90.92	Business combination not under common control
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Pharmaceutical Distribution	13,210.00		90.92	Business combination not under common control

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For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Foshan	Foshan	Limited liability company	Pharmaceutical Distribution	100,000.00		90.92	Business combination not under common control
Guangyao Pharmacy (Guangdong) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical Retail	60,000.00		90.92	Business combination not under common control
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Computer technology development and technical services	60,000.00		90.92	Business combination not under common control
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Zhongshan	Zhongshan	Limited liability company	Pharmaceutical Retail and Distribution	30,000.00		90.92	Business combination not under common control
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Limited liability company	Pharmaceutical Distribution	7,000.00		90.92	Business combination not under common control
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Limited liability company	Medical Devices Distribution	6,450.00		90.92	Business combination not under common control
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Pharmaceutical Distribution	8,000.00		90.92	Business combination not under common control
Guangyao (Guangzhou Huadu) Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical Distribution	4,000.00		90.92	Establishment or Investment
Guangyao (Maoming) Pharmaceutical Co., Ltd.	Maoming	Maoming	Limited liability company	Pharmaceutical Distribution	60,000.00		90.92	Establishment or Investment
Guangyao Heilongjiang Pharmaceutical Co., Ltd.	Harbin	Harbin	Limited liability company	Pharmaceutical Distribution	160,000.00		46.37	Establishment or Investment
Guangyao Jilin Pharmaceutical Co., Ltd.	Changchun	Changchun	Limited liability company	Pharmaceutical Distribution	50,000.00		46.37	Establishment or Investment
Guangyao (Shaoguan) Pharmaceutical Co., Ltd.	Shaoguan	Shaoguan	Limited liability company	Pharmaceutical Wholesale	5,000.00		90.92	Establishment or Investment
Guangzhou Pharmaceutical Logistic Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Logistics and Transportation	20,000.00		90.92	Establishment or Investment
Guangyao (Shantou) Pharmaceutical Co., Ltd.	Shantou	Shantou	Limited liability company	Pharmaceutical Wholesale trading	5,000.00		90.92	Establishment or Investment
Guangyao (Huizhou) Pharmaceutical Co., Ltd.	Huizhou	Huizhou	Limited liability company	Pharmaceutical Wholesale	5,000.00		90.92	Establishment or Investment

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For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangyao Mudangjiang Pharmaceutical Co., Ltd.	Mudangjiang	Mudangjiang	Limited liability company	Pharmaceutical Wholesale	5,000.00		46.37	Establishment or Investment
Guangyao (Zhanjiang) Pharmaceutical Co., Ltd.	Zhanjiang	Zhanjiang	Limited liability company	Pharmaceutical Wholesale	5,000.00		90.92	Establishment or Investment
Dongguan Guangyao Baokang Pharmaceutical Co., Ltd.	Dongguan	Dongguan	Limited liability company	Pharmaceutical Wholesale	5,000.00		90.92	Establishment or Investment
Guangyao (Liangshan) Pharmaceutical Co., Ltd.	Liangshan	Liangshan	Limited liability company	Pharmaceutical Distribution	20,000.00		46.37	Establishment or Investment
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Medical Devices Retail and Distribution	6,680.00		90.92	Establishment or Investment
Cai Zhi Lin	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	178,307.88	100.00		Establishment or Investment
Meizhou Guangyao Traditional Chinese Medicine Co., Ltd.	Fengshun	Fengshun	Limited liability company	Pharmaceutical trading	2,000.00		60.00	Establishment or Investment
Guangzhou Baiyunshan Chinese Medical Drink and Pill Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	20,000.00		100.00	Establishment or Investment
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Wulanchabu	Wulanchabu	Limited liability company	Pharmaceutical trading	1,000.00		80.00	Establishment or Investment
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Linyi	Linyi	Limited liability company	Pharmaceutical trading	2,000.00		60.00	Establishment or Investment
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Limited liability company	Pharmaceutical manufacturing	42,900.00		100.00	Establishment or Investment
Gansu Guangyao Baiyunshan Chinese Medicine Technology Co., Ltd.	Dingxi	Dingxi	Limited liability company	Pharmaceutical trading	50,000.00		100.00	Establishment or Investment
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Health and social work	10,000.00		100.00	Establishment or Investment

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For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangzhou Caizao Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	50,000.00		51.00	Establishment or Investment
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	30,000.00	20.00	55.00	Establishment or Investment
Guangzhou Bai Di	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	200,250.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		51.00	Establishment or Investment
Baiyunshan Bio	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	84,000.00		50.00	Business combination not under common control
WLJ Great Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	900,000.00	100.00		Establishment or Investment
Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd.	Ya'an	Ya'an	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	10,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Beijing	Beijing	Limited liability company	Trading	5,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Meizhou	Meizhou	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Guangzhou Wang Lao Ji Great Health E-Commerce Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd.	Lanzhou	Lanzhou	Limited liability company	Trading	50,000.00		100.00	Establishment or Investment
Guizhou Wang Lao Ji Ci Ningji Industry Dev. Co., Ltd	Qiannan	Qiannan	Limited liability company	Commercial services	1,000.00		100.00	Establishment or Investment
WLJ Great Health (Maoming) Lychee Industry Development Co., Ltd.	Maoming	Maoming	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment

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For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangzhou Wang Lao Ji Lychee Industry Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Wanglaoji (Guangdong) Beverage Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Food manufacturing	10,000.00		100.00	Establishment or Investment
Guangxi Ying Kang	Nanning	Nanning	Limited liability company	Pharmaceutical manufacturing	31,884.50	68.15		Business combination not under common control
Yi Gan	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	69,000.00	60.00		Establishment or Investment
Baiyunshan Medical and Healthcare Industry Company	Guangzhou	Guangzhou	Limited liability company	Commercial services	111,600.00	100.00		Establishment or Investment
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Linzhi	Linzhi	Limited liability company	Health services	50,000.00		100.00	Establishment or Investment
Guangzhou Baiyunshan Hospital	Guangzhou	Guangzhou	Limited liability company	Medical	40,816.00		51.00	Business combination not under common control
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	10,000.00		100.00	Establishment or Investment
Guangzhou Baiyunshan Chinese Medicine Hospital Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Medical	20,000.00		51.00	Establishment or Investment
Guangzhou Baiyunshan 157 hospital Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Medical	100.00		100.00	Establishment or Investment
Xing Zhu	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	126,480.00	100.00		Establishment or Investment
Wang Lao Ji Investment	Guangzhou	Guangzhou	Limited liability company	Commercial services	10,000.00	100.00		Establishment or Investment
WLJ Catering	Guangzhou	Guangzhou	Limited liability company	Commercial services	20,000.00		80.00	Establishment or Investment
Tian Xin	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	45,693.00	82.49		Business combination under common control
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	800.00		100.00	Establishment or Investment

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VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guang Hua	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	55,285.00	84.48		Business combination under common control
Guang Hua Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	10,000.00		84.48	Establishment or Investment
Ming Xing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	46,091.90	100.00		Business combination under common control
Guangzhou Xing Ji Industries Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Manufacturing	100.00		100.00	Establishment or Investment
Weiling Pharmaceutical	Jiexi	Jiexi	Limited liability company	Pharmaceutical manufacturing	11,790.00	100.00		Business combination under common control
Pharmaceutical Technological	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,000.00	51.00		Business combination under common control
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Yangquan	Yangquan	Limited liability company	Food manufacturing	50,000.00		60.00	Establishment or Investment
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	35,000.00		60.00	Establishment or Investment
Guangyao Baiyunshan Hong Kong Company	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	HKD132,500	100.00		Business combination under common control
Guangzhou Baiyunshan Macao Co., Ltd.	Macao	Macao	Limited liability company	Pharmaceutical trading	MOP1,000		99.90	Establishment or Investment
Guangyao International (Zhuhai Hengqin) Chinese Medicine Industry Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Wholesale and retail	100,000.00		100.00	Establishment or Investment
Guangyao Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	693,470.00	100.00		Establishment or Investment
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Shengzhou	Shengzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00		51.00	Establishment or Investment
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	674,173.50		100.00	Establishment or Investment
Guangyao Haima	Guangzhou	Guangzhou	Limited liability company	Advertising	20,000.00	100.00		Business combination not under common control

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(Unless otherwise stated, amount shall be expressed in RMB.)



VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Baiyunshan Pharmaceutical Marketing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	40,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	1,000.00		100.00	Establishment or Investment
Guangyao General Institute	Guangzhou	Guangzhou	Limited liability company	Medical research	113,000.00	100.00		Business combination under common control
Guangzhou Baiyunshan Bi Ge Biotechnology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	1,000.00		100.00	Establishment or Investment
Guangzhou Baiyunshan Medical Instruments investment	Guangzhou	Guangzhou	Limited liability company	Commercial services	25,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Yihu Health Technology	Guangzhou	Guangzhou	Limited liability company	Commercial services	20,000.00		60.00	Establishment or Investment
Guangzhou Baiyunshan Chemical and pharmaceutical manufacturing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00	100.00		Establishment or Investment
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Leasing and commercial services	10,000.00	100.00		Establishment or Investment
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Leasing and commercial services	19,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Commercial services	500,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Hua Cheng Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Wholesale	70,000.00	100.00		Establishment or Investment
Guangzhou Guangyao Fund Equity Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Partnership (Limited Partnership)	Commercial services	1,000,000.00	99.90		Establishment or Investment

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VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangyao Baiyunshan Pharmaceutical Great Health Supply Chain (Guangzhou) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Wholesale	5,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Hejigong Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	66,000.00	100.00		Establishment or Investment
Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Manufacturing	500,000.00	100.00		Establishment or Investment

- Notes: ① Although the Group's shareholding ratio of Guangzhou Chen Li Ji Great Health Industry Co., Ltd., Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd., Guangzhou Baiyunshan Jiujigong Health Industry Co., Ltd., Fujian Guangyao Jie Da Pharmaceutical Co., Ltd., Guangyao Heilongjiang Pharmaceutical Co., Ltd., Guangyao Jilin Pharmaceutical Co., Ltd., Guangyao (Liangshan) Pharmaceutical Co., Ltd., Guangyao Mudanjiang Pharmaceutical Co., Ltd., is less than 50%, with the majority in the board seats of these companies, they were included into the consolidation scope.
- ② The Group holds 50% of the shares of Baiyunshan Biology, but because it holds the majority of the board seats of Baiyunshan Biology, it is included in the scope of consolidation.
- ③ As of the date of this financial report, Guangzhou Jian Min Pharmaceutical Chain Co., Ltd. is undergoing changes in its business registration.

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For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(2) Significant non-wholly owned subsidiaries

Subsidiary	Shareholding of minority shareholders (%)	Profit or loss attributable to minority shareholders in the current period	Dividend paid to minority shareholders in the current period	Closing balance of minority shareholders' equity
GP Corp.	9.08%	28,267,644.29	—	849,305,084.45

(3) Primary financial information of significant non-wholly owned subsidiaries

Subsidiary	Current assets	Non-current assets	Closing balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
GP Corp.	35,547,338,301.83	2,281,274,901.70	37,828,613,203.53	27,241,823,541.01	2,702,577,966.23	29,944,401,507.24

Subsidiary	Current assets	Non-current assets	Closing balance of last year		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
GP Corp.	32,029,037,385.13	2,300,563,246.80	34,329,600,631.93	23,727,063,864.75	2,957,827,095.32	26,684,890,960.07

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(3) Primary financial information of significant non-wholly owned subsidiaries (Continued)

Subsidiary	Operating income	Current period		Operating cash flows
		Net profit	Total comprehensive income	
GP Corp.	<u>28,942,474,913.18</u>	<u>238,449,060.71</u>	<u>239,502,024.41</u>	<u>(2,057,076,406.91)</u>
Subsidiary	Operating income	Previous period		Operating cash flows
		Net profit	Total comprehensive income	
GP Corp.	<u>27,847,884,010.11</u>	<u>310,491,548.56</u>	<u>313,439,947.01</u>	<u>(1,404,626,235.16)</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



VIII. EQUITY IN OTHER ENTITIES (Continued)

2. Summary for financial information of insignificant associates and joint ventures

(1) Summary financial information of unimportant joint ventures and associates

Item	Closing balance/ Current period	Opening balance/ Prior period
Joint ventures:		
Total book balance of investments	253,054,056.83	289,435,304.30
Calculated by rate of interests held:		
– Net profit	(9,921,649.53)	(4,119,353.20)
– Other comprehensive income	–	–
– Total comprehensive income	(9,921,649.53)	(4,119,353.20)
Associates:		
Total book balance of investments	1,315,829,489.51	1,603,490,277.47
Calculated by rate of interests held:		
– Net profit	7,137,039.98	11,625,662.49
– Other comprehensive income	–	–
– Total comprehensive income	7,137,039.98	11,625,662.49

(2) There are no significant restrictions on the ability of joint ventures or associates to transfer funds to the Company.

Nil

(3) There are no excessive losses incurred by joint ventures or associates.

Nil

(4) There are no unrecognized commitments related to joint venture investment.

Nil

(5) There are no contingent liabilities related to joint venture or associate investment.

Nil

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

IX. GOVERNMENT GRANTS

1. Government Grants Recognized as Receivable

None

2. Liabilities Related to Government Grants

Items	Opening Balance	Current year grants	Amount included in non-operating income	Transferred to Other Income	Other Changes	Ending Balance	Related to Assets/Income
Deferred Income	683,828,454.56	15,311,922.13	55,987.32	19,032,997.62	(13,041,600.00)	667,009,791.75	Related to Assets
Deferred Income	318,033,942.54	123,555,725.56	62,515,457.87	58,951,888.77	(2,039,893.48)	318,082,427.98	Related to Income
Total	<u>1,001,862,397.10</u>	<u>138,867,647.69</u>	<u>62,571,445.19</u>	<u>77,984,886.39</u>	<u>(15,081,493.48)</u>	<u>985,092,219.73</u>	-

3. Government grants recognized in the current period's profit or loss

Item	The amount incurred in the current year	The amount incurred in the previous year
Related to Assets	19,088,984.94	17,977,883.67
Related to Income	169,139,255.66	166,491,500.41
Total	<u>188,228,240.60</u>	<u>184,469,384.08</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's operating activities are subject to various financial risks: market risk (mainly foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management plan addresses the unpredictability of financial markets and seeks to reduce potential adverse effects on the Group's financial performance.

1. Risks of Financial Instruments

1. Market risk

① Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate changes. The Group's foreign exchange risk is mainly related to the US Dollar, the Euro, the Japanese Yen, the Hong Kong Dollar and Australian Dollar. Except that the purchase and sale of several subsidiaries of the Group are in US dollars, Euros, Japanese Yen, Hong Kong dollars and Australian dollars, the Group's other major business activities are settled in Renminbi ("RMB"). As on 30 June 2025, except for the assets or liabilities described in the following table, which are in US dollars, Euros, Japanese Yen, and Hong Kong Dollars, Australian Dollars, the Group's assets and liabilities balances are all in Renminbi. The foreign exchange risk arising from the assets and liabilities of these foreign currency balances may have an impact on the Group's operating results

Item	Closing Balance	Closing balance of last year
Cash at bank and on hand	203,286,007.85	222,439,638.01
Accounts receivable	5,155,467.40	–
Other receivables	1,501,297.23	1,442,279.04
Total financial assets in foreign currency	209,942,772.48	223,881,917.05
Short-term borrowings	32,177,503.71	30,775,730.59
Accounts payable	163,336,356.54	126,486,964.48
Other payables	–	332,799.10
Total financial liabilities in foreign currency	195,513,860.25	157,595,494.17

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

1. Risks of Financial Instruments (Continued)

1. Market risk (Continued)

① Foreign exchange risk (Continued)

Notes: A. Each subsidiary within the group is responsible for managing its own foreign currency transactions and foreign currency assets and liabilities to the extent possible in order to minimize the foreign exchange risk.

B. As on 30 June 2025, for all types of financial assets and financial liabilities of the Group in foreign currency, if the RMB appreciates or depreciates against the foreign currency by 10% and other factors remain unchanged, the Group's net profit will increase or decrease by approximately RMB1,082,168.42 (As on 31 December 2024: approximately RMB4,971,481.72).

② Interest rate risk

As on 30 June 2025, the Group's long-term interest-bearing debt balance was RMB2,579,255,785.66. If the annual interest rate decreased by 50 basis points and other factors remained unchanged, the Group's net profit will decrease by RMB5,492,839.66 (As on 31 December 2024: RMB8,602,060.40).

③ Other price risks

The equity investments in listed companies held by the Company are as below:

Item	Closing Balance	Closing balance of last year
Other equity instruments investments	–	–
Other non-current financial assets	137,498,960.12	150,444,544.81
Total	137,498,960.12	150,444,544.81

As on 30 June 2025, if all other variables remain unchanged and the value of equity instruments rises or falls by 10%, the Company's net profit will increase or decrease by RMB11,677,791.85 (As on 31 December 2024: net profit will increase or decrease by RMB12,774,207.56). The management believes that 10% reasonably reflects the reasonable range of possible changes in the value of equity instruments in the next year.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

1. Risks of Financial Instruments *(Continued)*

2. Credit risk

The Group manages credit risk by portfolio. Credit risk mainly arises from bank deposits, accounts receivable, other receivables, notes receivable, etc.

The Group's bank deposits are mainly deposited in state-owned banks and other large and medium-sized listed banks. The Group believes that it does not have significant credit risk and will not incur any significant losses due to default by the other party.

In addition, for accounts receivable, other receivables and notes receivable, the Group has established relevant policies to control credit risk exposure. The Group assesses the creditworthiness of customers and sets the corresponding credit period based on their financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group also monitors customers' credit records regularly. For customers with poor credit history, the Group will adopt methods such as sending written reminders, shortening credit terms or cancelling credit terms to ensure that the Group's overall credit risk stays within the controllable range.

3. Liquidity risk

The subsidiaries of the Group are responsible for their own cash flow forecasts to ensure that they maintain sufficient cash reserves and marketable securities that can be realized at any time to meet short-term and long-term funding needs.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

1. Risks of Financial Instruments (Continued)

3. Liquidity risk (Continued)

As at the balance sheet date, the Group's financial assets and financial liabilities stated in undiscounted contractual cash flows by the expiration date are as following:

Item	Closing balance					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	No fixed maturity date	
Financial liabilities:						
Short-term borrowings	10,357,333,694.15					10,357,333,694.15
Notes payable	4,260,301,770.02					4,260,301,770.02
Accounts payable	13,243,836,823.39					13,243,836,823.39
Other payables	5,000,230,390.67					5,000,230,390.67
Current portion of non-current liabilities	2,657,629,377.74					2,657,629,377.74
Long-term borrowings	64,732,934.38	1,240,107,328.50	1,408,589,943.98			2,713,430,206.86
Lease liability		158,231,018.20	214,710,352.97	107,774,165.23		480,715,536.40
Long-term payables				19,666,964.60		19,666,964.60
Subtotal	<u>35,584,064,990.35</u>	<u>1,398,338,346.70</u>	<u>1,623,300,296.95</u>	<u>127,441,129.83</u>		<u>38,733,144,763.83</u>

(cont.)

Item	Closing balance of last year					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	No fixed maturity date	
Financial liabilities:						
Short-term borrowings	9,194,365,132.30	–	–	–	–	9,194,365,132.30
Notes payable	4,584,854,358.78	–	–	–	–	4,584,854,358.78
Accounts payable	11,734,666,536.69	–	–	–	–	11,734,666,536.69
Other payables	5,074,298,832.26	–	–	–	–	5,074,298,832.26
Current portion of non-current liabilities	1,541,968,843.09	–	–	–	–	1,541,968,843.09
Long-term borrowings	74,944,145.21	2,120,885,214.68	724,472,281.71	–	–	2,920,301,641.60
Lease liability	–	150,960,340.49	240,705,568.38	126,170,304.59	–	517,836,213.46
Long-term payables	–	–	–	19,666,964.60	–	19,666,964.60
Subtotal	<u>32,205,097,848.33</u>	<u>2,271,845,555.17</u>	<u>965,177,850.09</u>	<u>145,837,269.19</u>	<u>–</u>	<u>35,587,958,522.78</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

2. Financial Asset Transfers

(1) Types of Transfer

Transfer method	Nature of transferred financial assets	Amount of transferred financial assets	Termination confirmation	Basis for Termination Confirmation
Asset Securitization	Receivables Financing	997,560,496.37	Yes	without recourse
Endorsement	Receivables Financing	1,420,440,579.42	Yes	Due to the fact that the credit risk and the risk of delayed payment are very small in the financing of accounts receivable through bank acceptance bill, that the interest rate risk associated with the bill has been transferred to the bank, it can be judged that the major risks and rewards on the ownership of the bill have transferred, thus derecognition is required.
Discounting	Receivables Financing	904,877,703.14	Yes	Since the Group has signed a non-recourse supplementary agreement with the bank, it has transferred nearly all risks and rewards associated with these commercial acceptance bills. Therefore, it can be determined that the primary risks and rewards of ownership have been transferred, and the derecognition criteria are met.
Discounting	Notes Receivable	136,763,768.87	Yes	Due to the fact that the Group has signed the Supplementary Agreement without recourse with the banks, the Group has transferred almost all the risks and of these trade acceptance bills, and it can be judged that the major risks and rewards on the ownership of the bills have been transferred, thus derecognized
Factoring	Accounts Receivable	343,876,258.62	Yes	without recourse
Endorsement	Notes Receivable	155,461,294.96	No	interest rate risk in relation to the note has not been transferred and does not meet the conditions for derecognition of financial assets.
Discounting	Notes Receivable	22,182,602.26	No	interest rate risk in relation to the note has not been transferred and does not meet the conditions for derecognition of financial assets.
Total		<u>3,981,162,703.64</u>		

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

2. Financial Asset Transfers (Continued)

(2) Financial assets terminated due to transfer

Category of Financial Assets	Transfer Method	Amount of Financial Assets Terminated	Gains and Losses Related to Termination
Receivables Financing	Asset Securitization	997,560,496.37	(12,980,051.16)
Notes receivable	Discounting	136,763,768.87	
Receivables Financing	Endorsement	1,420,440,579.42	
Receivables Financing	Discounting	904,877,703.14	(10,079,269.63)
Accounts Receivable	sale	343,876,258.62	(4,325,293.19)

(3) Continued involvement in transferred financial assets

Category of Financial Assets	Asset Transfer Method	Amount of Assets Formed through Continued Involvement	Amount of Liabilities Formed through Continued Involvement
Notes receivable	Endorsement	155,461,294.96	155,461,294.96
Notes receivable	Discounting	22,182,602.26	22,182,602.26

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XI. DISCLOSURE OF FAIR VALUE

The input values used for fair value measurement are divided into three levels:

The first hierarchy: Quoted price (unadjusted) of the same assets or liabilities in active market.

The second hierarchy: Direct (i.e., price) or indirect (i.e., estimated results based on price) observable input value of assets or liabilities excluding quoted market price in the first hierarchy.

The third hierarchy: Input value of assets or liabilities based on variables excluding observable market data (unobservable input value).

The hierarchy of a fair value measurement result is determined by the bottom level of the input value, which is significant to the overall measurement of fair value.

1. Closing balance of fair value of assets and liabilities measured at fair value

Item	The first hierarchy	The second hierarchy	The third hierarchy	Total
I. Continuous measurement at fair value	-	-	-	-
A. Financial assets held for trading	-	-	-	-
1. Financial assets measured at FVTPL	-	-	-	-
(1) Debt instrument investments	-	-	-	-
B. Receivable financing	-	-	4,104,546,207.42	4,104,546,207.42
C. Other equity instrument investments	-	-	95,692,506.36	95,692,506.36
D. Other non-current financial assets	137,498,960.12	4,000,000.00	376,429,103.23	517,928,063.35
1. Financial assets measured at FVTPL	137,498,960.12	4,000,000.00	376,429,103.23	517,928,063.35
(1) Debt instrument investments	-	4,000,000.00	-	4,000,000.00
(2) Equity instrument investments	137,498,960.12	-	376,429,103.23	513,928,063.35
Total assets continuously measured at fair value	137,498,960.12	4,000,000.00	4,576,667,817.01	4,718,166,777.13

2. The basis for determining the market price of the first-level fair value measurement project:

The fair value of the listed company's stock is determined according to the closing price of the exchange on the last trading day of the year.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XI. DISCLOSURE OF FAIR VALUE (Continued)

3. The use of valuation techniques and important parameters of qualitative and quantitative information for the market price of the second-level fair value measurement project:

The fair value of the secondary asset-backed securities subscribed by the Group is estimated against the unadjusted quoted bonds in the relevant active market at the end of the year.

The fair value of the financial products measured at fair value subscribed by the Group is determined according to the expected rate of return provided by the financial institutions.

4. The use of valuation techniques and important parameters of qualitative and quantitative information for the market price of the third-level fair value measurement project:

Item	Closing fair value	Valuation method	Significant unobservable input	Relationship between Unobservable Inputs and Fair Value Changes
Receivable financing	2,125,471,102.90	Discounted Cash Flow Method	Expected Discount Rate (0.46%)	Lower discount rate leads to higher fair value
	1,979,075,104.52	Discounted Cash Flow Method	Discount Rate (0%-1.30%)	Lower discount rate leads to higher fair value
Other Equity Instrument Investments	85,592,506.36	Based on Share of Invested Entity's Net Assets	Value of Net Assets (Totaling RMB349,002,089.62)	Higher net assets result in higher fair value
	10,100,000.00	Analytical Method Based on Invested Entity's Financial Statements	Incremental Value of Long-term Equity Investment in Invested Entity (RMB2,059,325.17)	Higher incremental value of long-term equity investment leads to higher fair value
Other Non-current Financial Assets	146,429,103.23	Value of Related Investments' Net Assets	Value of Net Assets (Totaling RMB818,582,726.55)	Higher net assets result in higher fair value
	230,000,000.00	Discounted Cash Flow Method	Forecasted Growth Rate (Detailed Forecast Period Growth Rate of 2%, Perpetual Growth Rate of 0%), Dividend Rate (10.95%), Discount Rate (13.70%)	Higher forecasted growth rate leads to higher fair value; higher dividend rate leads to higher fair value; higher discount rate leads to lower fair value.

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(Unless otherwise stated, amount shall be expressed in RMB.)



XI. DISCLOSURE OF FAIR VALUE (Continued)

5. Continuous third hierarchy Fair Value Measurement Projects: Reconciliation Information Between the Beginning and Ending Book Values and Sensitivity Analysis of Unobservable Inputs

(1) Reconciliation Information for Continuous third hierarchy Fair Value Measurement Projects

Item	Closing balance of last year	Transferred to the third hierarchy	Transferred from the third hierarchy	Total amount of profit or loss for the period		Purchase, issue, sale and settle		Closing balance
				Recognized in profit or loss	Recognized in other comprehensive income	Increase in the period	Decrease in the period	
(1) Financial assets held for trading	-	-	-	-	-	-	-	-
Including: Financial assets measured at FVTPL	-	-	-	-	-	-	-	-
(2) Receivable financing	3,175,849,620.31	-	-	(5,469,141.64)	(4,065,190.04)	4,114,080,539.10	3,175,849,620.31	4,104,546,207.42
(3) Other equity instrument investments	104,180,509.45	-	-	-	(8,488,003.09)	-	-	95,692,506.36
(4) Other non-current financial assets	376,555,683.24	-	-	(126,580.01)	-	-	-	376,429,103.23
Including: Financial assets measured at FVTPL	376,555,683.24	-	-	(126,580.01)	-	-	-	376,429,103.23
① Equity instrument investments	376,555,683.24	-	-	(126,580.01)	-	-	-	376,429,103.23
② Others	-	-	-	-	-	-	-	-
Total	<u>3,656,585,813.00</u>	<u>-</u>	<u>-</u>	<u>(5,595,721.65)</u>	<u>(12,553,193.13)</u>	<u>4,114,080,539.10</u>	<u>3,175,849,620.31</u>	<u>4,576,667,817.01</u>

Notes to the Financial Statements

For January – June 2025

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information of the Parent Company

Parent company	Registration place	Nature of business	Registered capital (RMB in thousand)	Shareholding of the parent company in the Group (%)	Proportion of the voting right held by the parent company (%)
GPHL	No. 45, North Shamian Street, Liwan District, Guangzhou	Manufacturing and trading	1,252,810.98	45.04	45.04

Note: The ultimate control party of the Group is State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government, which is located in P.R.C.

2. Subsidiaries of the Group

Please refer to Note VIII. 1. Equity in subsidiaries.

3. Associates and joint ventures of the Group

For important joint ventures or associates of this enterprise, please refer to the note “VIII. 2. Equity in joint ventures or associates”

Information of associates or joint ventures which have had transactions with the Company in the period, or had had transactions with the Company in prior years and formed a balance in current year is as follows:

Associates or joint ventures	Relationship with the Company
HWBYS	Joint venture
Baxter Qiao Guang	Joint venture
Chengdu Hejian	Joint venture
Guangzhou Dufen Health Industry Co., Ltd.	Associates
Baiyunshan Yi Xin Tang	Associates
Yunnan Yi Xin Tang	Associates
Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	Associates

Notes to the Financial Statements

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(Unless otherwise stated, amount shall be expressed in RMB.)



XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

4. Other Related Parties without Control Relationship

Other related parties	Relationship with the Company
Guangzhou Baiyunshan Hua Cheng Pharmaceutical Co., Ltd. (hereinafter referred to as "Hua Cheng")	Controlled by the same parent company
GPHL (Macao) International Development Industry Co., Ltd.	Controlled by the same parent company
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Controlled by the same parent company
GPHL Digital Economy Research Institute (hereinafter referred to as the "Digital Research Institute")	Controlled by the same parent company
Guangyao Baiyunshan Bencao Craft Brewery Co., Ltd. (hereinafter referred to as "Bencao Craft Brewery Company")	Controlled by the same parent company
Guangzhou Guangyao Capital Private Equity Fund Management Co., Ltd. (hereinafter referred to as "Guangyao Capital")	Controlled by the same parent company
Guangzhou Pharmaceutical Glass Co., Ltd. Kang Mei Pharmaceutical	Controlled by the same parent company Joint venture of the parent company

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(Unless otherwise stated, amount shall be expressed in RMB.)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Purchase of goods, Receiving of services:							
HWBYS	Purchase of goods	Medicinal material or medicine	Market price	31,839,550.78	0.10	73,960,475.61	0.18
Baxter Qiao Guang	Purchase of goods	Medicinal material or medicine	Market price	50,996,593.44	0.15	59,552,963.88	0.15
Kang Mei Pharmaceutical	Purchase of goods	Medicinal material or medicine	Market price	26,900,865.67	0.08	40,528,868.23	0.10
Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	5,107,819.73	0.02	12,386,860.31	0.03
Hua Cheng	Purchase of goods	Medicinal material or medicine	Market price	2,398,476.96	0.01	3,701,127.51	0.01
Baiyunshan Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	1,090,622.41	0.00	2,141,221.65	0.01
Chengdu Hejian	Purchase of goods	Medicinal material or medicine	Market price	165,405.29	0.00	46,173.62	0.00
Subtotal				118,499,334.28	0.36	192,317,690.81	0.48

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(Unless otherwise stated, amount shall be expressed in RMB.)



XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
HWBYS	Purchase of goods	Other goods	Market price	-	-	310,717.66	0.00
Bencao Craft Brewery Company	Purchase of goods	Other goods	Market price	-	-	106,269.67	0.00
Guangzhou Yufeng	Purchase of goods	Other goods	Market price	499,195.81	0.00	-	-
Subtotal				<u>499,195.81</u>	<u>0.00</u>	<u>416,987.33</u>	<u>0.00</u>
HWBYS	Acceptance of service	Publicity fee	Market price	8,624,832.72	1.28	12,998,549.84	1.98
Yi Xin Tang	Acceptance of service	Publicity fee	Market price	2,111,418.92	0.31	-	-
Hua Cheng	Acceptance of service	Publicity fee	Market price	50,070.00	0.01	-	-
Baiyunshan Yi Xin Tang	Acceptance of service	Publicity fee	Market price	68,583.02	0.01	-	-
Kang Mei Pharmaceutical	Acceptance of service	Publicity fee	Market price	-	-	18,113.21	0.00
Subtotal				<u>10,854,904.66</u>	<u>1.61</u>	<u>13,016,663.05</u>	<u>1.98</u>

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(Unless otherwise stated, amount shall be expressed in RMB.)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
HWBYS	Acceptance of service	Consigned processing	Market price	9,378,244.37	6.42	13,512,429.20	2.05
GPHL (Macao) International Development Industry Co., Ltd.	Acceptance of service	Consigned processing	Market price	199,175.00	0.14		
Subtotal				<u>9,577,419.37</u>	<u>6.56</u>	<u>13,512,429.20</u>	<u>2.05</u>
Guangyao Capital	Acceptance of service	Fund services	Market price	3,353,844.33	0.50	2,235,772.19	0.34
Subtotal				<u>3,353,844.33</u>	<u>0.50</u>	<u>2,235,772.19</u>	<u>0.34</u>
Total				<u>142,784,698.45</u>	<u>-</u>	<u>221,499,542.58</u>	<u>-</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Sales of good, Rendering of services:				-	-	-	-
HWBYS	Sales of good	Medicinal material or medicine	Market price	11,768,616.56	0.03	103,915,842.16	0.25
Hua Cheng	Sales of good	Medicinal material or medicine	Market price	51,073,948.59	0.12	48,176,275.17	0.12
Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	92,518,026.56	0.22	55,941,749.72	0.14
Baiyunshan Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	111,219,814.34	0.27	66,252,849.03	0.16
HWBYS	Sales of good	Medicinal material or medicine	Market price	421,699.10	0.00	1,143,044.25	0.00
Chengdu Hejian	Sales of good	Medicinal material or medicine	Market price	27,528,234.37	0.07	14,779,007.88	0.04
Kang Mei Pharmaceutical	Sales of good	Medicinal material or medicine	Market price	130,468,532.76	0.31	148,846,407.40	0.36
Guangzhou Yufeng	Sales of good	Medicinal material or medicine	Market price	47,352.22	0.00	-	-
Subtotal				425,046,224.50	1.02	439,055,175.61	1.07

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Bencao Craft Brewery Company	Sales of good	Other	Market price	–	–	16,371.68	0.00
HWBYS	Sales of good	Other	Market price	516,899.26	0.08	854,851.30	0.00
Baxter Qiao Guang	Sales of good	Other	Market price	–	–	9,275.00	0.00
Baiyunshan Yi Xin Tang	Sales of good	Other	Market price	28,256.89	0.00	27,164.61	0.00
GPHL	Sales of good	Other	Market price	1,221.24	0.00	330,796.46	0.00
Kang Mei Pharmaceutical	Sales of good	Other	Market price	858,988.82	0.00	61,348.99	0.00
Hua Cheng	Sales of good	Other	Market price	60,566.37	0.00	105,752.21	0.00
Subtotal				1,465,932.58	0.08	1,405,560.25	0.00
HWBYS	Rendering of services	Advertising agency service	Market price	15,003,240.56	5.00	25,635,488.00	86.31
Hua Cheng	Rendering of services	Advertising agency service	Market price	3,639,489.91	1.21	2,320,017.29	7.81
GPHL	Rendering of services	Advertising agency service	Market price	3,773.58	0.00	318,913.40	1.07
Baxter Qiao Guang	Rendering of services	Advertising agency service	Market price	(9,433.96)	(0.00)	9,433.96	0.03
Kang Mei Pharmaceutical	Rendering of services	Advertising agency service	Market price	–	–	235,849.06	0.79
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Advertising agency service	Market price	–	–	215,849.06	0.73
Subtotal				18,637,070.09	6.21	28,735,550.77	96.74

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Hua Cheng	Rendering of services	Consigned processing	Market price	15,727,039.45	10.77	7,887,436.53	5.86
HWBYS	Rendering of services	Consigned processing	Market price	1,663,611.30	1.14	8,173,615.57	6.07
Subtotal				<u>17,390,650.75</u>	<u>11.91</u>	<u>16,061,052.10</u>	<u>11.93</u>
HWBYS	Collecting trademark fee	Right to use trademark	Market price	80,208.56	0.06	280,424.97	0.22
Hua Cheng	Collecting trademark fee	Right to use trademark	Market price	258,057.15	0.18	598,622.58	0.47
Subtotal				<u>338,265.71</u>	<u>0.24</u>	<u>879,047.55</u>	<u>0.69</u>
HWBYS	Rendering of services	Research and development services	Market price	601,342.45	5.64	637,735.84	3.79
Subtotal				<u>601,342.45</u>	<u>5.64</u>	<u>637,735.84</u>	<u>3.79</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Baxter Qiao Guang	Rendering of services	Other	Market price	3,074,120.45	0.46	2,109,958.05	0.32
HWBYS	Rendering of services	Other	Market price	111,207.93	0.02	605,192.45	0.09
Hua Cheng	Rendering of services	Other	Market price	103,415.09	0.02	76,842.00	0.01
Southern Anti-Tumor Company	Rendering of services	Other	Market price	–	–	17,581.24	0.00
Chengdu Hejian	Rendering of services	Other	Market price	477,636.40	0.07	319,202.52	0.05
GPHL (Macao) International Development Industry Co., Ltd.	Rendering of services	Other	Market price	8,360.00	0.00	69,944.91	0.01
Kang Mei Pharmaceutical	Rendering of services	Other	Market price	281,886.81	0.04	408,877.35	0.06
Baiyunshan Yi Xin Tang	Rendering of services	Other	Market price	11,655.26	0.00	–	–
Yi Xin Tang	Rendering of services	Other	Market price	1,981.13	0.00	–	–
Bencao Craft Brewery Company	Rendering of services	Other	Market price	6,612.00	0.00	–	–
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Other	Market price	217.92	0.00	–	–
Subtotal				<u>4,077,092.99</u>	<u>0.61</u>	<u>3,607,598.52</u>	<u>0.54</u>
Total				<u>467,556,579.07</u>	<u>–</u>	<u>490,381,720.64</u>	<u>–</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(2) The Group had no associated trusteeship/Entrusted management for the current year.

(3) Related leases

① The Group as the lessor

Unit: Yuan Currency: RMB

Lessee	Types of leased assets	Rental income recognized in the current period	Lease income recognized in the previous period
Controlling shareholder	Venue for working	215,911.93	211,678.90
Other companies under the same parent company	Venue for working	118,139.46	100,800.01
Joint Venture	Warehouse, Plant	1,889,302.86	1,910,330.51
Associates	Office building	113,630.22	110,437.98

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(3) Related leases (Continued)

② The Group as the lessee

Unit: Yuan Currency: RMB

Lessor	Types of leased assets	Lease costs for simplified short-term leases and low value asset leases		Rent paid	
		Amount incurred in the current period	Amount incurred in the prior period	Amount incurred in the current period	Amount incurred in the prior period
Controlling shareholder	Venue for working, Warehouse	3,352,356.24	1,613,599.33	1,050,050.15	805,960.90
Joint Venture	Venue for working, Warehouse, shops	—	—	1,930,053.21	2,999,468.28
Associates	Venue for working, Warehouse, shops	—	—	6,000.00	6,000.00
		<u>—</u>	<u>—</u>	<u>6,000.00</u>	<u>6,000.00</u>

(cont.)

Interest expense of lease liabilities undertaken		Increased right-of-use assets	
Amount incurred in the current period	Amount incurred in the prior period	Amount incurred in the current period	Amount incurred in the prior period
65,028.44	163,321.79	—	—
72,787.20	111,386.22	3,903,882.78	—
852.26	1,070.24	—	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

5. Related Party Transactions *(Continued)*

- (4) The Group had no guarantee for related parties for the current period.
- (5) The Group had no borrowing or lending between related parties for the current period.
- (6) The Group had no transfer of asset and debt restructuring for the current period.
- (7) Employee benefits of key management personnel

Employee benefits of the Group's key management personnel amounted to RMB1,685,439.20 from Jan to June 2025 (from Jan to June 2024: RMB1,903,761.09). The Group's key management personnel of current year include 12 persons, such as directors, general manager, vice general manager, secretary to the Board and finance director (Jan to June 2024: 12 persons). Among them, 5 received their salaries from the Company (Jan to June 2024: 6 persons).

(8) Other related party transactions

① License Agreement

The Company shall receive a total of RMB80,208.56 (from Jan to June 2024: RMB280,424.97) for the use of the "Wang Lao Ji" series of trademark licenses from Guangzhou HWBYS Great Health from Jan to June 2025.

The Company should receive license fee of "Bai Yun Shan" amounted to RMB258,057.15 from Hua Cheng from Jan to June 2025 (from Jan to June 2024: RMB598,622.58).

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Receivables and Payables of Related Parties

(1) Receivables

Item	Closing Balance		Closing balance of last year	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable financing:				
Yi Xin Tang	307,280.00	–	139,352.18	–
Total	307,280.00	–	139,352.18	–
Receivables Financing:				
HWBYS	–	–	4,122,671.08	–
Yi Xin Tang	8,335,355.09	–	8,322,642.63	–
Kang Mei	8,021,561.61	–	50,600,816.50	–
Baiyunshan Yi Xin Tang	213,719.26	–	49,900.15	–
Total	16,570,635.96	–	63,096,030.36	–
Accounts receivable:				
Baiyunshan Yi Xin Tang	93,793,722.88	938,909.23	40,479,609.04	404,796.11
Kang Mei	53,748,754.32	676,087.57	34,720,694.10	354,892.94
Yi Xin Tang	44,215,827.65	467,425.25	42,302,565.91	442,865.25
Hua Cheng	42,426,824.84	424,268.25	36,818,310.46	368,183.11
HWBYS	40,427,638.65	435,554.32	72,113,611.41	721,136.10
Chengdu Hejian	15,850,633.66	158,506.33	10,188,692.99	101,886.93
Guangzhou Yufeng	1,834,192.98	542,841.14	–	–
Baxter Qiao Guang	745,202.57	7,452.03	136,984.82	1,369.85
GPHL	6,080.00	1,423.80	4,700.00	470.00
GPHL (Macao)				
International Development Industry Co., Ltd.	2,403.00	24.03	2,403.00	24.03
Total	293,051,280.55	3,652,491.95	236,767,571.73	2,395,624.32

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Receivables and Payables of Related Parties (Continued)

(1) Receivables (Continued)

Item	Closing Balance		Closing balance of last year	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Advances to suppliers:				
HWBYS	11,018,596.29	–	4,095,873.07	–
Guangyao Capital	1,762,484.40	–	5,116,328.73	–
Guangzhou Yufeng	604,678.72	–	–	–
Hua Cheng	107,730.00	–	130,993.27	–
Kang Mei	92,973.00	–	24,597.84	–
GPHL (Macao)				
International				
Development Industry				
Co., Ltd.	47,288.00	–	–	–
Baiyunshan Yi Xin Tang	6,000.00	–	–	–
Yi Xin Tang	17.72	–	17.72	–
Total	<u>13,639,768.13</u>	<u>–</u>	<u>9,367,810.63</u>	<u>–</u>
Dividends receivable:				
HWBYS	1,500,000.00	–	1,500,000.00	–
Total	<u>1,500,000.00</u>	<u>–</u>	<u>1,500,000.00</u>	<u>–</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Receivables and Payables of Related Parties (Continued)

(1) Receivables (Continued)

Item	Closing Balance		Closing balance of last year	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables:				
HWBYS	11,287,080.81	–	12,635,093.23	–
Guangzhou Yufeng	505,645.53	–	–	–
Baxter Qiao Guang	425,917.37	–	495,272.69	–
Hua Cheng	223,449.45	–	632,364.73	–
GPHL	239,444.00	–	4,100.00	–
Kang Mei	186,649.76	–	–	–
GPHL (Macao)				
International				
Development Industry				
Co., Ltd.	47,584.38	–	5,720.00	–
Chengdu Hejian	44,978.01	–	34,210.94	–
Baiyunshan Yi Xin Tang	12,354.58	–	–	–
Guangzhou Baiyunshan				
Culture Industry Co.,				
Ltd.	9,828.00	–	–	–
Total	12,982,931.89	–	13,806,761.59	–

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Receivables and Payables of Related Parties (Continued)

(2) Payables

Item	Closing Balance	Closing balance of last year
Notes payable:		
Kang Mei	42,011,800.70	12,742,591.92
HWBYS	2,874,460.00	28,755,882.40
Hua Cheng		514,000.00
Total	44,886,260.70	42,012,474.32
Accounts payable:		
Kang Mei	64,490,810.67	80,083,134.55
Baxter Qiao Guang	11,593,268.06	14,734,945.84
HWBYS	5,313,191.81	16,781,146.81
Yi Xin Tang	3,438,508.86	7,871,914.41
Guangzhou Yufeng	1,693,736.85	–
Baiyunshan Yi Xin Tang	555,401.95	462,309.32
Hua Cheng	240,779.52	51.42
GPHL (Macao) International Development Industry Co., Ltd.	199,175.00	
Chengdu Hejian	115,636.39	218,020.79
Guangzhou Baiyunshan Herbal Craft Beer Company		31,936.92
Total	87,640,509.11	120,183,460.06
Contract liabilities:		
Kang Mei	2,590,631.45	53,358,482.70
GPHL (Macao) International Development Industry Co., Ltd.	1,035,663.72	–
HWBYS	552,030.81	643,623.73
Yi Xin Tang	236,500.73	5,127.27
Guangzhou Dufen Health Industry Co., Ltd.	32,898.27	32,898.27
Hua Cheng	27,122.64	5,185.84
Baiyunshan Yi Xin Tang	2,658.25	138,033.48
Total	4,477,505.87	54,183,351.29

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Receivables and Payables of Related Parties (Continued)

(2) Payables (Continued)

Item	Closing Balance	Closing balance of last year
Other payables:		
HWBYS	25,588,199.41	17,114,999.62
GPHL	18,192,079.04	19,721,453.71
Yi Xin Tang	1,883,048.54	99,360.00
Kang Mei	1,735,987.45	50,000.00
Baxter Qiao Guang	855,600.00	855,600.00
Chengdu Hejian	226,936.40	167,170.33
Guangzhou Yufeng	157,138.70	–
Hua Cheng	–	53,074.20
Total	48,638,989.54	38,061,657.86
Other current liabilities:		
Kang Mei	335,073.25	6,916,456.74
GPHL (Macao) International Development Industry Co., Ltd.	134,636.28	–
Yi Xin Tang	30,691.55	613.01
Baiyunshan Yi Xin Tang	338.11	17,936.89
HWBYS	–	11,907.08
Hua Cheng	–	674.16
Total	500,739.19	6,947,587.88
Other non-current liabilities:		
HWBYS	71,764.00	71,764.00
Guangzhou Dufen Health Industry Co., Ltd.	4,276.78	18,554.34
Kang Mei	1,604.94	20,042.11
Yi Xin Tang	53.53	53.53
Baiyunshan Yi Xin Tang	7.45	7.45
Total	77,706.70	110,421.43

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XIII. COMMITMENTS OR CONTINGENCY

1. Significant Commitments

(1) Capital commitments

Item	Closing balance	Closing balance of last year
Signed but not recognized in the financial statement	—	—
– Commitment on purchasing long-term assets	<u>1,096,307,212.61</u>	<u>1,388,171,452.75</u>
Total	<u>1,096,307,212.61</u>	<u>1,388,171,452.75</u>

(2) As on 30 June 2025, the Group has no unrecognized commitment related to investment in joint ventures.

(3) Other commitments

① Capital expenditures commitments authorized by the management but are not yet contracted for:

Item	Closing balance	Closing balance of last year
Buildings, machineries and equipment	10,749,830,220.64	4,047,678,863.67
Commitments on external investments	<u>—</u>	<u>—</u>
Total	<u>10,749,830,220.64</u>	<u>4,047,678,863.67</u>

② Fulfillment of commitments for the prior year

The Group has fulfilled the capital expenditures and operating lease commitments as on 30 June 2025.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XIII. COMMITMENTS OR CONTINGENCY *(Continued)*

2. Contingencies

(1) Jin Ge income distribution did not reach an agreement

In December 2001, Baiyunshan Pharmaceutical General Factory, Pharmaceutical Technology Company and other units signed the “Agreement”, stipulating that the new drug declaration (sildenafil citrate) change reporting unit is Baiyunshan Pharmaceutical General Factory, Baiyunshan Technology Company, It is determined that Baiyunshan Pharmaceutical General Factory is a production unit, and Baiyunshan Technology Company owns all the property rights and benefits of applying for new drugs. In 2003, Baiyunshan Pharmaceutical General Factory and Baiyunshan Technology Company obtained the new drug certificate. Due to the influence of the patent protection period of the original research drug, Baiyunshan Pharmaceutical General Factory failed to obtain the production approval and was not actually put into production.

In 2012, Baiyunshan Pharmaceutical Factory restarted the registration of the production of sildenafil citrate tablets. After investing a lot of manpower and resources, Baiyunshan Pharmaceutical Factory and Guangzhou Baiyunshan Pharmaceutical Group Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory (“Baiyunshan Chemical Pharmaceutical Factory” obtained the production batch of sildenafil citrate tablets and the production batch of raw materials in July 2014 and August 2014 respectively.

After obtaining the production approval of sildenafil citrate tablet, Baiyunshan Pharmaceutical Factory obtained several patents such as Jin Ge pink tablets (BYS) and sildenafil citrate raw materials. The trademark “Jin Ge” registered by Baiyunshan Pharmaceutical General Factory was approved as the drug product name, and the “Jin Ge” trademark was exclusively owned by the company. At the first shareholder meeting and the fifth board meeting of Baiyunshan Technology Co., Ltd. in 2015, Beijing Kangyeyuan proposed to sell the Baiyunshan Pharmaceutical General Factory in order not to affect the marketing of the products. Regarding the issue of Jin Ge’s rights and interests, between the shareholders of the two sides, Baiyunshan Technology Co., Ltd. and Baiyunshan Pharmaceutical General Factory need to discuss and finalize. Baiyunshan Pharmaceutical Factory has carried out a large amount of market research, marketing planning, channel investment and brand building work for Jin Ge’s sales. Jin Ge has achieved good sales performance since its listing.

Affected by changes in the patent protection period of the original research drug and the actual cooperation mode between the two parties, in view of the different contributions of the parties in the process of research and development, production and operation of Jin Ge, in order to safeguard the interests of all parties, avoid the impact of income distribution disputes on Jin Ge’s good development trend, the representatives of the two shareholders have conducted many consultations on Jin Ge’s property rights and benefits, but the two sides have not been able to reach an agreement.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XIII. COMMITMENTS OR CONTINGENCY *(Continued)*

2. Contingencies *(Continued)*

(1) Jin Ge income distribution did not reach an agreement *(Continued)*

On December 30, 2021, Baiyunshan Pharmaceutical General Factory sued Baiyunshan Technology Co., Ltd., requesting the judgment to confirm the distribution proportion of the gross profit of Jin Ge pharmaceutical sales. As of the reporting date, the lawsuit has been dismissed.

In terms of related income distribution, Baiyunshan Pharmaceutical General Factory has reasonably estimated the Company's due income based on the contribution of Baiyunshan Technology Co., Ltd. to Jin Ge, and made corresponding provisions, but the shareholders of both parties have not yet reached the income distribution. Consensus, the Company is temporarily unable to calculate the specific impact of the company's current or future profits.

(2) Please refer to Note XV 8 (1) for contingencies related to litigation.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

- (1) On August 15, 2025, the Company's 28th meeting of the Ninth Board of Directors and the 14th meeting of the Ninth Board of Supervisors approved the following profit distribution resolution: based on the Company's total share capital of 1,625,790,949 shares as of June 30, 2025, a cash dividend of RMB0.40 per share (inclusive of tax) will be distributed, totaling RMB650,316,379.60.
- (2) On August 11, 2025, the Company's controlling subsidiary, the Pharmaceutical Company, completed the issuance of "Guangzhou Pharmaceutical Co., Ltd. 2025 First Tranche of Medium-Term Notes" in the National Interbank Bond Market, with an issuance size of RMB600 million, a tenor of three years, and a coupon rate of 1.89%.

XV. OTHER SIGNIFICANT MATTERS

1. Prior Period Accounting Errors

Nil

2. Debt restructuring

Nil.

3. Asset replacement

(1) Non-monetary asset exchange

Nil.

(2) Other asset replacement

Nil.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

4. Annuity plan

Nil.

5. Termination of operations

Nil.

6. Information of Segments

(1) Recognition Basis and Accounting Policies for Reporting Segments

With the strategic management and business development, the Group basically completed the industrial chain layout and internal structure of 4 sectors in 2015, including “Great Southern TCM”, “Great Commerce”, “Great Health”, “Great Medical Care”. According to the requirements of regulatory laws, regulations and company management, four major sectors are identified as operating segments. As the business scale of “Great Medical Care” is lower than 10%, this segment is temporarily listed in “Others” column. Segment information is as follows:

- Great Southern TCM segment: research, development, manufacturing and sales for Chinese and Western medicine, chemical raw medicine, natural drug, biological medicine and intermediates of chemical raw medicine;
- Great Health segment: research, development, manufacturing and sales for the products of Great Health;
- Great Commerce segment: wholesale, retail, import and export for Western medicine, Chinese medicine and medical apparatus and instruments.

Price transfer between segments is carried out in accordance with the price policy of sales to third party.

Assets and liabilities are allocated based on the segment operations expenses attributable indirectly to each segment are allocated among segments based on the portion of revenue.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments

- ① The segment information for the 6 months ended 30 June 2025 and as of 30 June 2025 is as follows:

Item	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	5,294,414,393.80	7,026,066,751.10	29,063,050,627.74	451,014,341.17		41,834,546,113.81
Inter-segment revenue	135,572,384.80	23,569,604.92	3,339,027,069.91	199,540,498.94	(3,697,709,558.57)	
Interest income	(12,562,272.32)	(33,378,646.36)	(26,325,114.87)	(12,530,384.29)		(84,796,417.84)
Interest expenses	7,712,021.17	4,197,871.48	191,091,964.32	1,620,456.67	(621,214.67)	204,001,098.97
Income from investments in associates and joint ventures	(643,529.26)		120,920.85	(11,554,504.73)	403,479.77	(11,673,633.37)
Impairment losses in respect of credit	(1,192,433.21)	(4,460.60)	(128,994,080.57)	(7,652,907.83)	(10,465,652.89)	(148,309,535.10)
Impairment losses in respect of assets	(371,168.65)		(2,410,995.00)	1,243.50	(4,006,392.61)	(6,787,312.76)
Depreciation and amortization expenses	189,324,080.67	44,218,198.67	206,881,923.44	41,131,426.11	(3,341,331.73)	478,214,297.15
Total profit	981,918,823.97	1,581,480,385.42	345,801,298.06	353,903,292.17	(172,687,470.51)	3,090,416,329.11
Total assets	19,013,770,175.06	17,344,599,582.17	41,896,748,565.15	29,210,713,090.47	(25,046,176,361.01)	82,419,655,051.84
Total liabilities	8,301,129,318.79	4,725,951,399.97	33,203,002,658.19	8,288,773,227.97	(11,910,435,720.60)	42,608,420,884.32
Long-term equity investment in associates and joint ventures	37,513,054.80		16,942,139.13	1,514,428,352.41		1,568,883,546.34
Increase in other non-current assets excluding long-term equity investment	202,750,365.13	88,232,117.84	282,135,439.74	138,884,816.38		712,002,739.09

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments (Continued)

- ② The segment information for the 6 months ended 30 June 2024 and as of 31 December 2024 is as follows:

Item	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	6,230,726,779.76	6,544,712,198.86	27,863,107,680.59	404,268,428.74		41,042,815,087.95
Inter-segment revenue	181,818,372.29	19,162,126.82	3,826,232,373.33	215,116,338.52	(4,242,329,210.96)	
Interest income	(45,270,421.71)	(162,681,233.27)	(35,914,342.31)	(34,089,971.71)	(203,646.53)	(278,159,615.53)
Interest expenses	8,106,799.77	4,815,977.07	199,262,647.40	4,072,977.46	(2,912,259.31)	213,346,142.39
Income from investments in associates and joint ventures	(705,677.66)		39,070.36	11,275,200.90	500,548.98	11,109,142.58
Impairment losses in respect of credit	(4,264,152.71)	(5,455.75)	(71,666,733.43)	(3,531,951.10)	(2,660,269.52)	(82,128,562.51)
Impairment losses in respect of assets	598,648.21		3,041,984.37	19,687.68	(4,976,606.45)	(1,316,286.19)
Depreciation and amortization expenses	161,134,480.00	41,346,425.15	219,454,685.52	36,943,721.03	(166,272.98)	458,713,038.72
Total profit	1,159,446,690.63	1,388,186,444.19	467,840,515.98	312,651,410.87	(98,721,684.95)	3,229,403,376.72
Total assets	18,669,486,394.06	19,817,808,509.13	38,626,592,836.07	28,227,254,816.08	(23,657,531,034.70)	81,683,611,520.64
Total liabilities	8,575,125,567.53	8,514,220,364.32	30,186,789,785.36	7,435,325,015.77	(10,797,484,958.73)	43,913,975,774.25
Long-term equity investment in associates and joint ventures	38,156,584.06		16,818,971.39	1,452,283,518.49		1,507,259,073.94
Increase in other non-current assets excluding long-term equity investment	440,467,024.01	37,592,807.39	160,943,244.87	122,414,033.44		761,417,109.71

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments (Continued)

- ③ The Group's total revenue from external customers in the PRC and other countries/regions, and the total non-current assets other than financial assets and deferred tax assets located in the PRC and other countries/regions are summarized as follows:

Item	Current period	Previous period
External revenue:		
PRC	41,712,637,205.18	40,902,828,526.36
Other countries/regions	121,908,908.63	139,986,561.59
Total	<u>41,834,546,113.81</u>	<u>41,042,815,087.95</u>

(cont.)

Item	Closing balance	Closing balance of last year
Total non-current assets:		
PRC	14,119,891,372.78	14,008,601,389.74
Other countries/regions	12,776,199.08	13,272,044.38
Total	<u>14,132,667,571.86</u>	<u>14,021,873,434.12</u>

7. Other significant transactions and matters that impact investor decisions

Nil.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters

(1) Litigations of the Group

(1) Legal matters involving the Group and its subsidiary companies

① Litigations to the Group Subsidiary G

(a) Litigation matters involved in Beijing Da'en Shengge Trading Co., Ltd

Litigant	Plaintiff: Beijing Da'en Shengge Trading Co., Ltd. (one minority shareholder of Subsidiary G)

Defendant: Subsidiary G

Case facts	On February 8, 2022, Beijing Da'en Shengge Trading Co., Ltd. (the minority shareholder of Subsidiary G) believed that Subsidiary G abused its position as a major shareholder to infringe its rights and interests. The case involved an amount of RMB23,401.50 thousand and related interests. On August 19, 2022, the People's Court of Gulou District, Fuzhou City, Fujian Province made a first-instance judgment, filed an appeal on August 30, 2022, and the second-instance judgment has been made. On June 5, 2023, an application for retrial was submitted to the Higher People's Court of Fujian Province. On December 18, 2023, received the notice of acceptance of retrial from the retrial court. A retrial review was conducted on September 4, 2024. On December 4, 2024, a subpoena from the High Court was received, and the case was heard on January 3, 2025, pending judgment. On 8 May 2025, the Company received a second hearing summons from the Higher People's Court, and the case was heard on 20 May 2025. On 13 August 2025, the Company received the judgment from the Higher People's Court.

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For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(1) Legal matters involving the Group and its subsidiary companies *(Continued)*

① Litigations to the Group Subsidiary G *(Continued)*

(a) Litigation matters involved in Beijing Da'en Shengge Trading Co., Ltd *(Continued)*

The main content of the court decision	The retrial judgment was as follows: 1. The second-instance judgment and items (1) and (3) of the first-instance judgment were revoked; 2. Item (2) of the first-instance judgment was upheld: the third party to the case, Sub-Subsidiary G Company, shall pay attorney fees of RMB150,000 to Beijing Daen Shengge Trading Co., Ltd.; 3. Subsidiary G shall pay RMB780,100 and a fund occupation fee to Sub-subsidiary G Company; 4. The other original claims of the plaintiff were dismissed.
The legal responsibilities for the Company or its subsidiaries	According to the retrial judgment, Subsidiary G is legally liable to pay RMB780,100 as well as the related fund occupation fee.
The impact on the Company's operation and finance	As at the reporting date, Subsidiary G had fulfilled its payment obligations in accordance with the judgment. This litigation will not have any material adverse impact on the Company's production and operations, financial position, or future development.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(1) Legal matters involving the Group and its subsidiary companies (Continued)

① Litigations to the Group Subsidiary G (Continued)

(b) Litigation matters involved in Zhongshan Pharmaceutical Co., Ltd

Litigant	Plaintiff: Zhongshan Pharmaceutical Co., Ltd. (Zhongshan Pharmaceutical)

Defendant: Subsidiary G

Case facts	On September 22, 2022, Subsidiary G received a notice from the arbitration tribunal. According to the content of the arbitration application received, the claimant believed that the two parties had signed the agreement. According to the contract, Subsidiary G should pay its compensation of RMB73,763.30 thousand and bear the arbitration fee of the case. The case was heard in the Nansha Hong Kong court room of the Guangzhou Arbitration Commission on October 26, 2022. On October 26, the trial was held as scheduled. On November 16, 2023, received an arbitral tribunal ruling that disagreed with the exchange using self-owned property. Subsidiary G objected to this and applied for reconsideration on November 16, 2023. On November 23, 2023, received the reconsideration ruling, which was a dismissal from the Liwan District People's Court. On December 15, 2023, Subsidiary G applied to the court for objection to the property seizure, but on February 23, 2024, received a ruling from the Liwan Court deeming it unsubstantiated and dismissing it. On February 26, 2024, applied to the arbitral tribunal for reconsideration. On June 21, 2024, the arbitration tribunal extended the deadline for presenting evidence in the case to July 18, 2024.

Notes to the Financial Statements

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(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(1) Legal matters involving the Group and its subsidiary companies (Continued)

① Litigations to the Group Subsidiary G (Continued)

(b) Litigation matters involved in Zhongshan Pharmaceutical Co., Ltd (Continued)

On November 15, 2024, a cross-examination notice was received from the arbitration commission, requiring a cross-examination within 5 days regarding the pharmaceutical procurement amount statistics table requested by Zhongshan Pharma for court retrieval. A response with cross-examination opinions was submitted on November 19, 2024. On 28 April 2025, Subsidiary G received an arbitral award from the arbitration commission, ruling that the applicant's arbitration claims were not supported. On 7 May 2025, Subsidiary G sent an application letter to the arbitration commission requesting it to issue a letter for the lifting of the asset freeze. On 16 May 2025, the Company received the application materials from Zhongshan Pharmaceutical submitted to the Guangzhou Intermediate People's Court, applying for the annulment of the arbitral award. On 30 May 2025, the Company received a ruling from the Intermediate People's Court, dismissing Zhongshan Pharmaceutical's application for annulment. On 15 July 2025, the Company received a court ruling to lift the freeze on RMB73,763,300 of Subsidiary G's assets imposed at the request of Zhongshan Pharmaceutical.

The main content of the court decision	Ruled to dismiss the applicant's arbitration claims
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, the case had been adjudicated, and the defendant, Subsidiary G, was not held legally liable.
The impact on the Company's operation and finance	As of the reporting date, the case had been adjudicated, the frozen monetary funds had been unfrozen, and there were no pending matters.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(1) Legal matters involving the Group and its subsidiary companies (Continued)

① Litigations to the Group Subsidiary G (Continued)

(c) Litigation matters involved in Zhongshan Pharmaceutical Co., Ltd

Litigant	Plaintiff: Zhongshan Pharmaceutical Co., Ltd. (Zhongshan Pharmaceutical)

Defendant: Subsidiary G

Case facts	Zhongshan Pharma and G subsidiary were previously engaged in a sales contract relationship. From August 2018 to May 2020, Zhongshan Pharma made cumulative payments of RMB41,564.00 thousand to Subsidiary G, claiming that these payments were made on behalf of Lianhe Yatai for goods procurement. However, in the lawsuit between Subsidiary G and Lianhe Yatai, the court did not support Zhongshan Pharma's claim, leading Zhongshan Pharma to file a lawsuit.

On November 7, 2024, Subsidiary G received the lawsuit materials from Zhongshan Pharma, which demands the refund of RMB41,564.00 thousand along with corresponding interest and litigation costs. On 14 May 2025, Subsidiary G received a court summons for a case scheduled to be heard on 8 August 2025. On 26 June 2025, the bank accounts under the name of Subsidiary G were frozen up to a limit of RMB41,563,000, with the actual amount frozen being RMB41,563,000. The freezing period is one year, from 25 June 2025 to 25 June 2026. Subsidiary G has engaged legal counsel to file an objection. The case was heard on 8 August 2025 and is pending judgment.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(1) Legal matters involving the Group and its subsidiary companies *(Continued)*

① Litigations to the Group Subsidiary G *(Continued)*

(c) Litigation matters involved in Zhongshan Pharmaceutical Co., Ltd *(Continued)*

The main content of the court decision	The case has not yet been judged.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, the case is still under trial, and whether the defendant Subsidiary G needs to bear legal liability has yet to be decided by the court.
The impact on the Company's operation and finance	As of the reporting date, monetary funds of RMB41,563,000 in the bank accounts of Subsidiary G remained frozen. The management of Subsidiary G has assessed the case and considers the risk of incurring a loss to be low.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(1) Legal matters involving the Group and its subsidiary companies (Continued)

① Litigations to the Group Subsidiary G (Continued)

(d) Litigation matters involved in Jimei Construction Equipment Technology Co., Ltd.

Litigant	Plaintiff: Jimei Construction Equipment Technology Co., Ltd.(Jimei)

	Defendant: Subsidiary G

Case facts	On February 28, 2023, received the opposing party's lawsuit materials. According to the complaint, the opposing party alleges that Subsidiary G owes them service fees of RMB11,290.50 thousand performance guarantee of RMB3,079.30 thousand, and requests payment of liquidated damages totaling RMB1,997.40 thousand (as of August 22, 2022). The case was heard on March 20, 2023 at the Liwan District People's Court in Guangzhou. On the day of the hearing, Subsidiary G filed a counterclaim. Another hearing was scheduled for October 16, 2023. The first-instance judgment was issued on May 30, 2024. On June 11, 2024, Subsidiary G filed an appeal with the court. On July 12, 2024, a notice of acceptance and a court summons for the second-instance trial were received. The second-instance trial was held on August 6, 2024, and the second-instance judgment was received on February 18, 2025. On 22 May 2025, the court debited RMB14,369,700 in enforcement proceeds from the bank accounts of Subsidiary G. On 3 March 2025, Subsidiary G had applied for compulsory enforcement, and the court had accepted the application. As at the reporting date, Subsidiary G had received value-added tax invoices totalling RMB14,939,300 issued by Jimei, while the remaining amount had not yet been invoiced.

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XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(1) Legal matters involving the Group and its subsidiary companies (Continued)

① Litigations to the Group Subsidiary G (Continued)

(d) Litigation matters involved in Jimei Construction Equipment Technology Co., Ltd. (Continued)

The main content of the court decision	On May 30, 2024, the first-instance judgment was received, which ordered Subsidiary G to pay service fees of RMB11,290.50 thousand, performance bond of RMB3,079.30 thousand and penalty. The court dismissed the plaintiff's other claims and also rejected Subsidiary G's additional claims. On June 11, 2024, Subsidiary G filed an appeal with the court.

On February 18, 2025, the second-instance judgment was received, ruling that the plaintiff must issue a value-added tax (VAT) invoice for service fees amounting to RMB46,439.30 thousand to Subsidiary G. The court revoked the first-instance judgment that required Subsidiary G to bear late payment penalties, while all other claims were upheld.

The legal responsibilities for the Company or its subsidiaries	As of the reporting date, the second-instance judgment in this case has been rendered but not yet fully executed, and the final ruling has not yet been issued.

The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary G has assessed the case and has made accounting entries as required, with corresponding liabilities expected. In April 2023, Subsidiary G received a Civil Ruling and a Property Preservation Notice regarding the applicant's request for the seizure of Subsidiary G's assets. The court has seized 18.4% of the shares of Jian Min Pharmaceutical held by Subsidiary G, with a freezing period of three years, from April 28, 2023, to April 27, 2026. On 3 June 2025, G Subsidiary submitted an application to the court for the release of the equity freeze. As at the reporting date, Subsidiary G had fulfilled its payment obligations in accordance with the judgment. This litigation will not have any material adverse impact on the Company's production and operations, financial position, or future development.

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(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(1) Legal matters involving the Group and its subsidiary companies (Continued)

① Litigations to the Group Subsidiary G (Continued)

(e) Litigation matters involved in Shanxi Taoyunshang Information Technology Co., Ltd.

Litigant Plaintiff: Shanxi Taoyunshang Information Technology Co., Ltd.

Defendant: Subsidiary G

Case facts On December 28, 2020, both parties signed the Capital Increase and Equity Expansion Agreement, and the industrial and commercial registration procedures for the equity transfer were completed on December 31, 2020. Shanxi Taoyunshang claims that Subsidiary G leveraged its dominant position at the time of contract signing to force it into a three-year performance commitment (as stipulated in Article 4 of the Capital Increase and Equity Expansion Agreement) and to pay compensation for unmet performance targets. The plaintiff argues that the rights and obligations stipulated in the agreement are significantly unbalanced and manifestly unfair.

Shanxi Taoyunshang has filed a lawsuit requesting the court to revoke the performance compensation clause (Article 4) in the Capital Increase and Equity Expansion Agreement on the grounds of unfairness.

On August 16, 2024, a summons and lawsuit materials were received from the Guangzhou Liwan District People's Court. Another court summons was received on December 27, 2024, and the case is scheduled for trial on April 8, 2025.

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(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(1) Legal matters involving the Group and its subsidiary companies *(Continued)*

① Litigations to the Group Subsidiary G *(Continued)*

(e) Litigation matters involved in Shanxi Taoyunshang Information Technology Co., Ltd. *(Continued)*

On 28 March 2025, as the opposing party failed to pay the litigation fee, the scheduled court hearing was cancelled and the case was treated as withdrawn. On 31 March 2025, the Company received the court's ruling on the withdrawal of the case.

The main content of the court decision	Issued a ruling on the withdrawal of the case

The legal responsibilities for the Company or its subsidiaries	As of the reporting date, the case has been ruled as withdrawn, and the defendant, Subsidiary G, is not held legally liable.

The impact on the Company's operation and finance	As of the reporting date, the case has been ruled as withdrawn and will not have any material adverse impact on the Company's production and operations, financial position, or future development.

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(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(1) Legal matters involving the Group and its subsidiary companies (Continued)

① Litigations to the Group Subsidiary G (Continued)

(f) Litigation matters involved in Hebei Enpu Pharmaceutical Logistics Co., Ltd.

Litigant	Plaintiff: Hebei Enpu Pharmaceutical Logistics Co., Ltd.

	Defendant: Sub-subsidiary P (Subsidiary G is parent company)

Case facts	On November 29, 2024, the opposing party's lawsuit materials were received. According to the statement of claim, both parties signed a sales contract for sodium bicarbonate on March 15, 2024, with a total contract value of RMB14,700 thousand. The contract stipulated that the plaintiff would pay 30% of the contract amount as a deposit, and Sub-subsidiary P would deliver the goods within 105 working days after receiving the deposit. After signing the contract, the plaintiff made a deposit payment of RMB4,410.00 thousand to Sub-subsidiary P via electronic bank acceptance draft, as per the contract terms. The plaintiff has now filed a lawsuit against Sub-subsidiary P, claiming that it is unable to fulfill its contractual obligations and demanding: A refund of the remaining double deposit amounting to RMB1.88 million, A refund of the advance payment of RMB1.47 million, Compensation for fund occupation interest of RMB17,100.

On December 3, 2024, a summons and lawsuit materials were received from Zhengding County People's Court.

The court hearing was held on December 17, 2024, during which Sub-subsidiary P filed a counterclaim and conducted an on-the-spot investigation. On June 18, 2025, the Company received the first-instance judgment. Dissatisfied with the judgment, Sub-subsidiary P has filed an appeal.

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(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(1) Legal matters involving the Group and its subsidiary companies *(Continued)*

① Litigations to the Group Subsidiary G *(Continued)*

(f) Litigation matters involved in Hebei Enpu Pharmaceutical Logistics Co., Ltd. *(Continued)*

The main content of the court decision	The first-instance judgment ordered the defendant (counterclaim plaintiff), Sub-subsidiary P, to refund the plaintiff (counterclaim defendant) a deposit of RMB2,940,000, dismissed the plaintiff's (counterclaim defendant's) other claims, and rejected the defendant's (counterclaim plaintiff's) claims.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, Sub-subsidiary P is required to pay RMB2,940,000 and a portion of the court fees in accordance with the first-instance judgment. Sub-subsidiary P has appealed the judgment.
The impact on the Company's operation and finance	As of the reporting date, Sub-subsidiary P has fully refunded the deposit of RMB4,410.00 thousand prepaid by the plaintiff, and RMB3,450.00 thousand in its bank account remains restricted and frozen. The management has evaluated the situation and concluded that the litigation will not have a material adverse impact on the Company's production, operations, financial condition, or future development.

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(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(1) Legal matters involving the Group and its subsidiary companies (Continued)

② Litigations to the Group Subsidiary U

Litigant	Plaintiff: Sichuan Guojing Xinlian Supply Chain Management Co., Ltd. Defendant: Subsidiary U
Case facts	The plaintiff signed a 'Product Purchase Contract' with Sub-subsidiary U, purchasing goods such as eight-treasure porridge, peanut drinks, and nut drinks. After the plaintiff made the payment, Subsidiary U gradually supplied the goods. According to the reconciliation between both parties, Subsidiary U confirmed in writing that as of April 5, 2023, goods valued at RMB4,082.00 thousand had not yet been supplied to the plaintiff. The plaintiff sent a letter to Subsidiary U requesting the fulfillment of the remaining supply obligation. Due to disputes over contract performance and the involvement of a third party, on February 4, 2024, the plaintiff filed a lawsuit with the Jin Niu District People's Court in Chengdu. Xinlian Company has appealed the first-instance judgment, and the case is awaiting the second-instance ruling.
The main content of the court decision	First-instance judgment: The plaintiff insisted on asserting claims based on a sales contract relationship, seeking to terminate the disputed sales contract, have the defendant refund the payment, and assume corresponding liability for breach of contract. However, the Chengdu Jinniu District People's Court found that these claims lacked factual and legal basis and did not support them.
The legal responsibilities for the Company or its subsidiaries	The case has not yet been decided, and it remains to be seen whether the defendant, Subsidiary U, will be held legally responsible, pending the court's judgment.
The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary U has assessed the case and recognized the corresponding liabilities for the payment obligations they are expected to fulfill.

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(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(1) Legal matters involving the Group and its subsidiary companies *(Continued)*

③ Litigations to the Group Subsidiary V

Litigant	Plaintiff: Shenzhen Keyuan Construction Group Co., Ltd. Defendant: Subsidiary V
Case facts	On April 1, 2024, Shenzhen Keyuan Construction Group Co., Ltd. filed a lawsuit with the Baiyun District People's Court in Guangzhou, requesting Subsidiary V to pay RMB2,500.20 thousand for project fees and overdue interest, and to compensate the plaintiff RMB28.00 thousand for reasonable legal expenses.
The main content of the court decision	The judicial appraisal of construction cost is in progress. Has not yet been heard.
The legal responsibilities for the Company or its subsidiaries	The case has not yet been heard. It remains to be seen whether the defendant, Subsidiary V, will be held legally responsible, pending the court's judgment.
The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary V has assessed the case and recognized the corresponding liabilities for the payment obligations they are expected to fulfill.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries

① Matters sued by the Group Subsidiary G

- (a) Litigation involving Zhongshan Pharmaceutical Co., Ltd., Lianhe Yatai Food Medicine Logistics incorporated Company, Guangdong Sancai Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd.

Litigant

Plaintiff: Subsidiary G

Defendant: Zhongshan Pharmaceutical Co., Ltd. ("Zhongshan"), Lianhe Yatai Food Medicine Logistics incorporated Company ("Yatai"), Guangdong Sancai Pharmaceutical (Group) Ltd. ("Sancai"), Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. ("Sancai Shiqi")

Case facts

On 27 December 2021, Subsidiary G filed a case against Zhongshan for the unpaid commercial bill of RMB129,653.30 thousand and the interest, and requested that Yatai, Sancai and Sancai Shiqi to assume joint liability. On July 19, 2022, resubmit the property preservation application as required by the court. In August 2022, the court ruled that the case should be changed from summary procedure to ordinary procedure. On September 29, 2022, the court issued a Notice of Property Preservation, freezing the equity interest of RMB5 million held by Zhongshan Pharmaceutical in Sancai Shiqi. The value of the preserved property is RMB5 million, and the preservation period is from August 30, 2022 to August 29, 2025. On June 21, 2023, Subsidiary G received a first-instance court judgment. Zhongshan Pharmaceuticals filed an appeal. The second-instance trial began on November 20, 2023, and on January 17, 2024, the second-instance judgment upheld the original judgment. Subsidiary G applied for execution from the court on January 29, 2024. On May 9, 2024, the application for retrial submitted by Zhongshan Pharmaceutical was received. On June 27, 2025, the Guangdong High People's Court issued a ruling on Zhongshan Pharmaceutical's application for retrial, rejecting the application. On July 2, 2025, Subsidiary G applied to the court for an extension of the freeze on the equity interest of the opposing party, which is set to expire on August 29, 2025.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (a) Litigation involving Zhongshan Pharmaceutical Co., Ltd., Lianhe Yatai Food Medicine Logistics incorporated Company, Guangdong Sancai Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. *(Continued)*

The main content of the court decision	On June 21, 2023, the court of first instance received a judgment, which ruled that the defendant Zhongshan Pharmaceutical Co., Ltd. should pay RMB129,653.30 thousand and overdue interest within 7 days of the judgment taking effect. The defendant Guangdong Sancai Pharmaceutical Group Co., Ltd. shall bear joint and several liability and reject the plaintiff's other claims. On January 17, 2024, the second instance upheld the original verdict and rejected Zhongshan Pharmaceutical's appeal. Subsidiary G has applied to the court for execution on January 29, 2024.

The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance	As of the reporting date, the management, based on the business conditions of the company and the defendant, and based on the principle of prudence, has made individual provision for bad debts in full for the relevant amounts.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (b) Litigation involving Lianhe Yatai Food Medicine Logistics incorporated Company, Zhongshan Pharmaceutical Co., Ltd., Guangdong Sancai Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd.

Litigant

Plaintiff: Subsidiary G

Defendant: Lianhe Yatai Food Medicine Logistics incorporated Company ("Yatai"), Zhongshan Pharmaceutical Co., Ltd. ("Zhongshan"), Guangdong Sancai Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd.

Case facts

On 24 December 2021, Subsidiary G filed a case against Yatai for the unpaid commercial bill of RMB73,263.00 thousand and the interest (Yatai Notes Case). The case opened on May 5, 2022, and received the court's first-instance judgment on August 29, 2023. The defendant Yatai Foods paid the plaintiff a bill of MB 73,263.00 thousand and interest within ten days from the date of the judgment, and rejected the plaintiff's other claims. On December 26, 2023, the second instance upheld the original verdict and dismissed the appeal. Apply to the court for enforcement on January 10, 2024. On January 25, 2024, I received the acceptance notice from the court for the execution. On April 1, 2024, the retrial application from Asia-Pacific was received, and the case is under review by the Guangdong High Court. On June 6, 2024, the court issued an enforcement ruling, stating that, aside from the 115.00 thousand RMB available for enforcement, no other assets were available for execution. On June 11, 2024, 115.00 thousand RMB was received from the court as enforcement payment. On October 17, 2024, the Guangdong High People's Court issued a ruling rejecting Lianhe Yatai Company's retrial application. On January 3, 2025, Subsidiary G applied to the court for an extension of the asset preservation order. On February 6, 2025, Subsidiary G received a court notification via SMS confirming that the preservation period had been extended until January 25, 2026.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(2) *Matters sued by the Group and its Subsidiaries (Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (b) Litigation involving Lianhe Yatai Food Medicine Logistics incorporated Company, Zhongshan Pharmaceutical Co., Ltd., Guangdong Sancai Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. *(Continued)*

On February 20, 2025, Subsidiary G applied to the court for the transfer of the execution funds to its account. On March 4, 2025, Subsidiary G submitted an application to the court to extend the preservation of accounts set to expire in April 2025. On July 18, 2025, the company received RMB18,500 in enforcement proceeds from the court. On January 26, 2022, Subsidiary G sued Yatai Food, requesting payment of RMB72,603.70 thousand and related interest, and requiring Zhongshan Pharmaceutical, Sancai Pharmaceutical, and Sancai Shiqi to bear joint and several liability. (Yatai Sales Contract Case). On May 16, 2023, the first-instance judgment was received from the Liwan Court. Except for the joint and several liability part, the court ruled in favor of subsidiary's litigation claims. On June 2, 2023, Subsidiary G received the appeal letter from the other party. The second-instance judgment was received on October 27, 2023. The second-instance judgment rejected the appeal and upheld the original judgment. The judgment has taken effect. The defendant did not take the initiative to perform within the performance period, and our company has applied to the court for compulsory execution. The amount applied for execution is RMB93,173.00 thousand. On November 22, 2023, I received the court's execution acceptance notice. On February 4, 2024, Lianhe Yatai applied for retrial, and the Guangdong High Court ruled for review. On September 5, 2024, the Guangdong High People's Court issued a civil ruling rejecting Lianhe Yatai Company's retrial application. On January 3, 2025, an application was submitted to the court to extend the asset preservation order until February 5, 2026.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (b) Litigation involving Lianhe Yatai Food Medicine Logistics incorporated Company, Zhongshan Pharmaceutical Co., Ltd., Guangdong Sancai Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. (Continued)

The main content of the court decision	On August 29, 2023, the court received the first-instance judgment. The defendant Yatai Foods paid the plaintiff the bill amount of RMB73,263.00 thousand and interest within ten days from the date of the judgment taking effect, and rejected the plaintiff's other claims. The second-instance judgment was received on December 26, 2023. The second-instance judgment was upheld and the appeal was dismissed. The Yatai Sales Contract case received the first-instance judgment on May 16, 2023, which ruled that the defendant should pay Subsidiary G a payment of RMB72,603.70 thousand and related interest, and rejected Subsidiary G's other claims. The second-instance judgment was received on October 27, 2023. The second-instance judgment rejected the appeal and upheld the original judgment.

The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance	As of the reporting date, the management, based on the business conditions of the company and the defendant, and based on the principle of prudence, has made individual provision for bad debts in full for the relevant amounts.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (c) Litigation involving Guangzhou Caishen Custom clothing supply chain management Co., Ltd, Guangzhou Feite Network Technology Co., Ltd.

Litigant Plaintiff: Subsidiary G

Defendant: Guangzhou Caishen Custom clothing supply chain management Co., Ltd, Guangzhou Feite Network Technology Co., Ltd.

Case facts On February 21, 2022, Subsidiary G sued Guangzhou Caishen Custom clothing supply chain management Co., Ltd. and Guangzhou Feite Network Technology Co., Ltd. for return and refund on the ground that the goods supplied by the supplier had quality problems. The amount involved in the case was RMB12,236.70 thousand and relevant interests.

The first-instance judgment was received on May 11, 2023, and the defendant was ordered to pay RMB2,805.80 thousand and interest, and other claims were dismissed. Subsidiary G filed an appeal and received the acceptance notice and summons from the second-instance court on July 24, 2023. The case was heard on October 11, 2023. On April 7, 2024, the court made a second-instance judgment. On April 19, 2024, a notice of acceptance for execution was received from the court. On May 15, 2024, an application to participate in the distribution was submitted to the court. On July 26, 2024, the court issued a Final Enforcement Ruling. On August 7, 2024, Subsidiary G received a court execution payment of RMB924.60 thousand. On December 5, 2024, the Police destroyed the related goods.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (c) Litigation involving Guangzhou Caishen Custom clothing supply chain management Co., Ltd, Guangzhou Feite Network Technology Co., Ltd. (Continued)

On April 17, 2025, materials regarding the declaration of claims in the bankruptcy proceedings of Feite Company were received, and a lawyer was engaged to file the declaration on behalf of the company. On May 14, 2025, a Notice of Preliminary Review Opinion on Claims was received from the bankruptcy administrator of Feite Company, confirming the claim amount as RMB13,293.3 thousand. This amount is lower than the amount recognized by the bankruptcy administrator of Caishen Company. Subsidiary G has engaged a lawyer to file an objection.

The main content of the court decision	The second-instance judgment ordered Guangzhou Caishen Custom Clothing Supply Chain Management Co., Ltd. to return the goods payment of RMB12,236.70 thousand and interest. Guangzhou Feite Network Technology Co., Ltd. is held jointly liable for the judgment. Other claims are dismissed.

The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary G has assessed the case situation and estimated that the risk of additional losses is low.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (d) Litigation involving Guangzhou Weini Technology Development Co., Ltd.

Litigant

Plaintiff: Subsidiary G

Defendant: Guangzhou Weini Technology Development Co., Ltd.

Case facts

On February 21, 2022, Subsidiary G sued Guangzhou Weini Technology Development Co., Ltd. for return and refund on the ground that the goods supplied by the supplier had quality problems. The case involved RMB3,026.70 thousand and relevant interests. On March 11, 2022, an application was made for property preservation. The first-instance judgment was received on April 10, 2023. The court rejected all Subsidiary G's claims, and Subsidiary G has filed an appeal. On April 19, 2023, Subsidiary G applied to the court for renewal of seal. The renewal notice was received on May 8, 2023, and the renewal period will be until April 25, 2024. A summons for the second instance was received on June 20, 2023, and the case was heard on July 6, 2023. The second-instance judgment was received on December 21, 2023. The second-instance judgment was upheld and the appeal was dismissed. On May 31, 2024, a petition for retrial was submitted to the Guangdong High People's Court. The court accepted the case on June 1, 2024. On July 1, 2025, Subsidiary G received a retrial ruling, in which the High People's Court dismissed Subsidiary G's application for retrial.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

(d) Litigation involving Guangzhou Weini Technology Development Co., Ltd. (Continued)

The main content of the court decision	In the first-instance judgment, the court rejected all Subsidiary G's claims.

The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance	As of the report date, the management of Subsidiary G has assessed the case and made provisions for inventory impairment against the relevant inventory.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (e) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) and Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”)

Litigant	Plaintiff: Sub-subsidiary O (its parent company is Subsidiary G)

	Defendant: Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) and Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”)

Case facts	Lawsuit by Sub-subsidiary O against Kang Aiduo: On October 19, 2021, Sub-subsidiary O filed a lawsuit against Kang Aiduo with the People’s Court of Liwan District, Guangzhou, for overdue payments amounting to RMB43,916.90 thousand and related interest. On December 14, 2021, Sub-subsidiary O received a preservation ruling and notice, with no assets sealed. On April 11, 2022, the first-instance judgment was made, and Sub-subsidiary O applied for enforcement on May 27, 2022. As of June 30, 2024, Sub-subsidiary O has received partial payment of the principal, penalties, and legal fees from Taiantang on behalf of Kang Aiduo.

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(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (e) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. ("Kang Ai Duo") and Guangdong Taiantang Pharmaceutical Co., Ltd. ("Taiantang") (Continued)

Lawsuit by Sub-subsidiary O against Taiantang: Due to Taiantang's failure to fulfill its guarantee repayment obligations, Sub-subsidiary O sued Taiantang, demanding immediate payment of the full amount. On January 13, 2023, Sub-subsidiary O filed the case and submitted a preservation application. On March 17, 2023, Sub-subsidiary O received RMB1,000.00 thousand from Taiantang. On March 30, 2023, the court issued a preservation notice, freezing 37.13% of the shares of Taiantang (Haozhou) Chinese Medicine Co., Ltd. held by Guangdong Taiantang Pharmaceutical Co., Ltd. The case was heard on May 6, 2023. On October 10, 2023, the Shantou Intermediate People's Court issued a ruling for Taiantang's pre-reorganization, and Sub-subsidiary O filed its claim as required on October 26, 2023. On March 11, 2024, the first-instance judgment supported Subsidiary O's claims. On April 1, 2024, Sub-subsidiary O applied for enforcement. On April 24, 2024, Sub-subsidiary O received the court's notice of acceptance for enforcement. On August 9, 2024, Sub-subsidiary O sent a distribution application (regarding the RMB5,896.90 thousand bank deposit of Qilin Pavilion Cultural Bank seized by Subsidiary N) and an auction and sale application (for shares in Taiantang (Haozhou), Hongxing Group, Qilin Investment, as well as land held by Taiantang (Haozhou) and Taiantang) to the enforcement court. On October 14, 2024, Sub-subsidiary O submitted an application to the court requesting the freezing and seizure of Taian Tang's drug marketing licenses. On November 1, 2024, Sub-subsidiary O submitted a supplementary request to the court for the seizure of Taian Tang's remaining bank accounts and properties. On November 14, 2024, Sub-subsidiary O filed an additional application for the seizure of newly identified assets. On December 2, 2024, Sub-subsidiary O applied to the court for an extension of the asset preservation measures. On December 17, 2024, Sub-subsidiary O sent another letter to the enforcement bureau, submitting a Request for the Transfer of Guangdong Taian Tang Pharmaceutical Co., Ltd. to the Public Security Bureau for Investigation on the grounds of alleged refusal to enforce court judgments and rulings. The second batch of account seizures is valid until July 22, 2025.

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(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (e) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. ("Kang Ai Duo") and Guangdong Taiantang Pharmaceutical Co., Ltd. ("Taiantang") *(Continued)*

On January 13, 2025, three more of Taian Tang's bank accounts were frozen, with the seizure period extending until December 17, 2025. On April 29, 2025, Subsidiary O applied to the court for the auction of the drug marketing authorization under the name of Taian Tang. On July 21, 2025, an Application for Transfer of the Judgment Debtor to the Public Security Bureau for Suspected Crime of Refusal to Enforce Judgment or Ruling was submitted to the court.

The main content of the court decision	In the litigation brought by Sub-subsidiary O against Kang Ai Duo, the first-instance judgment ruled that the defendant, Kang Ai Duo, should pay the plaintiff, Sub-subsidiary O, a sum of RMB43,387.80 thousand as well as related interest. In the litigation brought by Sub-subsidiary O against Taiantang: In the lawsuit, the first-instance judgment ordered the defendant, Taiantang, to pay the plaintiff, Sub-subsidiary O, RMB21,093.40 thousand in principal plus related interest.

The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary O, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance	The management of Sub-subsidiary O evaluated the situation of the case and the remaining accounts receivable was recorded as provision for bad debts with a ratio of 100%.

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XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (f) Litigation involving Guangdong Kanglang Pharmaceutical Co., Ltd. and Liang Hongfen

Litigant	Plaintiff: Sub-subsidiary K (its parent company is Subsidiary G)

	Defendant: Guangdong Kanglang Pharmaceutical Co., Ltd. Liang Hongfen

Case facts	On January 19, 2020, Sub-subsidiary K (the parent company is a Subsidiary G) filed a case against Guangdong Kanglang Pharmaceutical Co., Ltd. for arrears of RMB4,122.50 thousand.

The main content of the court decision	As of June 30, 2021, Sub-subsidiary K had lost the first- instance judgment. Sub-subsidiary K has appealed to the Intermediate Court. In accordance with the 2nd sentence received on 9 October 2021, our appeal was dismissed and the former judgment was upheld. On April 13, 2022, Sub-subsidiary K submitted a retrial application to the Supreme Court. On June 2, 2022, a notice was received from the bankruptcy administrator of Guangdong Kanglang Pharmaceutical Co., Ltd. requesting Sub-subsidiary K to perform its debts, with an amount of RMB729.30 thousand. On June 6, 2022, Sub-subsidiary K replied that the other party did not provide relevant evidence, so Sub-subsidiary K did not recognize it and declared the creditor's rights of Sub-subsidiary K against it. On October 19, 2022, a ruling was received from the Guangdong Provincial High Court rejecting Sub-subsidiary K's application for retrial. On November 22, 2022, the bankruptcy administrator confirmed that the claim amount of RMB6,272.30 thousand (including default interest) declared by Sub-subsidiary K is classified as ordinary debt. On December 28, 2022, according to the distribution plan, Sub-subsidiary K won't participate in the priority distribution this time. On May 6, 2024, the Civil Ruling was received, officially concluding the bankruptcy proceedings of Guangdong Kanglang Pharmaceutical Co., Ltd.

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(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

(f) Litigation involving Guangdong Kanglang Pharmaceutical Co., Ltd. and Liang Hongfen *(Continued)*

The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation, and required Defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance	As of the date of this report, the case has been verified through the declaration of bankruptcy claims, but is not yet eligible for distribution. The management of Sub-subsidiary K has assessed the situation of the case and anticipates significant difficulty in recovering the accounts receivable. Based on the principle of prudence, a full provision for bad debts is recognized for the entire amount of the accounts receivable.

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(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (g) Litigation involving Shanxi Zhongyou Health Pharmaceutical Co., Ltd., Gansu Zhongyou Health Pharmaceutical Co., Ltd, Feng Dexiang.

Litigant Plaintiff: Sub-subsidiary P (its parent company is Subsidiary G)

Defendant: Shanxi Zhongyou Health Pharmaceutical Co., Ltd., Gansu Zhongyou Health Pharmaceutical Co., Ltd, Feng Dexiang.

Case facts On March 23, 2022, Sub-subsidiary P (its parent company is Subsidiary G) sued Shanxi Zhongyou Health Pharmaceutical Co., Ltd. and Feng Dexiang for default in payment of goods. The case involved an amount of RMB10,153.30 thousand and related liquidated damages. On November 14, 2022, the People's Court of Weiyang District, Xi'an City made a first-instance judgment. Shaanxi Zhongyou Health Pharmaceutical Co., Ltd. applied for substantive merger, bankruptcy and reorganization, and a hearing has been held. On June 2, 2023, the Intermediate People's Court of Lanzhou City, Gansu Province issued (2023) Gan 01 Po No. 3 Announcement, appointing the bankruptcy administrator of Shaanxi Zhongyou Health Pharmaceutical Co., Ltd. Accordingly, Sub-subsidiary P mailed the claim declaration materials to the manager on June 30, 2023. The Lanzhou Intermediate People's Court in Gansu Province issued a civil ruling, accepting the bankruptcy reorganization petition for substantive consolidation filed by Gansu Zhongyou Health Management Group Co., Ltd. and 30 other companies. On June 29, 2024, Sub-subsidiary P decided to vote against the "Reorganization Plan (Draft)" for the consolidated bankruptcy reorganization case involving Gansu Zhongyou Health Management Group Co., Ltd. and the other 30 companies. On September 26, 2024, a civil ruling was received from the Lanzhou Intermediate People's Court of Gansu Province. On October 28, 2024, Sub-subsidiary P held discussions regarding the debt-to-equity swap.

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(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (g) Litigation involving Shanxi Zhongyou Health Pharmaceutical Co., Ltd., Gansu Zhongyou Health Pharmaceutical Co., Ltd, Feng Dexiang. *(Continued)*

The main content of the court decision	First-instance judgment: ①The defendant Shanxi Zhongyou Health Medicine Co., Ltd. shall pay the plaintiff Sub-subsidiary P payment of RMB9,881.40 thousand, lawyer's fees of RMB80.00 thousand and liquidated damages within ten days after this judgment takes effect. ②The defendant Gansu Zhongyou Health Medicine Co., Ltd. shall be jointly and severally liable for this responsibility for repayment; The defendant Shanxi Zhongyou Health Medicine Co., Ltd. shall pay the plaintiff Sub-subsidiary P the amount of RMB272.00 thousand for 2022 within ten days after this judgment takes effect.

Civil Ruling: ①Approval of the restructuring plan draft (voting version) for Gansu Zhongyou Health Management Group Co., Ltd. and 30 other companies. ②Termination of the restructuring procedure for Gansu Zhongyou Health Management Group Co., Ltd. and the 30 companies. ③Continuation of the bankruptcy administrator's duties for Gansu Zhongyou Health Management Group Co., Ltd. and the 30 companies until the execution of the restructuring plan is completed. This ruling takes effect immediately.

The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary P, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance	As of the reporting date, the management of Sub-subsidiary P has assessed the case situation and based on the principle of prudence, it has made individually full provision for bad debts.

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(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

(h) Litigation involving Shanxi Kangjian Pharmaceutical Chain Co., Ltd. and its branches

Litigant Plaintiff: Sub-subsidiary P (its parent company is Subsidiary G)

Defendant: Shanxi Kangjian Pharmaceutical Chain Co., Ltd. and its branches. Shaanxi Kangchao Pharmaceutical Logistics Management Co., Ltd. ("Kangchao Company")

Case facts On April 27, 2022, Sub-subsidiary P (the parent company is Subsidiary G) sued Shanxi Kangjian Pharmaceutical Chain Co., Ltd. and its branches for payment in arrears, involving a total amount of RMB8,711.00 thousand and related interests. The case was heard on July 6, 2022, and the first-instance judgment was made on November 14, 2022. On September 4, 2024, the Weiyang District People's Court of Xi'an City filed the enforcement case, with an enforcement target of RMB6,783.4 thousand. On February 26, 2025, an Enforcement Ruling was received, concluding the current enforcement proceedings.

After the first-instance judgment, Kangchao Company, as an affiliated company of Shaanxi Kangjian Chain, voluntarily undertook joint liability for payment. On September 14, 2023, the three parties reconciled and confirmed that Shaanxi Kangjian Chain owned Subsidiary P a total amount of RMB7.2946 million in goods payment, and signed a Tripartite Agreement. As Subsidiary P's repeated demands for payment failed, it filed a lawsuit requesting Kangchao Company to pay RMB7.2946 million for goods and related capital occupation fees, and requesting Shaanxi Kangjian Chain to pay the difference of RMB566,200 between the amount stipulated in the Tripartite Agreement and the amount supported by the aforesaid first-instance judgment, together with related capital occupation fees. On March 14, 2025, the Litigation Service Center of the Weiyang District People's Court of Xi'an City accepted the case.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (h) Litigation involving Shanxi Kangjian Pharmaceutical Chain Co., Ltd. and its branches *(Continued)*

The main content of the court decision	The judgment of the court of first instance: the amount of supporting payment is RMB6,728.40 thousand as of August 31, 2019, the amount that should be paid by the defendant Kangjian Pharmaceutical Company is RMB1,143.20 thousand. According to the repayment agreement between the two parties, the interest shall be calculated at 2/10,000 per day from September 25, 2020; As of December 31, 2020, the amount payable by the defendant Kangjian Pharmaceutical Company was RMB5,585.10 thousand, and the interest should be calculated at at 0.02% per day starting from January 25, 2022. On September 4, 2024, the Weiyang District People's Court of Xi'an accepted the case, with an execution target of RMB6,783.4 thousand.

The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary P, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance	As of the reporting date, the management of Sub-subsidiary P has assessed the case situation and based on the principle of prudence, it has made individually full provision for bad debts.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

(i) Litigation matters involving performance betting

Litigant	Plaintiff: Subsidiary G Defendant: Shanxi Taoyunshang Information Technology Co., Ltd., Guo Taozhu and Guo Shuang.
Case facts	In December 2023, Subsidiary G sued Shaanxi Taoyunshang Information Technology Co., Ltd., Guo Taozhu, and Guo Shuang for failing to meet promised performance and required repayment of RMB52,872.70 thousand, and applied for a lawsuit against Shanxi Taoyunshang Information Technology Co., Ltd., Guo Taozhu, and Guo Shuang. And by the time applied to take property preservation. In December 2023, the Liwan District Court took property preservation measures against Shaanxi Taoyunshang Company, Guo Taozhu, and Guo Shuang, freezing bank deposits of RMB124.40 thousand in the name of Guo Taozhu and RMB205.60 thousand in bank deposits in the name of Guo Shuang and 0.86% of the equity share of Subsidiary G held by Shanxi Taoyunshang Information Technology Co., Ltd. On November 15, 2024, the court extended the asset preservation order on two bank accounts of Guo Taozhu and four bank accounts of Guo Shuang, with the freezing period lasting until November 7, 2025. On March 5, 2025, the first-instance judgment was received from the court. On May 27, 2025, the company received the second-instance judgment, which dismissed the appeal and upheld the original judgment. On June 9, 2025, Subsidiary G applied to the court for compulsory enforcement, and the court has accepted the application.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

(i) Litigation matters involving performance betting *(Continued)*

The main content of the court decision	First-Instance Judgment:
	1. Defendant Shaanxi Taoyunshang Company shall pay RMB52,872.7 thousand in compensation to Subsidiary G within ten days after the judgment takes effect. 2. Defendants Guo Taozhu and Guo Shuang shall bear joint and several liability for the above payment. 3. The three defendants shall pay RMB100.0 thousand in attorney fees to Subsidiary G within ten days after the judgment takes effect. 4. Other claims are dismissed.
	Total litigation fee: RMB306.8 thousand, of which Subsidiary G shall bear RMB0.3 thousand, and the three defendants shall jointly bear RMB306.5 thousand. Property preservation fee: RMB5.0 thousand, to be jointly borne by the three defendants.
	The second-instance judgment dismissed the appeal and upheld the original judgment.
The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
The impact on the Company's operation and finance	As of the reporting date, the case has been adjudicated but has not yet been fully executed.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

(j) Litigation matters involving Lianping Second People's Hospital

Litigant	Plaintiff: Sub-subsidiary K (its parent company is Subsidiary G)

Defendant: Lianping Second People's Hospital

Case facts	Sub-subsidiary K and the defendant were involved in a sales contract dispute from November 2019 to September 2021 through the "Quanyaowang" pharmaceutical supply platform and the Guangdong Province third-party pharmaceutical electronic trading platform. On August 30, 2024, Sub-subsidiary K filed a lawsuit requesting the court to order the defendant to pay the plaintiff the outstanding payment of RMB6,158.6 thousand and overdue payment penalty interest (calculated based on RMB6,158.6 thousand at the prevailing LPR rate from the overdue date until full payment, tentatively calculated at RMB929.7 thousand as of August 16, 2024). The plaintiff also requested the defendant to pay attorney fees of RMB88.0 thousand, litigation preservation guarantee insurance fees of RMB4.3 thousand, and to bear the case acceptance fee and property preservation fee. On December 16, 2024, the court rendered the first-instance judgment. On January 9, 2025, Sub-subsidiary K applied to the court for compulsory enforcement, and the court has accepted the application.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

(j) Litigation matters involving Lianping Second People's Hospital *(Continued)*

The main content of the court decision	The defendant, Lianping Second People's Hospital, shall pay the plaintiff RMB6,158.6 thousand within fifteen days from the effective date of the judgment, along with the penalty interest as requested by the plaintiff. Other claims by the plaintiff were dismissed.

The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance	As of the reporting date, the case has been adjudicated and is pending execution. The management of Sub-subsidiary K has assessed the case situation and, based on the principle of prudence, has made a bad debt provision for the accounts receivable according to the aging analysis.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

(k) Litigation matters involving Yingde Hanjiang Town Central Health Center

Litigant

Plaintiff: Subsidiary G

Defendant: Yingde Hanjiang Town Central Health Center

Case facts

In June 2021, Subsidiary G and the defendant established a pharmaceutical sales cooperation, whereby the defendant placed orders with G Subsidiary through Guangdong Province's National Centralized Drug Procurement and Usage Expansion Pilot Electronic Trading Platform. A dispute arose concerning the electronic transaction contract, and in December 2024, Subsidiary G filed a lawsuit against Yingde Hanjiang Town Central Health Center for the payment of outstanding pharmaceutical receivables amounting to RMB753,480 thousand.

On January 9, 2025, Subsidiary G received a Civil Ruling and Property Preservation Notice from the court, resulting in the actual freezing of the defendant's bank account for RMB285,490 thousand. On January 23, 2025, both parties reached a settlement and submitted a reconciliation agreement along with a new property preservation application to the court (with a revised freeze amount of RMB255,000 thousand). On January 27, 2024, the company received from the court a Civil Mediation Statement. On February 11, 2025, the company received from the court a Civil Ruling and a Property Preservation Notice in relation to a new lawsuit, under which the defendant's account in the amount of RMB468,600 was actually frozen. The counterparty, in accordance with the Mediation Statement, paid all the goods payment involved in the case to Subsidiary G in the first half of 2025. On June 17, 2025, Subsidiary G mailed to the court an Application for Unfreezing. On July 3, 2025, the company received from the court a Ruling on Unfreezing.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigations of the Group *(Continued)*

(2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

(k) Litigation matters involving Yingde Hanjiang Town Central Health Center *(Continued)*

The main content of the court decision	Both parties reached a settlement.
The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
The impact on the Company's operation and finance	As of the reporting date, Subsidiary G has recovered all payments involved in the case, with no outstanding matters pending.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

(2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (I) Litigation matters involving Zhao Yining, Li Guoen, Yang Hao, Nanjing Tongrentang Pharmaceutical Marketing Co., Ltd.

Litigant	Plaintiff: Subsidiary G Defendant: Zhao Yining, Li Guoen, Yang Hao, Nanjing Tongrentang Pharmaceutical Marketing Co., Ltd.
Case facts	From 2019 to 2020, Subsidiary G collaborated with Nanjing Zhourentang Pharmaceutical Marketing Co., Ltd. through Zhao Yining and Li Guoen. However, Zhao Yining and Li Guoen used forged official seals to sign multiple cooperation agreements with Subsidiary G, causing damage to Subsidiary G's property rights and interests. In December 2024, Subsidiary G filed a lawsuit with the Guangzhou Liwan District People's Court. On June 18, 2025, the case was heard as scheduled and is now pending judgment.
The main content of the court decision	Pending judgment
The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary G has assessed the case situation and, based on the principle of prudence, has made a bad debt provision for the accounts receivable according to the aging analysis.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(2) other significant matters

At the sixth meeting of the ninth session of the Board of Directors held on December 19, 2023, and at the first extraordinary general meeting of shareholders in 2024 held on January 26, 2024, the Company reviewed and approved the Proposal on the Proposed Application for the Listing of the Controlled Subsidiary on the National Equities Exchange and Quotations (NEEQ), and approved the application of the controlled subsidiary, the Pharmaceutical Company, for listing on the NEEQ. On May 11, 2024, the Pharmaceutical Company submitted the application for this listing to the NEEQ Company, and on June 17, 2024, received the Notice of Acceptance issued by the NEEQ Company. On May 20, 2025, the shares of the Pharmaceutical Company were listed and made available for public transfer on the NEEQ.

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) The aging analysis of accounts receivable disclosed by booking date is as follows:

Aging	Closing balance	Closing balance of last year
Within 1 year	183,159,336.35	177,283,226.66
1 to 2 years	320,972.00	320,972.00
2 to 3 years	—	—
3 to 4 years	—	260,827.92
4 to 5 years	260,827.92	—
Over 5 years	4,252,743.52	4,252,743.52
Total book balance of accounts receivable	187,993,879.79	182,117,770.10
Less: Provision for bad debts	6,377,262.01	6,318,500.91
Total book value of accounts receivable	181,616,617.78	175,799,269.19

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category

Category	Closing balance				Book Value Amount
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	
Accounts receivable subject to separate provision	2,615,454.16	1.39	2,615,454.16	100.00	—
Accounts receivable subject to provision by portfolio	185,378,425.63	98.61	3,761,807.85	2.03	181,616,617.78
Including: portfolio 1	185,378,425.63	98.61	3,761,807.85	2.03	181,616,617.78
Total	187,993,879.79	100.00	6,377,262.01	3.39	181,616,617.78

(Cont.)

Category	Closing balance of last year				Book Value Amount
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	
Accounts receivable subject to separate provision	2,615,454.16	1.44	2,615,454.16	100.00	—
Accounts receivable subject to provision by portfolio	179,502,315.94	98.56	3,703,046.75	2.06	175,799,269.19
Including: portfolio 1	179,502,315.94	98.56	3,703,046.75	2.06	175,799,269.19
Total	182,117,770.10	100.00	6,318,500.91	3.47	175,799,269.19

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

① Accounts receivable subject to separate provision at the period end

Name	Accounts receivable	Provision for bad debts	Expected credit loss ratio (%)	Reason
Customer 1	1,500,000.00	1,500,000.00	100.00	Customer bankruptcy. Amount is expected to be unrecoverable.
Customer 2	470,000.00	470,000.00	100.00	Amount is expected to be unrecoverable.
Customer 3	315,508.74	315,508.74	100.00	Amount is expected to be unrecoverable.
Customer 4	260,827.92	260,827.92	100.00	Amount is expected to be unrecoverable.
Customer 5	69,117.50	69,117.50	100.00	Amount is expected to be unrecoverable.
Total	<u>2,615,454.16</u>	<u>2,615,454.16</u>	—	

② Accounts receivable subject to provision by portfolio

Portfolio 1

Aging	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Expected credit loss ratio (%)	Book balance	Provision for bad debts	Expected credit loss ratio (%)
Within 1 year	183,159,336.35	1,831,593.37	1.00	177,283,226.66	1,772,832.27	1.00
1 to 2 years	320,972.00	32,097.20	10.00	320,972.00	32,097.20	10.00
Over 5 years	1,898,117.28	1,898,117.28	100.00	1,898,117.28	1,898,117.28	100.00
Total	<u>185,378,425.63</u>	<u>3,761,807.85</u>	—	<u>179,502,315.94</u>	<u>3,703,046.75</u>	—

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

③ Provision for bad debts accrued, recovered or reversed in the period

Category	Closing balance of last year	Current change amount			Closing balance
		Provision	Recovered or reversed	Resold or written-off	
Provision for accounts receivable bad debts	6,318,500.91	58,761.10	—	—	6,377,262.01
Total	6,318,500.91	58,761.10	—	—	6,377,262.01

(3) There is no accounts receivable written off in the current period.

(4) The top five customers by closing balance of accounts receivable:

Name	Closing balance	Proportion of total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	115,376,208.68	61.37	1,153,762.09
Customer 2	20,830,218.00	11.08	208,302.18
Customer 3	13,016,890.00	6.92	130,168.90
Customer 4	11,100,000.00	5.90	111,000.00
Customer 5	4,532,112.00	2.41	45,321.12
Total	164,855,428.68	87.68	1,648,554.29

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

- (5) The Group had no accounts receivable derecognized due to transfer of financial assets for the current period.
- (6) The Group had no assets or liabilities arising from the transfer of and the continuing involvement of accounts receivable (such as securitization, factoring, etc.) for the current period.

2. Other receivables

Item	Closing balance	Closing balance of last year
Dividends receivable	153,397,700.00	153,397,700.00
Other receivables	258,886,756.56	203,988,842.48
Total	412,284,456.56	357,386,542.48

(1) Dividends receivable

① Dividends receivable are as follows:

Item	Closing balance	Closing balance of last year
Tian Xin	71,940,605.32	71,940,605.32
Guang Hua	43,882,205.44	43,882,205.44
Ming Xing	36,074,889.24	36,074,889.24
HWBYS	1,500,000.00	1,500,000.00
Total	153,397,700.00	153,397,700.00

② The Group has no significant dividends receivable with aging over one year for the period.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables

① Other receivables disclosed by aging are as follows:

Aging	Closing balance		Closing balance of last year	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	170,219,166.13	63.73	121,063,145.70	56.82
1 to 2 years	11,153,950.03	4.18	5,694,393.20	2.67
2 to 3 years	7,481,222.63	2.80	3,545,526.40	1.66
3 to 4 years	5,761,085.57	2.16	2,677,706.64	1.26
4 to 5 years	814,718.25	0.30	621,110.16	0.29
Over 5 years	71,661,486.73	26.83	79,463,014.56	37.30
Subtotal	<u>267,091,629.34</u>	<u>100</u>	<u>213,064,896.66</u>	<u>100.00</u>
Less: provision	<u>8,204,872.78</u>		<u>9,076,054.18</u>	
Total	<u>258,886,756.56</u>	<u>—</u>	<u>203,988,842.48</u>	<u>—</u>

② Category of other receivables as per nature

Nature	Closing balance	Closing balance of last year
Receivables due from related parties	244,524,675.47	174,847,350.49
Deposit, rent, advances to employees	3,043,829.02	2,892,104.14
Others	19,523,124.85	35,325,442.03
Total	<u>267,091,629.34</u>	<u>213,064,896.66</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

③ Provision for bad debts

Provision for bad debts	First stage Expected credit losses in the next 12 months	Second stage Expected credit losses throughout life (no credit impairment)	Third stage Lifetime expected credit losses (credit impairment has occurred)	Total
Balance on 2025.01.01	2,684,331.67	–	6,391,722.51	9,076,054.18
Provision at current period	(871,181.40)	–	–	(871,181.40)
Recovery at current period	–	–	–	–
Pay-off at current period	–	–	–	–
Write-off at current period	–	–	–	–
Other changes	–	–	–	–
Balance on 2025.06.30	<u>1,813,150.27</u>	<u>–</u>	<u>6,391,722.51</u>	<u>8,204,872.78</u>

④ Provision for accrual, return or recovery of provision for bad debts of the current period

Category	Closing balance of last year	Current change amount			Closing balance
		Provision	Recovered or reversed	Pay-off or written-off	
Provision for bad debts of other receivables	<u>9,076,054.18</u>	<u>(871,181.40)</u>	<u>–</u>	<u>–</u>	<u>8,204,872.78</u>
Total	<u>9,076,054.18</u>	<u>(871,181.40)</u>	<u>–</u>	<u>–</u>	<u>8,204,872.78</u>

⑤ There is no other receivables written off for this period.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

⑥ The top five amount of the closing balance of other receivables by customers

Company	Nature	Closing balance	Aging	Proportion of total closing balance of other receivables (%)	Provision for bad debts Closing balance
Other receivables 1	Receivables due from related parties	137,018,118.03	Within 1 year, 5 years above	51.30	–
Other receivables 2	Receivables due from related parties	59,728,193.11	Within 1 year	22.36	–
Other receivables 3	Receivables due from related parties	20,380,710.24	Within 1 year, 2 to 3 years	7.63	–
Other receivables 4	Receivables due from related parties	11,365,129.97	Within 1 year, 1 to 2 years, 2 to 3 years, 3 to 4 years	4.26	–
Other receivables 5	other	3,955,318.00	Within 1 year, 1 to 2 years	1.48	–
Total	–	<u>232,447,469.35</u>	–	<u>87.03</u>	<u>–</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

- ⑦ There is no receivables related to government grants for the current period.
- ⑧ There is no other receivables that had been derecognized due to transfer of financial asset for the current period.
- ⑨ There is no assets or liabilities arising from the transfer of and the continuing involvement of other receivables for the current period.

3. Long-term Equity Investment

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	12,869,437,116.30	171,000,000.00	12,698,437,116.30	12,648,309,741.25	171,000,000.00	12,477,309,741.25
Investment in joint ventures and associates	1,230,577,056.58	385,666,507.83	844,910,548.75	1,265,408,868.70	385,666,507.83	879,742,360.87
Total	<u>14,100,014,172.88</u>	<u>556,666,507.83</u>	<u>13,543,347,665.05</u>	<u>13,913,718,609.95</u>	<u>556,666,507.83</u>	<u>13,357,052,102.12</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term Equity Investment (Continued)

(1) Investment in subsidiaries

Investee	Closing Balance of last year	Increase for the current period	Decrease for the current period	Closing Balance	Provision for impairment provided in the current period	Closing balance of provision for impairment
Xing Qun	125,322,300.00	–	–	125,322,300.00	–	–
Zhong Yi	324,320,391.34	–	–	324,320,391.34	–	–
Chen Li Ji	142,310,800.00	–	–	142,310,800.00	–	–
Guangzhou Han Fang	200,517,109.58	12,468,394.35	–	212,985,503.93	–	55,000,000.00
Guangzhou Qi Xing Pharmaceutical Factory	126,775,500.00	–	–	126,775,500.00	–	–
Jing Xiu Tang	101,489,800.00	–	–	101,489,800.00	–	–
Pan Gao Shou	144,298,200.00	–	–	144,298,200.00	–	–
Wang Lao Ji	854,431,508.17	–	–	854,431,508.17	–	–
GP Corp.	4,316,685,769.67	–	–	4,316,685,769.67	–	–
Cai Zhi Lin	225,114,900.00	–	–	225,114,900.00	–	69,000,000.00
Guangzhou Bai Di	195,795,812.38	–	–	195,795,812.38	–	47,000,000.00
Wang Lao Ji Great Health	2,300,000,000.00	–	–	2,300,000,000.00	–	–
Guangxi Ying Kang	21,536,540.49	19,249,880.70	–	40,786,421.19	–	–
Yi Gan	41,400,000.00	–	–	41,400,000.00	–	–
BYS M&H Industry	111,600,000.00	–	–	111,600,000.00	–	–
Xing Zhu	126,480,000.00	–	–	126,480,000.00	–	–
Wang Lao Ji Investment	28,000,000.00	–	–	28,000,000.00	–	–
Tian Xin	96,192,658.47	–	–	96,192,658.47	–	–
Guang Hua	53,659,963.75	–	–	53,659,963.75	–	–
Ming Xing	630,581,294.18	–	–	630,581,294.18	–	–
Weiling	10,444,783.48	–	–	10,444,783.48	–	–
Pharmaceutical Technological	1,020,000.00	–	–	1,020,000.00	–	–
Guangzhou Guangyao Fund Equity Investment Partnership (Limited partnership)	599,400,000.00	100,000,000.00	–	699,400,000.00	–	–

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term Equity Investment (Continued)

(1) Investment in subsidiaries (Continued)

Investee	Closing Balance of last year	Increase for the current period	Decrease for the current period	Closing Balance	Provision for impairment provided in the current period	Closing balance of provision for impairment
Guangyao Baiyunshan Hong Kong Company	140,500,756.87	-	-	140,500,756.87	-	-
Guangzhou Baiyunshan Chemical Pharmaceutical Technology(Zhuhai Hengqin) Co., Ltd.	730,143,500.00	89,409,100.00	-	819,552,600.00	-	-
Guangyao Haima	26,500,000.00	-	-	26,500,000.00	-	-
Baiyunshan Pharmaceutical Marketing	40,000,000.00	-	-	40,000,000.00	-	-
Guangyao General Institute	143,000,000.00	-	-	143,000,000.00	-	-
Medical Instruments investment	25,000,000.00	-	-	25,000,000.00	-	-
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-	-
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	19,000,000.00	-	-	19,000,000.00	-	-
Guangzhou Baiyunshan Huacheng Technology Co., Ltd.	1,000,000.00	-	-	1,000,000.00	-	-
Guangzhou Baiyunshan International Pharmaceutical Health Industry	400,000,000.00	-	-	400,000,000.00	-	-
Guangyao Baiyunshan Pharmaceutical Great Health Supply Chain (GZ)	14,788,152.87	-	-	14,788,152.87	-	-
Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd.	150,000,000.00	-	-	150,000,000.00	-	-
Total	<u>12,477,309,741.25</u>	<u>221,127,375.05</u>	<u>-</u>	<u>12,698,437,116.30</u>	<u>-</u>	<u>171,000,000.00</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term Equity Investment (Continued)

(2) Investments in joint ventures and associates

Investee	Closing Balance of last year	Increase	Decrease	Investment gains or losses recognized under equity method	Adjustment to other comprehensive income	The current period	Declaration of the payment of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
I. Joint ventures											
HMBS	183,191,397.08	-	-	(22,843,437.79)	-	-	(15,000,000.00)	-	-	145,347,959.29	-
Baxter Qiao Guang	85,904,632.50	-	-	3,779,072.50	-	-	-	-	-	89,683,705.00	-
Subtotal	269,096,029.58	-	-	(19,064,365.29)	-	-	(15,000,000.00)	-	-	235,031,664.29	-
II. Associates											
Golden Eagle Asset Management Co., Ltd.	86,581,494.07	-	-	1,235,334.91	-	-	-	-	-	87,816,828.98	-
Guangzhou Baiyunshan Weiwei Medical Investment Management Co., Ltd.	2,101,533.45	-	-	17,064.05	-	-	-	-	-	2,118,597.50	-
Yixin Tang	402,061,558.08	-	-	13,092,554.64	-	-	(9,264,091.20)	-	-	405,890,021.52	385,666,507.83
Baiyunshan Yixin Tang Guangdong Guangqiao Jinshen Equity Investment Fund Management Co., Ltd.	72,162,179.41	-	-	(3,731,616.17)	-	-	-	-	-	68,430,563.24	-
Guangzhou Handiao Chinese Medical Technology Co., Ltd.	5,992,778.11	-	-	142,586.69	-	-	-	-	-	6,135,364.80	-
Guangzhou Guangyao Jinrang equity investment partnership (limited partnership)	6,280,172.57	-	-	(403,479.77)	-	-	-	-	-	5,876,692.80	-
Subtotal	35,466,615.60	-	-	(1,849,799.98)	-	-	-	-	-	33,616,815.62	-
Total	610,646,331.29	-	-	8,495,644.37	-	-	(9,264,091.20)	-	-	609,878,884.46	385,666,507.83
	879,742,360.87	-	-	(10,367,720.92)	-	-	(24,264,091.20)	-	-	844,910,548.75	385,666,507.83

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Operating Income and Operating Costs

(1) Operating Income and Operating Costs

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Main businesses	1,400,407,290.17	601,733,910.61	1,867,760,719.96	646,429,163.39
Other businesses	232,488,582.98	15,262,036.49	212,336,232.55	17,027,821.52
Total	<u>1,632,895,873.15</u>	<u>616,995,947.10</u>	<u>2,080,096,952.51</u>	<u>663,456,984.91</u>

(2) Category by business

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	1,400,407,290.17	601,733,910.61	1,867,760,719.96	646,429,163.39
Total	<u>1,400,407,290.17</u>	<u>601,733,910.61</u>	<u>1,867,760,719.96</u>	<u>646,429,163.39</u>

(3) Category by major operating region

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	1,108,436,905.49	428,554,995.27	1,583,207,478.10	493,846,475.50
Eastern China Area	68,080,697.03	51,315,246.88	60,875,802.77	38,589,698.60
Northern China Area	48,570,097.42	36,107,995.12	60,319,630.83	38,448,151.78
Northeast Area	8,924,054.74	5,304,799.26	8,627,242.29	4,890,020.17
Southwest Area	147,714,991.07	67,942,637.89	138,634,774.15	60,577,039.56
Northwest Area	18,680,544.42	12,508,236.19	16,095,791.82	10,077,777.78
Total	<u>1,400,407,290.17</u>	<u>601,733,910.61</u>	<u>1,867,760,719.96</u>	<u>646,429,163.39</u>

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

5. Investment income

Item	Current period	Prior period
Investment Income from long-term equity investments under cost method	141,026,512.04	36,565,746.76
Investment Income from long-term equity investments under equity method	(10,567,720.92)	10,070,064.21
Investment Income from disposal of long-term equity investments	—	—
Dividend income from the holding other equity instruments	—	—
Investment income from the holding other non-current financial assets	779,769.90	35,024,864.02
Interest income from financial products and structured deposits	117,997,303.24	91,022,211.46
Derecognition income of financial assets measured at amortized cost	(34,694.04)	—
Total	249,201,170.22	172,682,886.45

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)



XVII. SUPPLEMENTARY INFORMATION

1. Breakdown of Non-Recurring Profit and Loss for the Current year

Item	Amount
1. Gains and losses from the disposal of non-current assets, including the reversal of previously recognized impairment provisions.	6,082,012.85
2. Government grants recognized in current profit or loss, except for those closely related to the company's normal business operations, in compliance with national policies, received based on standardized criteria, and having a continuous impact on the company's profit or loss.	130,454,563.91
3. Gains and losses arising from fair value changes and disposal of financial assets and financial liabilities held by non-financial enterprises, except for effective hedging activities related to the company's normal business operations.	240,596,003.41
4. Interest income from funds provided to non-financial enterprises recognized in current profit or loss.	—
5. Gains and losses from entrusting others to invest or manage assets.	
6. Gains and losses from entrusted loans to external parties.	
7. Losses arising from force majeure events, such as natural disasters.	
8. Reversal of impairment provisions for individually tested accounts receivable.	2,074,773.86
9. Gains arising when the investment cost of acquiring a subsidiary, associate, or joint venture is lower than the fair value of the identifiable net assets at the time of acquisition.	
10. Net profit or loss from the beginning of the period to the merger date for subsidiaries acquired in a business combination under common control.	
11. Gains and losses from non-monetary asset exchanges.	
12. Gains and losses from debt restructuring.	
13. One-time expenses incurred due to the discontinuation of related business activities, such as employee severance payments.	
14. One-time impacts on current profit or loss due to adjustments in tax, accounting, or other legal regulations.	
15. One-time recognition of share-based payment expenses due to the cancellation or modification of an equity incentive plan.	
16. Gains and losses from changes in the fair value of share-based payments settled in cash after the vesting date.	
17. Gains and losses from fair value changes in investment properties measured using the fair value model.	
18. Gains from transactions with significantly unfair pricing.	
19. Gains and losses from contingent events unrelated to the company's normal business operations.	
20. Management fees earned from entrusted operations.	
21. Other non-operating income and expenses not covered by the above items.	2,212,215.04
22. Other gains and losses that meet the definition of non-recurring profit or loss.	—
Less: Amount of income tax influence	(67,257,271.24)
Amount of minority equity impact (after income tax)	(3,610,564.88)
Total	<u>310,551,732.95</u>

Note: Pursuant to the Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Gains and Losses (Revised in 2023), government subsidies related to assets and additional VAT credits, which were included in other income during the reporting period, are classified as recurring gains and losses.

Notes to the Financial Statements

For January – June 2025

(Unless otherwise stated, amount shall be expressed in RMB.)

XVII. SUPPLEMENTARY INFORMATION (Continued)

2. Return on Equity and Earnings Per Share

	Weighted Average Return on Equity (%)		Earnings Per Share			
			Basic EPS		Diluted EPS	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Profits for the current period						
Net profit attributable to the ordinary shareholders of the Company	6.77	7.04	1.548	1.568	1.548	1.568
Net profit attributable to the ordinary shareholders after deducting the non- recurring profit or loss	5.93	6.47	1.357	1.440	1.357	1.440

Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd

15.08.2025