



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
ANNUAL
REPORT

IMPORTANT NOTICE

- I. The Board, the Directors and senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this annual report and confirm that there are no false information, misleading statements or material omissions in this annual report.
- II. All Directors were present at the 33rd meeting of the ninth session of the Board.
- III. The financial reports of the Group and the Company for the year ended 31 December 2025 were prepared in accordance with the China Accounting Standards for Business Enterprises, which were audited by WUYIGE Certified Public Accountants LLP which had issued an unqualified auditors' report in respect thereof.
- IV. Mr. Li Xiaojun (the person in charge of the Company), Ms. Liu Fei (the person in charge of accounting) and Ms. Wu Chuling (the person in charge of the accounting department) declared that they warrant the truthfulness, accuracy and completeness of the financial reports contained in this annual report.
- V. Profit distribution plan or plan of carrying over reserved funds to equity shares during the Reporting Period as considered by the Board

As audited and confirmed by WUYIGE Certified Public Accountants LLP: the consolidated net profit of the Group attributable to the shareholders of the Company amounted to RMB2,983,113,594.80 in 2025. Based on the net profit of the Company of RMB1,155,028,771.93 in 2025, a 10% statutory surplus reserve in the amount of RMB115,502,877.19 is provided, with the addition of the undistributed profit carried over from 2025 in the amount of RMB7,524,341,276.23, and after deducting a total of RMB1,300,632,759.20 in cash dividends for the year 2024 and the mid-term of 2025, the undistributed profits of the Company's parent company at the end of 2025 amounted to RMB7,263,234,411.77.

Upon deliberation by the Board, the Company proposed to distribute profits based on the total share capital registered on the record date in respect of the implementation of equity distribution, and distribute cash dividend of RMB0.45 (tax inclusive) to all shareholders for every share. As of 31 December 2025, the total number of shares in issue was 1,625,790,949 shares, based on which a total cash dividend of RMB731,605,927.05 was proposed, and the undistributed profits shall be carried forward to the next distribution. There will not be any capitalization of capital reserve for 2025.

The profit distribution plan will be submitted to the shareholders' meeting for approval.

As at the end of the Reporting Period, there was no accumulated deficit of the parent company.

- VI. Forward-looking statements such as plans for the future and development strategy contained in this annual report do not constitute any actual commitment of the Company to investors. Investors are advised to pay attention to any investment risk.
- 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 "VI. Major Event" in this annual report
- VIII. The Company had not provided any external guarantee in violation of the decision-making procedures stipulated by the Company.
- IX. The Company does not have more than half of the Directors who cannot guarantee the truthfulness, accuracy and completeness of this annual report disclosed by the Company.
- X. Warning on Significant Risks

During the Reporting Period, there are no significant risks that have substantive and significant effect on the production and operation of the Group. Various risks the Group might face in the production and operation and corresponding measures have been detailed in this annual report. Please refer to " (3) POTENTIAL CHALLENGES AND RISKS" under "6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT" set out in the section headed "III MANAGEMENT DISCUSSION AND ANALYSIS" in this annual report.

- XI. This annual report is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.

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DOCUMENTS AVAILABLE FOR INSPECTION

1. The financial statements signed and stamped by the legal representative of the Company, the responsible persons of the accounting work of the Company and the responsible person of the accounting department;
2. The auditor's reports signed by WUYIGE Certified Public Accountants LLP together with the financial statements prepared in accordance with China Accounting Standards for Business Enterprises;
3. The original corporate documents disclosed 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;
4. The documents listed above are stored in the Board Secretary Office of the Company.

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

Company/the Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (廣州白雲山醫藥集團股份有限公司)
PRC or China	the People's Republic of China
Reporting Period/Year/ the current year	from 1 January 2025 to 31 December 2025
After the Reporting Period	being 1 January 2026 to 20 March 2026
Group	the Company and its subsidiaries
Board	the board of directors of the Company
Director(s)	the director(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 People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Articles of Association	the articles of association of the Company
Listing Rules of HKEX	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Listing Rules of SSE	the Listing Rules of The Shanghai Stock Exchange
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 as set out in Appendix C3 to the Listing Rules of The Stock Exchange of Hong Kong Limited
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司), the controlling Shareholder of the Company
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)

Definitions

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 Company Limited (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 Pharmaceutical	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
Guangxi Ying Kang	Guangxi Baiyunshan Yingkang Pharmaceutical Company Limited (廣西白雲山盈康藥業有限公司), 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
WLJ Catering Company	Guangzhou WLJ Catering Management Development Co., Ltd. (廣州王老吉餐飲管理發展有限公司), 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
Guangyao Supply Chain	Guangyao 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
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
Guangyao General Institute	Guangzhou Pharmaceutical Research General Institute (廣州醫藥研究總院有限公司), the subsidiary of the Company
Baiyunshan Pharmaceutical Marketing	Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd. (廣州白雲山醫藥銷售有限公司), 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
Haima Company	Guangzhou Pharmaceutical Haima Brand Integration and Marketing Co., Ltd. (廣州醫藥海馬品牌整合傳播有限公司), the subsidiary of the Company
Zhuhai Hengqin Pharmaceutical Industry Park Company	Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd. (廣藥(珠海橫琴)醫藥產業園有限公司), the subsidiary of the Company
Chemical & Pharmaceutical Zhuhai Company	Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd. (廣藥白雲山化學制藥(珠海)有限公司), the subsidiary of the Company
Chuangying Company	Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd. (廣州創贏廣藥白雲山知識產權有限公司), the subsidiary of the Company
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), the Joint Venture of the Company

Definitions

Baxter Qiao Guang	Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd. (廣州百特僑光醫療用品有限公司), the Joint Venture of the Company
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), the associated enterprise of the Company
Golden Eagle Fund	Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司), the associated enterprise of the Company
Hua Cheng	Guangzhou Hua Cheng Pharmaceutical Co., Ltd. (廣州白雲山花城藥業有限公司), the subsidiary of GPHL
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 GPHL
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 GPHL
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 GPHL
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
GAP	the English abbreviation of Good Agricultural Practice for Chinese Crude Drugs (Trial). It refers to the management system formulated with a view to standardize the Chinese crude drugs production, and to ensure its quality as well as to promote the standardization and modernization of the Chinese crude drugs
GSP	the English abbreviation of Good Supply Practice, which means the quality control standards for pharmaceutical trade
OEM	Original Equipment Manufacturer
Drug Registration	the drug supervision and administration department conducts the systematic evaluation of the safety, effectiveness and quality controllability of the drugs proposed for sale in accordance with legal procedures, and approves drug clinical studies, production of drugs or imports of drugs, which include the approval of the content in the evidence documents of applications for changes of drug approval and the appendix
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 2025 version) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2025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 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)
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))
WBA GP Fund	WBA GP (Guangzhou) Equity Investment Partnership (Limited Partnership) (沃博聯廣藥(廣州)股權投資合夥企業(有限合夥))
GP Venture Capital Fund	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))
GP Industrial Investment Fund	Guangzhou GP Industrial Investment and Equity Investment Partnership (Limited Partnership) (廣州廣藥產投股權投資合夥企業(有限合夥))
Guangzhou Time Honored Brand Fund	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))
GP Fund II	Guangzhou GP Fund II Equity Investment Partnership (Limited Partnership) (廣州廣藥二期基金股權投資合夥企業(有限合夥))
GP Guangkai Fund	Guangzhou GP Guangkai Venture Capital Fund Partnership (Limited Partnership) (廣州廣藥廣開創業投資基金合夥企業(有限合夥))
GP Liwan Fund	Guangzhou Liwan GP Venture Capital Fund Partnership (Limited Partnership) (廣州荔灣廣藥創業投資基金合夥企業(有限合夥))
Nanjing Pharmaceutical	Nanjing Pharmaceutical Group Company Limited (南京醫藥集團股份有限公司) (formerly Nanjing Pharmaceutical Co., Ltd. (南京醫藥股份有限公司))
Zhejiang Pharmaceutical Industry Company	Zhejiang Pharmaceutical Industry Company Co., Ltd. (浙江省醫藥工業有限公司)
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 GPLL that was completed in 2013
Audit Committee	Both the Audit Committee before and after the name change
NEEQ	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統)

Company Profile and Financial Highlights

1. 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
Secretary to the Board: Huang Xuezheng
Securities representative: Huang Ruimei
Address: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
Telephone: (8620) 6628 1218/6628 1216
Fax: (8620) 6628 1229
E-mail: huangxz@gybys.com.cn/sec@gybys.com.cn
- (3) Registered address and office: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
Registered address and office before the change: No
Postal code: 510130
Website: <http://www.gybys.com.cn>
E-mail: sec@gybys.com.cn
Principal place of business in Hong Kong: Room 2005, 20th Floor, Tower Two, Lippo Center, 89 Queensway, Hong Kong
- (4) Designated newspapers for information, disclosure and website: 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
Website designated by the CSRC for publishing the annual report: <http://www.sse.com.cn>
Website of the HKEX for publishing the annual report: <http://www.hkex.com.hk>
Place for inspection of the annual report: The Board Secretary Office of the Company
- (5) 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
- (6) Other information:
First registration date: 1 September 1997
First place of registration: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
Date of registration of change: 5 February 2025
Place of registration of change: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
Unified social credit code: 9144010163320680X7
Auditors and its address: Name: WUYIGE Certified Public Accountants LLP
Address: Room 1504, No. 1 College International Building, Zhichun Road, Haidian District, Beijing
Whose signatures are given: He Xiaojuan, Wu Weiyang

Company Profile and Financial Highlights

2. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD

(1) Principal financial data

Principal financial data	2025	2024	Year on year increase/ (decrease) (%)	2023	2022	2021
Income from operations (RMB)	77,656,109,939.23	74,992,820,473.56	3.55	75,515,403,994.78	70,788,155,068.45	69,014,052,347.03
Total profit (RMB)	3,689,925,942.42	3,607,579,871.76	2.28	5,110,498,029.62	5,043,244,071.24	4,723,070,943.49
Net profit attributable to the shareholders of the Company (RMB)	2,983,113,594.80	2,835,496,163.51	5.21	4,055,678,691.49	3,966,522,218.54	3,719,877,680.46
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB)	2,363,309,244.71	2,356,431,201.14	0.29	3,635,520,560.30	3,319,308,452.15	3,306,415,603.06
Net cash flow from operating activities (RMB)	(232,460,774.72)	3,442,426,597.59	(106.75)	4,103,624,997.34	6,999,076,182.74	5,673,496,754.37
Principal financial data	As at 31 December 2025	As at 31 December 2024	Year on year increase/ (decrease) (%)	As at 31 December 2023	As at 31 December 2022	As at 31 December 2021
Net assets attributable to the shareholders of the Company (RMB)	37,788,048,346.79	35,904,527,868.59	5.25	34,919,280,946.71	32,065,124,770.91	29,062,184,458.51
Total assets (RMB)	84,511,140,010.26	81,683,611,520.64	3.46	78,586,877,764.09	74,665,298,776.74	66,117,789,763.95
Total liabilities (RMB)	44,428,271,347.94	43,913,975,774.25	1.17	41,909,053,857.29	41,027,440,697.52	34,791,121,204.96
Equity attributable to the shareholders of the Company per share (RMB)	23.24	22.08	5.25	21.48	19.72	17.88
Total equity (RMB)	1,625,790,949.00	1,625,790,949.00	-	1,625,790,949.00	1,625,790,949.00	1,625,790,949.00

Company Profile and Financial Highlights

2. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD *(Continued)*

(2) Principal financial indicators

Principal financial data	2025	2024	Year on year increase/ (decrease) (%)	2023	2022	2021
Basic earnings per share (RMB/Share)	1.835	1.744	5.21	2.495	2.440	2.288
Diluted earnings per share (RMB/Share)	1.835	1.744	5.21	2.495	2.440	2.288
Basic earnings per share after deducting non-recurring items (RMB/Share)	1.454	1.449	0.29	2.236	2.042	2.034
Weighted average return on net assets ratio (%)	8.09	7.99	An increase of 0.10 percentage point	12.07	12.97	13.46
Ratio of weighted average return on net assets after deducting non-operating items (%)	6.41	6.64	A decrease of 0.23 percentage point	10.82	10.85	11.96
Ratio on total equity attributable to shareholders of the Company (%)	7.89	7.90	A decrease of 0.01 percentage point	11.61	12.37	12.80
Ratio on total equity attributable to shareholders of the Company to total assets (%)	44.71	43.96	An increase of 0.75 percentage point	44.43	42.95	43.96
Gearing ratio (%)	52.57	53.76	A decrease of 1.19 percentage points	53.33	54.95	52.62

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

Explanation of principal accounting data and financial indicators

☐ Applicable ☒ Not Applicable

3. DIFFERENCES OF ACCOUNTING DATA BETWEEN DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

☐ Applicable ☒ Not Applicable

Company Profile and Financial Highlights

4. PRINCIPAL FINANCIAL DATA OF 2025 ON QUARTERLY BASIS

	The first quarter (January- March) (RMB)	The second quarter (April-June) (RMB)	The third quarter (July- September) (RMB)	The fourth quarter (October- December) (RMB)
Income from operations	22,473,408,392.77	19,361,137,721.04	19,771,447,681.73	16,050,116,143.69
Net profit attributable to the shareholders of the Company	1,821,313,254.12	694,827,732.55	793,911,091.19	(326,938,483.06)
Net profit attributable to the shareholders of the Company after deducting non-recurring items	1,674,563,362.12	531,025,891.60	663,826,285.20	(506,106,294.21)
Net cash flow from operating activities	(3,897,258,025.12)	500,121,757.09	1,425,162,681.95	1,739,512,811.36

The explanation for the difference between the quarterly data and the disclosed periodic reports' data

☐ Applicable ☒ Not Applicable

5. NON-RECURRING ITEMS AND AMOUNTS

Non-recurring Items	Amount in 2025 (RMB)	Notes (if applicable)	Amount in 2024 (RMB)	Amount in 2023 (RMB)
Gains and losses from the disposal of non-current assets, including the reversal of previously recognized impairment provisions	107,169,432.15 /		8,821,026.20	26,166,716.60
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.	229,272,540.70	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	221,800,532.12	246,658,964.59
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	425,097,852.73 /		318,310,804.70	249,804,544.21
Interest income from funds provided to non-financial enterprises recognized in current profit or loss	- /		-	-
Gains and losses from entrusted loans to external parties	- /		-	-
Profit and Loss from externally commissioned loans	- /		-	-
Losses arising from force majeure events, such as natural disasters	- /		-	-
Reversal of impairment provisions for individually tested accounts receivable	6,522,036.49 /		6,861,960.77	14,866,597.01
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	- /		-	-

Company Profile and Financial Highlights

5. NON-RECURRING ITEMS AND AMOUNTS (Continued)

Non-recurring Items	Amount in 2025 (RMB) Notes (if applicable)	Amount in 2024 (RMB)	Amount in 2023 (RMB)
Net profit or loss from the beginning of the period to the merger date for subsidiaries acquired in a business combination under common control	- /	-	-
Gains and losses from non-monetary asset exchanges	- /	-	-
Gains and losses from debt restructuring	- /	-	-
One-time expenses incurred due to the discontinuation of related business activities, such as employee severance payments	- /	-	-
One-time impacts on current profit or loss due to adjustments in tax, accounting, or other legal regulations	- /	-	-
One-time recognition of share-based payment expenses due to the cancellation or modification of an equity incentive plan	- /	-	-
Gains and losses from changes in the fair value of share-based payments settled in cash after the vesting date	- /	-	-
Gains and losses from fair value changes in investment properties measured using the fair value model	- /	-	-
Gains from transactions with significantly unfair pricing	- /	-	-
Gains and losses from contingent events unrelated to the company's normal business operations	- /	-	-
Management fees earned from entrusted operations	- /	-	-
Other non-operating income and expenses not covered by the above items	2,417,656.48 /	13,354,520.10	(13,182,806.17)
Other gains and losses that meet the definition of non-recurring profit or loss	- /	18,049,400.00	-
Less: Amount of income tax influence	(135,618,073.43)	(97,199,332.07)	(90,819,346.57)
Amount of minority equity impact (after income tax)	(15,057,095.03) /	(10,933,949.45)	(13,336,538.47)
Total	<u>619,804,350.09</u>	<u>479,064,962.37</u>	<u>420,158,131.20</u>

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

☐ Applicable ☒ Not Applicable

Company Profile and Financial Highlights

6. CHANGES IN SHAREHOLDERS' EQUITY IN 2025 (CONSOLIDATED)

Items	Share capital (RMB)	Capital reserve (RMB)	Other comprehensive income (RMB)	Surplus reserve (RMB)	Undistributed profits (RMB)	Total shareholders' equity attributable to the parent company (RMB)
Opening balance	1,625,790,949.00	10,113,721,707.21	(13,839,663.97)	2,363,518,341.03	21,815,336,535.32	35,904,527,868.59
Additions	–	209,797,684.12	(8,758,041.52)	115,502,877.19	2,983,113,594.80	3,299,656,114.59
Deductions	–	–	–	–	1,416,135,636.39	1,416,135,636.39
Closing balance	1,625,790,949.00	10,323,519,391.33	(22,597,705.49)	2,479,021,218.22	23,382,314,493.73	37,788,048,346.79

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

☐ Applicable ☒ Not Applicable

8. ITEMS RELATED TO FAIR VALUE MEASUREMENT

Items	Balance at the beginning of the Reporting Period (RMB)	Balance at the end of the Reporting Period (RMB)	Changes during the Reporting Period (RMB)	Impact on the profit for the Reporting Period (RMB)
Financial assets held for trading	–	4,000,000.00	4,000,000.00	–
Other equity instrument investments	104,180,509.45	96,174,005.96	(8,006,503.49)	–
Other non-current financial assets	531,000,228.05	506,653,262.60	(24,346,965.45)	51,859,043.97
Total	<u>635,180,737.50</u>	<u>606,827,268.56</u>	<u>(28,353,468.94)</u>	<u>51,859,043.97</u>

9. OTHERS

☐ Applicable ☒ Not Applicable

Management Discussion and Analysis

1. DESCRIPTION OF THE GROUP'S BUSINESS DURING THE REPORTING PERIOD

(1) Principal business and products

Since its establishment, the Company has been focusing on the pharmaceutical and health industry. After years of development, its scale and benefits have continued to expand. At present, centering on its core responsibilities and main businesses, the Company has deeply cultivated the entire industrial chain of pharmaceutical and health, built a diversified business structure with upstream and downstream coordination, covering modernized traditional Chinese medicine (TCM), chemical pharmaceutical technology, natural beverages, pharmaceutical commerce, biotech innovation, consumer health, medical services, and other fields.

1) Modernized Traditional Chinese Medicine

The Group owns 13 time-honored Chinese pharmaceutical enterprises such as Zhong Yi, Chen Li Ji, Qi Xing, Jing Xiu Tang, Pan Gao Shou, Cai Zhi Lin and Cai Shan Tang, among which 11 are century-old enterprises. The main TCM products 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 obvious advantages in proprietary Chinese patent medicine brands and varieties in Southern China and even across the country.

2) Chemical Pharmaceutical Technology

The Group's product portfolio covers antibacterial and anti-inflammatory drugs, andrological drugs, and antipyretic and analgesic varieties. It has a complete antibiotic industrial chain from API (Active Pharmaceutical Ingredient) to preparations, and has integrated antibiotic drug brands under the well-known trademark "Kang Zhi Ba (抗之霸)" to build China's No.1 brand of oral antibacterial and anti-inflammatory drugs. "Jin Ge (金戈)" is the core product of andrological drugs with certain brand popularity. The Group's main chemical pharmaceutical products include Sildenafil Citrate (trade name "Jin Ge (金戈)"), Cefuroxime Sodium for Injection, Paracetamol, Aspirin and Caffeine Powder, Multivitamins for Injection (12), Amoxicillin, Cefixime Series (including API), Amoxicillin and Clavulanate Potassium, Clindamycin Phosphate Injection, Paracetamol, Chlorpheniramine Maleate and Phenylephrine Hydrochloride Capsules, Cefathiamidine, Cefpiramide, Cefprozil, etc.

3) Natural Beverages

The Group's key operating enterprise of natural beverages is WLJ Great Health. Core products cover Wang Lao Ji Herbal Tea, Ci Ning Ji (刺檸吉) Series, Li Xiao Ji (荔小吉) Series, Ye Rou Coconut Juice, etc. With strong brand value advantages and product competitiveness, Wang Lao Ji Herbal Tea is one of the leading brands in China's beverage market and holds a high market share in the domestic 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 9 consecutive years, and its brand score topped the non-alcoholic beverage category in 2025.

1. DESCRIPTION OF THE GROUP'S BUSINESS DURING THE REPORTING PERIOD *(Continued)*

(1) Principal business and products *(Continued)*

4) Pharmaceutical Commerce

The Group's pharmaceutical commerce business includes the wholesale, retail, import and export, as well as warehousing and logistics of pharmaceutical products, medical devices, healthcare products and other related items. Relying on its regional network and customer base accumulated over many years, the Group has established strong market coverage capabilities in key South China regions such as Guangdong and Hainan. The main enterprise engaged in this business is GP Corp., a subsidiary of the Company.

5) Other Businesses

Other businesses mainly include biotech innovation, consumer health, medical services, etc. Biotech innovation mainly relies on the existing professional technology platforms to expand the biopharmaceutical pipelines through mergers and acquisitions, strategic investment, cooperative incubation and other methods. Consumer health focuses on the development and layout of mid-to-high-end Chinese-style nutritional products, health care products and so on. With Baiyunshan Medical and Healthcare Industry Company as the main entity, medical services focus on the development of hospital medical care, traditional Chinese medicine health preservation and medical device businesses

(2) Operating model

1) Modernized Traditional Chinese Medicine, Chemical Pharmaceutical Technology

A Procurement Model

The Company integrated the procurement system of its subsidiaries, and established a number of centralized procurement platforms. The intensively centralized procurement of raw materials and auxiliary materials, Chinese herbal medicine, packaging materials, machinery equipment materials and such other materials, improved the ability of negotiation on prices and risk resistance and effectively reduced the procurement cost. Details of the centralized procurement platform and purchased materials are set out below:

No.	Procurement	Centralized procurement platform	Description
1	Bulk Chinese herbal medicine	Cai Zhi Lin, relevant subsidiaries with GAP	Pursuant to the procurement requirements of the bulk Chinese herbal medicine, the Group established direct links with the production spots of the raw materials of medicine, ensured the valuable raw materials resources were stable and controllable through certificated GAP bases, so as to ensure the quantity, quality, time and cost of the bulk supply of Chinese herbal medicine.
2	Bulk raw materials and auxiliary materials, packaging materials	Guangyao Supply Chain Company	The Group ensured the advantage of quality and cost of the bulk raw and auxiliary materials, packaging materials through strengthening supplier development, improving and subdividing the supplier classification management and cultivating strategic cooperation suppliers.
3	Imported equipment	Guangyao Baiyunshan Hong Kong Company, Guangyao Supply Chain Company	Guangyao Baiyunshan Hong Kong Company takes charge of the imported equipment procurement, Guangyao Supply Chain Company takes charge of the import formalities.

Management Discussion and Analysis

1. DESCRIPTION OF THE GROUP'S BUSINESS DURING THE REPORTING PERIOD *(Continued)*

(2) Operating model *(Continued)*

1) Modernized Traditional Chinese Medicine, Chemical Pharmaceutical Technology *(Continued)*

B Production Model

The subsidiaries of the Company formulated the annual, monthly and weekly production plan and arrange production according to the production plan based on the demands of the medical market. The enterprises under the Company organized the production strictly in accordance with the national GMP requirements and strictly implemented the relevant national regulations in the aspects of purchase of raw materials, allocation of manpower, equipment management, production procedures, quality control, packaging, transportation, etc.; throughout the entire manufacturing processes of pharmaceuticals and products, the quality control department conducts testing and monitors the whole processes of raw materials, auxiliary materials, packaging materials, intermediate products and finished products so as to ensure product quality and safety. Meanwhile, the Company carries out supervisions and guidance for the production management of enterprises under the Company in the aspects of technology, quality, environmental protection, employee safety, hygiene and health, and so on.

C Sales Model

The Group mainly leverages on sales channels of distributors and agents at all levels to cover the majority of hospitals, community medical services and retail terminals in China. For products in hospitals' tenders, the Group carries out tendering process throughout the country according to the relevant national policies. Upon winning the bid, the relevant pharmaceutical products will be distributed through designated logistics companies. For products not tendered by hospitals, the Group conducts promotion mainly by agent sales and by way of distribution.

In addition, the Group has proactively adapted itself to new economy, innovated new models, actively built up e-commerce marketing system and developed the e-commerce business, strengthened the integrated development of online and offline channels, and leveraged e-commerce platforms, WeChat mini-programs, new media, and other internet channels to enrich sales model scenarios and expand the product sales coverage. For instance, GP Corp. actively created a new "Internet +" pharmacy retail mode; Guangyao Baiyunshan flagship store has set up e-commerce terminal sales platforms at Tmall and JD. com.

1. DESCRIPTION OF THE GROUP'S BUSINESS DURING THE REPORTING PERIOD *(Continued)*

(2) Operating model *(Continued)*

2) Natural Beverages

A *Procurement Model*

Such raw and auxiliary materials, packaging materials and other items are mainly purchased centrally through the Group's procurement platform.

B *Production Model*

The Company's subsidiaries organize production in strict accordance with relevant national laws and regulations through self-built production capacity and OEM, etc., to ensure the quality and safety of the whole process of raw material base, raw and auxiliary materials, packaging materials, personnel and equipment, finished products and consumer use from planting and harvesting, production and manufacturing to consumer use. At present, WLJ Great Health has four major production bases located in Nansha of Guangzhou, Lanzhou of Gansu, Ya'an of Sichuan and Meizhou of Guangdong.

C *Sales Model*

The revenue of the natural beverages of the Group mainly came from Wang Lao Ji herbal tea. For sales of Wang Lao Ji herbal tea, WLJ Great Health and Wang Lao Ji Pharmaceutical mainly depend on distributorship by setting three tiers of distributors. The first-tier distributors are directly responsible to WLJ Great Health and Wang Lao Ji Pharmaceutical, and took respective responsibilities for regional channel development as per the marketing tasks given by WLJ Great Health and Wang Lao Ji Pharmaceutical. The second-tier distributors shall purchase products from the first-tier distributors and be responsible for distribution and dispatching. WLJ Great Health and Wang Lao Ji Pharmaceutical shall directly be responsible for the products' advertisement investment, and participate in terminal expansion, promotion and customer maintenance, etc.

Management Discussion and Analysis

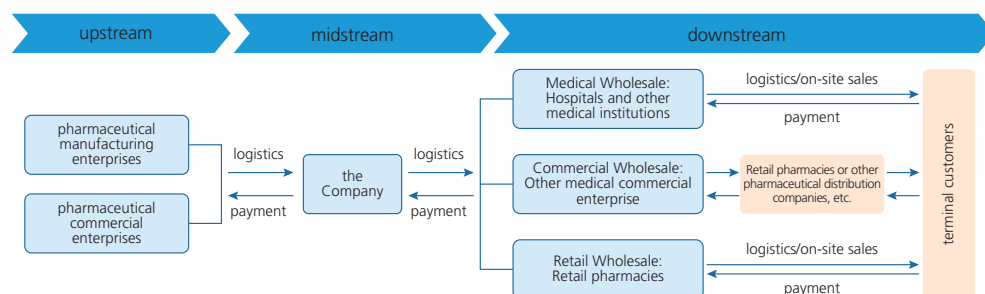
1. DESCRIPTION OF THE GROUP'S BUSINESS DURING THE REPORTING PERIOD *(Continued)*

(2) Operating model *(Continued)*

3) Pharmaceutical Commerce

The Group's pharmaceutical commerce include two modes, being pharmaceutical distribution and retail, whose profits came from price difference of purchasing price of and marketing price of medicines and medical equipment and/or dispatching expense.

GP Corp., the core enterprise of the pharmaceutical commerce, is responsible for the pharmaceutical wholesale and retail business of the Group. The service recipients of the Company's pharmaceutical wholesale business primarily include terminal customers such as hospitals and other medical institutions at all levels, other pharmaceutical commercial enterprises, as well as retail pharmacies. The specific situation is illustrated in the figure below.



The retail business is developed through "Jian Min" pharmaceutical retail chains, GPC Prescription Pharmacy retail chain and Hainan Guangyao Chenfei Pharmacy, all under GP Corp. As at 31 December 2025, the Group had 167 retail chain pharmacy outlets, mainly located in Guangdong and Hainan and other provinces. Among those, there were 60 "Jian Min" pharmacy outlets which specialized in traditional Chinese medicines, Western medicine, medical apparatus and medical equipment, 71 "GPC Prescription Pharmacy" which specialized in the retail of prescription drugs, 24 chain stores of Hainan Guangyao Chenfei Pharmaceutical Chain Co., Ltd and 12 retail stores of branch/subsidiary of GP Corp. Meanwhile, a total of 126 retail pharmacies have obtained the qualification of "double channel" designated retail pharmacies, and have become "double channel" demonstration pharmacies in many places.

(3) Key Performance Drivers

During the Reporting Period, the Group achieved operating revenue of RMB77,656,109,939.23, representing a year-on-year increase of 3.55%. For details, please refer to the relevant content under "III. Discussion and Analysis of Operating Conditions" in this section.

(4) Explanation of Newly Added Significant Non-Core Business Operations During the Reporting Period

☐ Applicable ☒ Not Applicable

2. DESCRIPTION OF THE GROUP'S INDUSTRY SITUATION DURING THE REPORTING PERIOD

(1) Industry Development Status

The pharmaceutical industry is an important component of China's national economy and a strategic emerging industry critical to national economy and people's livelihood, economic development and national security. It features weak cyclical, high investment, high risk, high technological barriers and strict regulation.

From the demand side, amid sustained economic growth, improved living standards and accelerated population aging in China, public awareness of healthcare has been rising, and demand for high-quality pharmaceutical products and health services has continued to grow. Demand scenarios and levels have been upgraded, ranging from basic therapeutic drugs to high-end innovative drugs and from disease treatment to health management, and the scale of the healthcare market will keep expanding. From the technical side, new quality productive forces continuously empower the transformation and upgrading of the pharmaceutical industry. The application of digital and intelligent technologies, as well as the integration of information technology and biomedicine, have brought new development opportunities to R&D and manufacturing in the sector. Overall, driven by technological innovation and rising demand, the pharmaceutical industry will continue to unlock its development potential, and high-quality enterprises will embrace broad development prospects.

With coordinated implementation of various macro policies, the pharmaceutical industry is shifting from high-speed growth to high-quality development, with new connotations continuously injected. In recent years, domestic innovative drugs have enjoyed vigorous development with remarkable breakthroughs in quantity, quality and technology. The authorities have strengthened whole-chain policy support, coordinated policies on price management, medical insurance reimbursement, commercial insurance, drug allocation and use, investment and financing, and optimized the review and approval mechanism as well as medical institution assessment, jointly promoting the leapfrog development of innovative drugs. Overseas expansion of domestic innovative drugs has entered a new stage featuring simultaneous improvement in quantity and quality. Chinese innovative drugs have entered the global market through out-licensing, joint ventures and other models, marking that the value of China's R&D has been internationally recognized.

In 2025, according to the National Bureau of Statistics, enterprises above designated size in the pharmaceutical manufacturing industry achieved operating revenue of RMB2,487.0 billion, down 1.2% year-on-year, and total profit of RMB349.0 billion, up 2.7% year-on-year, representing an improvement in profitability over the previous year. Meanwhile, enterprises above designated size in the wine, beverage and refined tea manufacturing industry achieved operating revenue of RMB1,468.93 billion, down 4.4% year-on-year, and total profit of RMB281.29 billion, down 9.1% year-on-year.

(2) Industry Position of the Company

The Group is one of the largest pharmaceutical enterprise groups in China. After years of dedicated development and high-quality growth, it has basically achieved a full industrial chain layout in the biomedicine and health industry. With profound historical heritage, abundant industrial resources, a complete full-industry-chain layout, a strong brand matrix and sustained innovative R&D capabilities, the Group has firmly maintained a leading position in the industry. It occupies a leading role in modernized traditional Chinese medicine, chemical pharmaceutical technology, natural beverages, and continuously advance its globalization process through international certifications. Going forward, the Company will continue to focus on its core businesses, strengthen scientific research and innovation, expand market penetration, consolidate its leading position in the domestic market and enhance its global influence.

Management Discussion and Analysis

2. DESCRIPTION OF THE GROUP'S INDUSTRY SITUATION DURING THE REPORTING PERIOD

(Continued)

(3) The impact of policies related to the industry and the Group's response measures

1) The impacts of pharmaceutical policies and regulations and the response measures

A *Release of the Opinions on Improving the Quality of Traditional Chinese Medicine and Promoting the High-quality Development of the Traditional Chinese Medicine Industry* (《關於提升中藥質量促進中醫藥產業高質量發展的意見》)

In March 2025, the General Office of the State Council issued the Opinions on Improving the Quality of Traditional Chinese Medicine and Promoting the High-quality Development of the Traditional Chinese Medicine Industry, which put forward management requirements for high-quality development in multiple aspects, including the protection and utilization of TCM resources, the development of modern seed industry for Chinese medicinal materials, the digital transformation of TCM industry, the secondary development of major TCM varieties, the clinical value evaluation of proprietary Chinese medicines, the improvement of TCM quality supervision system, and the open development of TCM.

Response measures: The Group will carry out the development of the TCM industry in accordance with relevant policy requirements, focus on the cultivation of authentic medicinal materials and the development of major TCM varieties in combination with policy requirements, optimize the whole industrial chain development model, and accelerate the process of improving TCM quality and high-quality industrial development.

B *Release of Several Measures to Support the High-quality Development of Innovative Drugs* (《支持創新藥高質量發展的若干措施》)

In June 2025, the National Healthcare Security Administration and other multiple departments jointly issued the Several Measures to Support the High-quality Development of Innovative Drugs, which expounded the whole-chain support and management requirements for the high-quality development of innovative drugs in multiple aspects, including R&D guidance based on medical insurance big data, accelerated review and approval of innovative drugs, construction of commercial health insurance innovative drug catalogs, clinical deployment and use of innovative drugs, government-enterprise communication and docking mechanisms, and intellectual property protection of innovative drugs.

Response measures: The Group will carry out the R&D and transformation of innovative drugs in accordance with relevant policy requirements, clarify key R&D areas in combination with policy guidance, reasonably select review and approval pathways, actively connect with multiple payment systems, and accelerate the process of launching innovative drugs.

2. DESCRIPTION OF THE GROUP'S INDUSTRY SITUATION DURING THE REPORTING PERIOD

(Continued)

(3) The impact of policies related to the industry and the Group's response measures

(Continued)

1) The impacts of pharmaceutical policies and regulations and the response measures (Continued)

- C *Release of the Opinions on Comprehensively Deepening the Reform of Drug and Medical Device Supervision and Promoting the High-quality Development of the Pharmaceutical Industry* (《關於全面深化藥品醫療器械監管改革促進醫藥產業高質量發展的意見》)

In January 2025, the General Office of the State Council issued the Opinions on Comprehensively Deepening the Reform of Drug and Medical Device Supervision and Promoting the High-quality Development of the Pharmaceutical Industry, which expounded the relevant requirements for the reform of drug and medical device supervision and the high-quality development of the pharmaceutical industry in multiple aspects, including the optimization of review and approval for innovative drugs and medical devices, the improvement of TCM characteristic review evidence system, the strengthening of full life cycle supervision of drugs, the construction of supervision informatization and whole-chain traceability, the system of intellectual property protection and market exclusivity for innovative drugs, the promotion of regulatory science research, and the opening-up and cooperation of the industry.

Response measures: The Group will carry out production and operation as well as innovation and development in accordance with relevant policy requirements, optimize R&D and declaration pathways in combination with policy orientation, improve the whole-chain compliance management system, strengthen intellectual property protection, and accelerate the transformation and launch of innovative achievements.

2) Impact of Medical Insurance Policies and Regulations and Response Measures

- A *Rational Competition Guided by the Rules of the 11th Batch of National Drug Centralized Procurement*

In October 2025, the rules of the 11th Batch of National Centralized Procurement clearly put forward the goals of "stabilizing clinical use, ensuring quality, opposing involution, and preventing bid-rigging". Through multiple measures such as allowing medical institutions to report volume by manufacturer, setting procurement amount thresholds, introducing "anchor price" to prevent extremely low prices, and raising enterprise production qualification requirements, it guides rational competition and ensures clinical supply and drug quality.

Response measures: The Group will thoroughly study the new centralized procurement rules, strictly control product quality, attach importance to cost accounting and reasonable quotation, and actively prepare for and participate in various centralized procurement with quantity organized by the state and local alliances. Meanwhile, it will give full play to its advantages in drug distribution and actively participate in the drug distribution services for national organized centralized procurement with quantity.

Management Discussion and Analysis

2. DESCRIPTION OF THE GROUP'S INDUSTRY SITUATION DURING THE REPORTING PERIOD

(Continued)

(3) The impact of policies related to the industry and the Group's response measures

(Continued)

2) Impact of Medical Insurance Policies and Regulations and Response Measures (Continued)

B National Healthcare Security Administration Launches the "100-day Action" on Medical Insurance Fund Supervision

In September 2025, the General Office of the National Healthcare Security Administration issued a notice deciding to carry out the "100-day Action" for special rectification of prominent problems in medical insurance fund management nationwide from late September 2025 to 31 December 2025. The action focuses on three key priorities: first, comprehensively governing the resale of medical insurance reflux drugs and cracking down on behaviors such as empty swiping, fraudulent swiping, and drug substitution by designated medical institutions; second, carrying out special verification of excessive prescription dispensing and monitoring abnormal drug purchase behaviors relying on drug traceability codes; third, specially governing the fraud of maternity allowances.

Response measures: The Group will further improve the internal monitoring and risk early warning mechanism, actively cooperate with the supervision and inspection work of medical insurance departments, resolutely put an end to any form of fraud and insurance fraud, and safeguard the safety of medical insurance funds.

C Release of the National Catalog of Drugs for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2025 Edition)

In December 2025, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security jointly issued the National Catalog of Drugs for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2025 Edition), which will be officially implemented from 1 January 2026. The catalog continues to focus on innovative drugs and pediatric drugs, and clarifies the medical insurance payment standard management rules for negotiated drugs and drugs selected in centralized procurement with quantity.

Response measures: The Group will fully sort out the docking between its products and the new version of the medical insurance catalog. Meanwhile, it will pay more attention to clinical demand-oriented R&D and innovation, optimize the R&D pipeline, and actively promote innovative drugs with clinical value to be included in the medical insurance catalog through negotiation, so as to enhance product accessibility and the core competitiveness of the enterprise.

2. DESCRIPTION OF THE GROUP'S INDUSTRY SITUATION DURING THE REPORTING PERIOD

(Continued)

(3) The impact of policies related to the industry and the Group's response measures

(Continued)

3) Impact of Medical Policies and Response Measures

A Release of the Notice on Doing a Good Job in the Key Work of the 2025 Primary Health Comprehensive Pilot Zones (《關於做好2025年基層衛生健康綜合試驗區重點工作的通知》)

In April 2025, the National Health Commission issued the Notice on Doing a Good Job in the Key Work of the 2025 Primary Health Comprehensive Pilot Zones, which clearly strengthens the construction of primary medical and health service capabilities, requiring the realization of "two full coverages" of county-level hospital personnel dispatched to township health centers and community health service centers and the diagnosis and treatment services for common childhood diseases by the end of 2025; it deploys key tasks such as carrying out the family doctor "contract-sensitive" action, solidifying the health management of the elderly and children, optimizing continuous services for chronic disease patients, and establishing a long-term guarantee mechanism for sinking resources of county-level medical consortia.

Response measures: The Group will seize the development opportunities of the primary health comprehensive pilot zones, expand the primary distribution channels in the pilot zones relying on the advantages of the drug distribution network, and promote the sinking of core varieties such as pediatric drugs and chronic disease treatments. It will strengthen cooperation with primary medical and health institutions and family doctor teams in the pilot zones, carry out targeted academic promotion and medication guidance, help the implementation of health management services for the elderly and children, and further expand the coverage of the primary market.

B Release of the Interim Measures for the Administration of Payment by Disease for Medical Security (《醫療保障按病種付費管理暫行辦法》)

In August 2025, the National Healthcare Security Administration issued the Interim Measures for the Administration of Payment by Disease for Medical Security, which focuses on standardizing core elements and supporting measures such as total budget management, formulation and adjustment of grouping schemes, and weight rates, clarifies that grouping schemes shall be adjusted every two years in principle, requires medical insurance departments and medical institutions to fully negotiate to determine core elements, and incorporates the requirements of payment by disease into agreement management.

Response measures: The Group will thoroughly study and judge the policy, focus on core products corresponding to commonly used clinical diseases, and optimize production processes and costs. It will strengthen cooperation with medical institutions, carry out research on the clinical value of products, and promote the adaptation of products to the diagnosis and treatment pathways of payment by disease. It will take the initiative to connect with medical insurance departments and medical institutions, timely grasp the dynamics of grouping scheme adjustments, and ensure the market competitiveness and accessibility of products under the payment by disease system.

Management Discussion and Analysis

2. DESCRIPTION OF THE GROUP'S INDUSTRY SITUATION DURING THE REPORTING PERIOD

(Continued)

(3) The impact of policies related to the industry and the Group's response measures (Continued)

3) Impact of Medical Policies and Response Measures (Continued)

C Release of the Notice on Carrying out the Action to Promote the Integration of Medical Care and Elderly Care (《關於開展醫養結合促進行動的通知》)

In October 2025, the General Office of the National Health Commission, the General Office of the Ministry of Civil Affairs, the General Office of the National Healthcare Security Administration and other multiple departments jointly issued the Notice on Carrying out the Action to Promote the Integration of Medical Care and Elderly Care, putting forward the goal of improving the service system of integrated medical care and elderly care, increasing service supply, and enhancing service capacity by the end of 2027, and deploying specific tasks such as optimizing the layout of service resources, strengthening the construction of talent teams, developing home and community services, deepening TCM integrated medical care and elderly care services, and strengthening the service guarantee for disabled and demented elderly.

Response measures: Combining policy orientation and the market demand of aging population, the Group will, based on the characteristic advantages of TCM, focus on promoting the R&D and promotion of elderly-adapted TCM varieties. It will strengthen cooperation with medical care institutions and community elderly care service centers, build a "product + service" integrated medical care and elderly care service model, provide supporting services such as TCM health management and rehabilitation nursing, and create a comprehensive health and elderly care solution that meets the needs of the elderly.

4) Impact of High-quality Development Policies for Manufacturing Industry and Response Measures

A Issuance of the Implementation Plan for Further Promoting the Innovative Development of Service-oriented Manufacturing (2025–2028) (《深入推動服務型製造創新發展實施方案(2025—2028年)》)

In September 2025, the Ministry of Industry and Information Technology and other seven departments jointly issued the Implementation Plan for Further Promoting the Innovative Development of Service-oriented Manufacturing (2025–2028), aiming to promote the in-depth integration of advanced manufacturing and modern service industries, clarifying seven tasks and three special actions such as strengthening key core technology research, cultivating key producer services, and promoting the application of service-oriented manufacturing models, extending the value chain, and injecting new momentum into the high-quality development of manufacturing.

Response measures: The Group will thoroughly implement policy requirements, promote the transformation from a product provider to a "product + service" comprehensive solution provider, explore the development of full life cycle management and other services in core drug lines, optimize operating costs, shape a service-oriented manufacturing brand, and enhance product added value.

2. DESCRIPTION OF THE GROUP'S INDUSTRY SITUATION DURING THE REPORTING PERIOD

(Continued)

(3) The impact of policies related to the industry and the Group's response measures (Continued)

4) Impact of High-quality Development Policies for Manufacturing Industry and Response Measures (Continued)

B Release of the Notice on Carrying out the 2025 Gradient Cultivation Action for Smart Factories (《關於開展2025年度智能工廠梯度培育行動的通知》)

In June 2025, the Ministry of Industry and Information Technology and other six departments jointly issued the Notice on Carrying out the 2025 Gradient Cultivation Action for Smart Factories, deploying the gradient cultivation of smart factories, aiming to create an “upgraded version” of intelligent manufacturing and promote the digital transformation and intelligent upgrading of manufacturing.

Response measures: The Group will benchmark the gradient cultivation standards for smart factories, comprehensively promote the digital, networked and intelligent transformation of production lines, increase investment in intelligent manufacturing equipment and industrial software, apply artificial intelligence technology to optimize production management processes, actively apply for smart factory certifications at all levels, and lead the leap in manufacturing capacity through benchmark construction.

C Release of the Opinions on Further Implementing the “Artificial Intelligence +” Action (《關於深入實施「人工智能+」行動的意見》)

In August 2025, the State Council issued the Opinions on Further Implementing the “Artificial Intelligence +” Action. As a national top-level design document for artificial intelligence development, it clarifies six key actions such as “artificial intelligence + industrial development”, deploys eight basic support tasks such as enhancing model basic capabilities and strengthening intelligent computing power, and focuses on promoting the in-depth integration of artificial intelligence with all links of manufacturing.

Response measures: The Group has established the application of artificial intelligence technology as an important strategy for high-quality development. Closely following the policy orientation of “artificial intelligence + industrial development”, it will actively explore the application of artificial intelligence technology in scenarios such as TCM and innovative drug R&D, promote the in-depth integration of technical research and scenario implementation, and strive to gain an advantage in the intelligent transformation of pharmaceutical manufacturing.

Management Discussion and Analysis

2. DESCRIPTION OF THE GROUP'S INDUSTRY SITUATION DURING THE REPORTING PERIOD

(Continued)

(4) Cyclical characteristics of the industry and the Group's business

Within the Group's operating activities, sales volumes of certain pharmaceutical products exhibit certain cyclicity. For instance, seasonal diseases such as influenza have a relatively high incidence during specific periods and spread rapidly once outbreaks occur, which may lead to increased demand for medicines used in the prevention and treatment of such diseases. Demand for Wang Lao Ji herbal tea is somewhat correlated with seasons, with sales rising during hot weather. Meanwhile, the Group has vigorously developed sales channels for the gift market during major festivals, resulting in relatively high sales volumes of Wang Lao Ji herbal tea around major festivals. The pharmaceutical commerce sector does not exhibit prominent cyclical characteristics.

3. DISCUSSION AND ANALYSIS OF OPERATING CONDITIONS

In 2025, the Group strictly adhered to its strategic positioning in biopharmaceuticals and healthcare, leveraging industry advantages, fully exploring its own resources and assets, and comprehensively advancing production and operations to promote sustainable and stable business development.

During the Reporting Period, the Group achieved operating revenue of RMB77,656,109,939.23, representing a year-on-year increase of 3.55%; total profit of RMB3,689,925,942.42, representing a year-on-year increase of 2.28%; and net profit attributable to shareholders of the Company of RMB2,983,113,594.80, representing a year-on-year increase of 5.21%.

In 2025, major activities promoted by the Group include:

(1) Upholding and focusing on core businesses to continuously strengthen the pharmaceutical and healthcare industry chain

- 1) Continuously strengthening the development of TCM and APIs businesses to solidify the foundation of the upstream segment of the industry chain. Further efforts were made to advance promotion of standardization and normalization of TCM plantation bases, thereby continuously strengthening control over the production and supply of key raw materials. The Group consolidated its competitive advantages in the development of specialty APIs by continuously diversifying the product lines of specialty APIs, and it also proactively doubled efforts to expand itself into new APIs, which enabled the APIs businesses to steadily expand into domestic and international markets.

3. DISCUSSION AND ANALYSIS OF OPERATING CONDITIONS *(Continued)*

(1) Upholding and focusing on core businesses to continuously strengthen the pharmaceutical and healthcare industry chain *(Continued)*

- 2) Give full play to the strengths of pharmaceuticals and health businesses to strengthen the midstream value chain
 - A The Group consistently deepened its collaboration with leading chain pharmacies and e-commerce platforms to further strengthen its advantageous varieties, tap into the potential of dormant products, and cultivate blockbuster new products. Meanwhile, the Group strictly focused on quality and safety, continuously improved product quality, and enhanced core market competitiveness to drive the stable development of the pharmaceutical business. During the Reporting Period, the Group delivered strong year-on-year sales growth in products including Xiao Ke Pill, Bao Ji series, Amoxicillin series, An Gong Niu Huang Pill, Shu Jin Jian Yao Pill, Anti-inflammatory and Analgesic Cream, Methyl Hesperidin, and Candesartan Cilexetil Tablets.
 - B The Group actively pursued incremental sales opportunities in the natural beverages. Firstly, efforts were intensified in channel optimization to further stabilize its leading position in the festival market and herbal tea segment, systematically enhance the coverage and scene penetration of food and beverage channels, and launch bottled beverage promotions to strengthen the ready-to-drink (RTD) market. Secondly, brand image was rejuvenated through multiple measures, including cooperation with variety shows and dramas, celebrity endorsements, upgraded media mix, the global launch of international canned beverage, and cross-border marketing collaborations, thereby strengthening high-frequency brand reach and a fashionable, energetic image to activate various consumer segments. Thirdly, the Group consistently promoted a diversified product layout, deeply advancing the brand building and market penetration of Ci Ning Ji and Lychee Beverage with Sea Salt, and launching new products across RTD, functional, and health beverages to provide momentum for the medium-to-long-term development.
- 3) Strengthening wholesale-retail synergy and promoting the strategy of stabilizing existing business while expanding incremental growth to drive steady growth in the pharmaceutical commerce. The medical wholesale business continuously optimized cooperation mechanisms, deeply integrated channel resources, and deepened upstream and downstream collaborations, such as the construction of tight-knit medical consortiums/alliances. Meanwhile, efforts were intensified in the acquisition and access of innovative drugs and drugs under national negotiation to actively expand incremental sources and drive the steady growth of the distribution business. The retail business seized the opportunities brought about by the “dual channel” policy and reinforced wholesale-retail synergy. The Group vigorously developed emerging online channels and cross-border e-commerce to promote a continuous improvement in the operating quality of the retail business.

Management Discussion and Analysis

3. DISCUSSION AND ANALYSIS OF OPERATING CONDITIONS *(Continued)*

(2) Vigorously promoting technological innovation to develop new productive forces

- 1) Focusing on advantageous fields and broadening the R&D pipeline. In 2025, the Group focused on five advantageous areas: malignant tumors, chronic disease management, respiratory, immune system, and andrological drugs. The Group has laid out over 160 research projects in process, including 9 in-process Class 1 innovative medicines, of which 2 projects are in Phase I clinical trials, 4 projects are in Phase II clinical trials, and 1 project is in the marketing authorization application stage.
- 2) Tackling key core technologies with periodic results. During the Reporting Period, BYS10 tablets, a Class 1.1 anti-tumor innovative drug in the chemical medicine field, entered key clinical trials; the freeze-dried human rabies vaccine (Vero cells) in the biological medicine field was approved for market launch; and several projects in the improved new drug field, including Ke Gan Li Yan Oral Solutions, Zi Shen Yu Tai Pill, Pediatric Xiao Chai Hu Granules, and Yu Ping Feng Tea Bags, achieved milestone progress. During the Reporting Period, the Group was awarded 4 provincial scientific and technological progress awards, 6 national association awards, and 1 gold medal at the Geneva International Exhibition of Inventions. The Group added 1 new national platform, 1 new provincial-level platform, 2 national qualifications, and 1 organization with provincial qualification, among them, the “Guangdong Innovative Chinese Medicine Preparation Transformation Pilot Platform” led by Cai Zhi Lin was selected as the first batch of pilot platforms by the Ministry of Industry and Information Technology(MIIT). Pan Gao Shou and the Guangyao General Research Institute were selected as a “Little Giant” enterprise for specialization and innovation by MIIT. Nearly a hundred research papers related to the Group’s products were published in domestic and international journals, among which “Zi Shen Yu tai Pill increased live births in advanced maternal age women: A randomized clinical trial” by Zhong Yi was published in the top international academic journal *Nature Communications*, marking the first time the journal published clinical research on the application of TCM in reproductive medicine.
- 3) Strengthening the service of high-end talents in technology and internationalization, consistently improving the R&D innovation system and mechanism to further stimulate enthusiasm for technological innovation and create a favorable scientific research ecosystem.

(3) Expanding overseas layout and continuously accelerating internationalization efforts

- 1) Pharmaceutical products continued to expand into overseas markets. During the Reporting Period, Xiao Chai Hu Granules obtained the official registration as a proprietary Chinese medicine in Macau, while An Gong Niu Huang Pill obtained the registration certificate in Vietnam, and registration efforts for products such as Zi Shen Yu Tai Pill were accelerated across various international markets.
- 2) International development of natural beverages accelerated. Strategic collaborations were reached 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), and Futaba Corporation(日本雙葉產業株式會社). The Group launched overseas localized operation projects, and promoted the international brand identity “WALLOVI” for Wang Lao Ji in multiple countries, with international canned beverage launched in Germany, Australia, Singapore, Malaysia, etc.

3. DISCUSSION AND ANALYSIS OF OPERATING CONDITIONS *(Continued)*

(3) Expanding overseas layout and continuously accelerating internationalization efforts *(Continued)*

- 3) The pharmaceutical commerce leveraged import and export platforms such as headquarter of GP Corp., Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd., Hainan Guangyao Chenfei Pharmaceutical Co., Ltd., and Jianmin International Co., Ltd. through measures such as wholesale of imported drugs and medical devices and providing import-export supply chain services, the Group continued to explore areas such as access for innovative drugs and devices, assisting innovative drugs and pharmaceutical companies in going global, exploring cross-border retail business, etc.

(4) Strengthening capital operation and consistently enhancing market value management

- 1) Adhering to extensional development to expand business tracks. Firstly, a fund system was vigorously constructed, including the establishment of the GP Fund II, GP Liwan Fund, and GP Guangkai Fund, to strengthen the Company's layout in cutting-edge biomedical fields such as innovative drugs, modern traditional Chinese medicine, and high-end medical devices. Secondly, merger and acquisition efforts were intensified with GP Fund II acquiring 11.04% shares in Nanjing Pharmaceutical, and GP Corp. successfully bid for a 100% equity interest in Zhejiang Pharmaceutical Industry Company to strengthen the Company's industrial layout in East China. Wang Lao Ji Pharmaceutical successfully acquired Cai Shan Tang, increasing the number of time-honored brands under the Group to 13. Thirdly, the mixed-ownership reform of Baiyunshan Hanfang and the capital increase of RMB300 million in Baiyunshan Biological were completed respectively, and the shares of GP Corp. successfully listed on the NEEQ.
- 2) Enhancing market value management across multiple dimensions. Firstly, the Market Value Management System was formulated and released to further improve the market value management system. Secondly, profit distribution plans for 2024 and the first half of 2025 were implemented, among which, annual dividends for 2024 amounted to approximately RMB1.301 billion, accounting for 45.87% of the net profit attributable to shareholders for 2024, representing a significant year-on-year increase. Thirdly, the Group adopted a more proactive and open stance to communicate corporate changes and show corporate value, organized or participated in nearly 90 investor events, including analyst research meetings, roadshows, performance briefings, strategy meetings, and one-on-one meetings, receiving nearly 400 investors in total, an increase of nearly 60% compared with the same period last year. Fourthly, the Group further strengthened the construction of ESG system and improved ESG management levels, maintaining an A rating from both MSCI and WIND.

(5) Focusing on digital transformation and accelerating digital intelligence to empower new productive forces

Firstly, the Group further advanced its top-level planning for digital transformation, centering on the four core architectures of business, data, application, and technology. Secondly, the Group formed strategic alliances with several leading domestic digital enterprises, focusing on key areas such as R&D, smart healthcare, smart supply chain, and industrial internet. Thirdly, the Group consistently promoted the innovation and upgrading of production technology to accelerate the improvement of intelligent manufacturing, such as the commencement of the second phase of the pharmacovigilance system, and Zhong Yi included in the "2025 List of Advanced Intelligent Factories" recognized by the Department of Industry and Information Technology of Guangdong Province.

Management Discussion and Analysis

3. DISCUSSION AND ANALYSIS OF OPERATING CONDITIONS *(Continued)*

(6) Optimizing management and control to boost operational efficiency and quality

The Group further optimized the institutional setup of its headquarters, effectively strengthening functions such as external coordination, industrial investment, brand management, digitalization, and audit supervision. The management of the procurement platform was further optimized, reducing procurement costs for TCM raw materials, auxiliary and packaging materials, office supplies, and advertising to drive cost reduction and efficiency. Efforts in talent introduction and cultivation were intensified by launching of special recruitment and management trainee programs, while adjusting and optimizing appraisal metrics to stimulate the talent team. Taking the opportunity of amending the Articles of Association, nearly 30 internal management systems were improved to optimize the construction of the corporate governance system.

4. ANALYSIS OF THE GROUP'S CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Group's core competitiveness is mainly reflected in the following aspects:

- 1) The Group possesses rich products and brand resources:
 - A Products: The Group has an extensive product coverage and a well-improved product matrix, and has formed 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, nearly 2,000 specifications, 140 exclusive products and nearly 90 exclusive products in production. A total of 322 varieties of the Group and its joint ventures have been included in the National Medical Insurance Catalog, 331 varieties in the Provincial Medical Insurance Catalog and 143 varieties in the National Essential Drugs Catalog, with the market share of some core products ranking in the forefront of the industry.
 - B Brands: The Group holds more than 3,000 well-known brands and trademarks including "BYS" and "Wang Lao Ji", among which there are 10 nationally renowned trademarks, 22 renowned trademarks in Guangdong Province and 27 renowned trademarks in Guangzhou City. The brand awareness and reputation of "BYS" and "Wang Lao Ji" have a strong influence and appeal among consumers across the country, and they are among the most valuable brands in China. In addition, the Group possesses a long history in traditional Chinese medicine and cultural soft power. Thirteen member enterprises of the Group have obtained the time-honored Chinese brand certification, and 16 member enterprises have obtained the time-honored Guangdong brand certification. The Group also owns national intangible cultural heritage items namely "Xia Sang Ju" (夏桑菊) of Xing Qun, "Da Shen Kou Yan Qing" (大神口焮清) of BYS (白雲山), Wang Lao Ji (王老吉) herbal tea, the traditional Chinese medicine culture of each of Chen Li Ji (陳李濟) and Pan Gao Shou (潘高壽), as well as the "Production Technology of Bao Zi Tang Bao Ying Dan" (保滋堂保嬰丹製作技藝) of Zhong Yi (中一藥業) and Caishantang Wanying Tea (采善堂萬應茶). The Group has established a number of platforms for TCM culture dissemination, such as 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), demonstrating the long history and splendid culture of traditional Chinese medicine.

4. ANALYSIS OF THE GROUP'S CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(Continued)

- 2) The Group possesses a relatively complete industrial chain system. As a comprehensive industrial group taking a leading position in domestic pharmaceutical manufacturing and commerce, the Group's business covers pharmaceutical production, wholesale and retail. It has formed a sound industrial chain covering raw materials, R&D, production, distribution and terminals, which enables synergy effects in major links of the pharmaceutical value chain. By integrating resources, the Group has significantly enhanced industrial resilience and market competitiveness, effectively diversified risks and uncertainties in a single field, and continued to provide high-quality products and services to society.
- 3) The Group has a large-scale pharmaceutical wholesale distribution and delivery network and a broad and stable customer base in China. GP Corp., a subsidiary of the Company, has deep roots in the pharmaceutical commercial industry for many years and is one of the first pharmaceutical trading enterprises in Guangdong Province that obtained the GSP certificate. Leveraging the advantages of its solid market foundation and strong marketing network, the Group has established long-term and stable business relationships with tens of thousands of customers in more than 30 provinces, autonomous regions and municipalities directly under the central government across the country, including medium-and-large-sized hospitals, pharmaceutical wholesalers, distributors and retailers. The Group was among the first batch of enterprises in the country which passed the assessment of the digital integration and operation informatisation management system, and has established pharmaceutical logistics and distribution centers in multiple provinces including South China, Sichuan, Heilongjiang and Shaanxi, with a focus on building smart logistics centers. The Group owns an industry leading digital integration and operation informatisation management system, enabling efficient distribution within Guangdong Province. For retail terminals, the Group has laid out high-quality brand chain pharmacies offline, actively deployed internet channels, and realized the integrated development of online and offline businesses.
- 4) The Group has an ever-improving technological innovation system. Over the years, the Group has continuously strengthened platform construction and owns nearly 90 scientific research platforms at the national, provincial and municipal levels. The Group has research and development of traditional Chinese medicine and Chinese NHPs, Chinese medicine engineering technology including automatic control and online testing, Chinese preparation medicine, supercritical CO₂ extraction, reversal extraction, separation by macroporous adsorption resin, quality control of Chinese medicine by chromatographic fingerprinting, synthesis and technology of cephalosporins antibiotic APIs, sterile powder production technology and preparation medicine technology, holding a leading position in nationwide. The Group has built an extensive collaborative network with scientific research institutions both domestic and abroad, attracting and nurturing talents, and engaging renowned experts at home and abroad to form a professional think tank so as to exert the internal and external synergy effect. By continuously improving the R&D and innovation system and mechanism, the Group has further mobilized the enthusiasm of its subsidiary enterprises for technological innovation, created a sound scientific research ecology, and promoted the quality and upgrading of scientific research and innovation.

Management Discussion and Analysis

4. ANALYSIS OF THE GROUP'S CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(Continued)

- 5) The Group has a forward-thinking, high quality, reasonably structured and extremely innovative team of talents. In recent years, the Group has built a talent structure led by academicians and experts, with high-level scientific research talents as the backbone and high-quality professional teams as the foundation. Through the industry-university-research cooperation mechanism with universities, the Group has continuously introduced and cultivated industry leading talents and young innovative backbones, stimulated the vitality of talent innovation and creation, created a sound atmosphere of respecting talents and knowledge, and formed a compound talent echelon covering R&D, production, quality control, compliance and commercial operation. Currently, the Group has formed a strong high-level talent team with more than 20 academicians and experts at home and abroad as well as Chinese medicine masters, 3 in-service experts enjoying the State Council Special Allowance, over a hundred doctors and postdoctorales, and more than 300 talents with senior professional titles.

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

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD

(1) Analysis of principal operations

(i) Analysis of change in certain items in income statement and cash flow statement

Items	The Reporting Period RMB	The corresponding period of 2024 RMB	Increase/ (Decrease) over the corresponding period of 2024 (%)
Revenue	77,656,109,939.23	74,992,820,473.56	3.55
Include: income from principal operations	77,412,542,591.33	74,778,519,498.98	3.52
Cost of sales	65,045,061,403.74	62,472,768,681.69	4.12
Include: cost from principal operations	64,929,820,058.77	62,389,614,053.88	4.07
Selling and distribution expenses	5,826,805,538.40	5,619,619,395.89	3.69
General and administrative expenses	2,508,860,485.34	2,407,633,812.49	4.20
Research and development expenses	661,633,556.21	763,770,055.43	(13.37)
Financial expenses ^①	281,237,749.62	38,229,086.78	635.66
Investment income ^②	468,570,764.62	294,024,359.87	59.36
Gains from changes in fair value ^③	(18,696,965.45)	24,654,146.29	(175.84)
Impairment losses in respect of credit ^④	(118,920,482.74)	(63,298,043.43)	(87.87)
Impairment losses in respect of assets ^⑤	(68,024,867.38)	(407,283,126.03)	83.30
Gains on disposal of assets ^⑥	107,741,285.75	11,119,280.14	868.96
Non-operating income ^⑦	92,712,780.69	40,304,028.71	130.03
Profit before tax	3,689,925,942.42	3,607,579,871.76	2.28
Net profit attributable to shareholders of the Company	2,983,113,594.80	2,835,496,163.51	5.21
Minority interest ^⑧	77,596,721.84	165,235,179.80	(53.04)
Net cash flow from operating activities ^⑨	(232,460,774.72)	3,442,426,597.59	(106.75)
Net cash flow from investing activities ^⑩	(4,007,367,458.61)	(5,963,945,573.71)	32.81
Net cash flow from financing activities ^⑪	489,352,672.96	(1,006,221,496.98)	148.63

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(i) Analysis of change in certain items in income statement and cash flow statement *(Continued)*

Notes:

- ① The reason for the year-on-year increase in financial expenses is that during the Reporting Period, affected by the decline in market interest rates, the interest income from deposits of the Company and its subsidiaries decreased year-on-year.
- ② The reason for the year-on-year increase in investment income is that during the Reporting Period, the interest income accrued by the Company and its subsidiaries on held-to-maturity time deposits, large-sum certificates of deposit, etc., increased year-on-year.
- ③ The reason for the year-on-year decrease in gains from changes in fair value is that during the Reporting Period, the fair value of financial assets held by the Company's subsidiaries decreased year-on-year at the end of the Reporting Period.
- ④ The reason for the year-on-year change in impairment losses in respect of credit measured at amortized cost is that during the Reporting Period, the impairment losses on accounts receivable recognized by the Company's subsidiaries increased year-on-year.
- ⑤ The reason for the year-on-year change in impairment losses in respect of assets is that the Company recognized impairment provision for long-term equity investments in 2024, and no such item occurred during the current Reporting Period.
- ⑥ The reason for the year-on-year increase in gains on disposal of assets is that during the Reporting Period, the gains recognized from asset disposal by the Company's subsidiaries increased year-on-year.
- ⑦ The reason for the year-on-year increase in non-operating income is that during the Reporting Period, the government compensation income received by the Company's subsidiaries for land expropriation and relocation increased year-on-year.
- ⑧ The reason for the year-on-year decrease in profit or loss attributable to minority shareholders is that during the Reporting Period, the profits of the Company's subsidiary controlled by the Company decreased, and the profit or loss attributable to minority shareholders decreased accordingly.
- ⑨ The reason for the year-on-year change in net cash flows from operating activities is that during the Reporting Period, the collection of customer payments by the Company's subsidiaries declined, while payments for purchases increased.
- ⑩ The reason for the year-on-year change in net cash flows from investing activities is that during the Reporting Period, the amount of time deposits and large-sum certificates of deposit held by the Company and its subsidiaries that matured and were withdrawn increased year-on-year.
- ⑪ The reason for the year-on-year change in net cash flows from financing activities is that: (a) During the Reporting Period, the investment funds received from minority shareholders by the Company's subsidiaries increased year-on-year; (b) Due to the payment of cash dividends.

Explanations for changes in business type, profit structure or profit source of the Company during the Reporting Period.

☐ Applicable ☒ Not Applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(1) Analysis of principal operations (Continued)

(ii) Analysis of revenue and cost

1) During the Reporting Period, industry, regional and sales model analysis of the operation results

Industries	Results of principal operations by industry					
	Income from principal operations	Increase/(Decrease) over the same period of 2024	Cost of principal operations	Increase/(Decrease) over the same period of 2024	Gross profit margin of principal operations	
	Income from principal operations (RMB)	(%)	Cost of principal operations (RMB)	(%)	Gross profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2024
Modernized Traditional Chinese Medicine	6,775,580,776.17	(6.54)	3,933,930,327.31	(3.28)	41.94	A decrease of 1.96 percentage points
Chemical Pharmaceutical Technology	2,482,045,705.51	(4.13)	1,061,323,583.28	(18.19)	57.24	An increase of 7.35 percentage points
Natural Beverages	9,672,174,234.96	(0.34)	5,288,135,220.58	(4.22)	45.33	An increase of 2.21 percentage points
Pharmaceutical Commerce	56,983,479,018.22	6.21	53,638,279,193.33	6.38	5.87	A decrease of 0.15 percentage point
Others	1,499,262,856.47	(5.36)	1,008,151,734.27	(7.00)	32.76	An increase of 1.19 percentage points
Total	77,412,542,591.33	3.52	64,929,820,058.77	4.07	16.12	A decrease of 0.45 percentage point

Regions	Results of principal operations by region					
	Income from principal operations	Increase/(Decrease) over the same period of 2024	Cost of principal operations	Increase/(Decrease) over the same period of 2024	Gross profit margin of principal operations	
	Income from principal operations (RMB)	(%)	Cost of principal operations (RMB)	(%)	Gross profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2024
Southern China	58,954,276,480.37	6.06	50,968,707,640.28	6.72	13.55	A decrease of 0.53 percentage point
Eastern China	5,989,486,962.24	(3.98)	4,412,754,007.61	(6.35)	26.33	An increase of 1.87 percentage points
Northern China	3,114,881,436.38	(6.71)	2,336,222,691.88	(5.22)	25.00	A decrease of 1.18 percentage points
North-Eastern China	2,546,171,932.57	20.98	2,263,110,112.95	24.14	11.12	A decrease of 2.26 percentage points
South-Western China	4,596,515,159.24	(12.21)	3,174,377,876.18	(16.42)	30.94	An increase of 3.47 percentage points
North-Western China	1,916,902,683.83	(4.17)	1,516,117,799.54	(3.87)	20.91	A decrease of 0.25 percentage point
Hong Kong, Macao and overseas	294,307,936.70	6.93	258,529,930.33	1.74	12.16	An increase of 4.49 percentage points

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(1) Analysis of principal operations (Continued)

(ii) Analysis of revenue and cost (Continued)

1) During the Reporting Period, industry, product, regional and sales model analysis of the operation results (Continued)

Sales models	Results of principal operations by sales model					
	Income from principal operations		Cost of principal operations		Gross profit margin of principal operations	
	Increase/ (Decrease) over the same period of 2024		Increase/ (Decrease) over the same period of 2024		Increase/ (Decrease) over the same period of 2024	
	Income from principal operations (RMB)	(%)	Cost of principal operations (RMB)	(%)	Gross profit margin of principal operations (%)	
Industrial model	18,929,800,716.64	(3.14)	10,283,389,131.17	(5.53)	45.68	An increase of 1.37 percentage points
Commercial model	56,983,479,018.22	6.21	53,638,279,193.33	6.38	5.87	A decrease of 0.15 percentage point
Other model	1,499,262,856.47	(5.36)	1,008,151,734.27	(7.00)	32.76	An increase of 1.19 percentage points

- a. To implement the Company's "15th Five-Year Plan" for strategic development, focus on the development direction of modernization, technologicalization, digitalization and internationalization, the Company has further clarified its industrial positioning, optimized its business structure, strengthened resource coordination and segmented management of business segments. This is to more accurately and completely reflect the development of the Company's four cornerstone businesses, including modernized traditional Chinese medicine, chemical pharmaceutical technology, natural beverages and pharmaceutical commerce, as well as related business segments, and the relevant statistical data have been adjusted accordingly.
- b. $\text{Gross profit margin of principal operations} = (\text{Income from principal operations} - \text{Cost of principal operations}) / \text{Income from principal operations} * 100\%$

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(1) Analysis of principal operations (Continued)

(ii) Analysis of revenue and cost (Continued)

2) Analysis of production, sales and inventory

Main products	Production	Sales	Inventory	Production increase/ (decrease) over the same period of 2024 (%)	Sales increase/ (decrease) over the same period of 2024 (%)	Inventory increase/ (decrease) over the same period of 2024 (%)
Sildenafil Citrate Tablet (thousand tablets)	77,760.83	79,871.81	21,914.36	(18.92)	(9.08)	(9.45)
Xiao Ke Pill (thousand bottles)	41,191.93	38,932.16	9,800.65	24.16	24.47	27.31
Xiao Chai Hu Granule (thousand boxes)	32,633.97	35,469.78	4,355.02	(28.17)	(19.59)	(39.64)
Zi Shen Yu Tai Pill (thousand boxes/ thousand bottles)	9,734.24	9,527.44	1,031.04	(2.21)	(0.60)	(50.01)
Hua Tuo Zai Zao Pill (thousand boxes)	7,477.04	7,543.95	1,710.57	0.69	1.13	(7.44)
Qing Kai Ling series (thousand packs/ thousand pieces/thousand grains)	568,264.00	621,382.00	86,650.05	(9.17)	3.61	(37.39)
Paracetamol Caffeine and Aspirin series (thousand boxes)	31,636.04	27,939.29	4,283.15	(4.96)	(7.77)	(1.81)
Bao Ji series (thousand boxes/ thousand bottles)	195,225.15	179,045.53	63,548.19	62.46	7.60	98.15
Cefuroxime Sodium for Injection (thousand bottles)	70,598.06	80,890.46	8,833.90	(39.78)	(25.85)	(11.64)
Amoxicillin Series (thousand packs/ thousand grains)	1,006,163.59	1,005,686.92	79,740.59	21.60	14.45	0.54

Explanation of the significant year-on-year changes in production, sales volume and year-end inventory:

- ① The reason for the year-on-year decrease in inventory of Xiao Chai Hu Granules is: the decline in market demand for the product led to lower sales volume, the subordinate manufacturing enterprises accordingly controlled production and maintained appropriate inventory in response to market conditions, resulting in a corresponding decrease in inventory.
- ② The reason for the year-on-year decrease in inventory of Zi ShenYu Tai Pill is: affected by factors such as medical insurance cost control and the birth rate, the subordinate manufacturing enterprises reasonably reduced inventory, resulting in a year-on-year decrease in inventory.
- ③ The reason for the year-on-year decrease in inventory of Qing Kai Ling Series is: the Company optimized social inventory of the product in 2025, and the subordinate manufacturing enterprises adjusted production accordingly, resulting in a corresponding decrease in inventory.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(1) Analysis of principal operations (Continued)

(ii) Analysis of revenue and cost (Continued)

2) Analysis of production, sales and inventory (Continued)

- ④ The reason for the year-on-year increase in production and inventory of Bao Ji Series is: subordinate manufacturing enterprises strengthened market promotion and marketing, in anticipation of increased future market demand, inventory was prepared in advance, resulting in a year-on-year increase in production and inventory.
- ⑤ The reason for the year-on-year decrease in production of Cefuroxime Sodium for Injection is: the product renewed its bid after the expiration of the national centralized procurement. As the number of successful bidders increased and market competition intensified, sales volume declined. The subordinate manufacturing enterprises adjusted production in response to market demand, resulting in a year-on-year decrease in production volume.

3) Performance of major procurement contracts and sales contracts

☐ Applicable ☒ Not Applicable

4) Analysis of cost

Industry	Components	2025		2024		Increase/ (decrease) over the same period of 2024 (%)	Explanation of the situation
		Amount (RMB)	Proportion of operation cost (%)	Amount (RMB)	Proportion of operation cost (%)		
Pharmaceutical	Raw material	7,249,789,337.47	70.50	8,057,440,326.65	74.02	(10.02)	/
Manufacturing	Fuel	176,874,293.06	1.72	164,370,911.82	1.51	7.61	/
business	Labor cost	467,894,205.47	4.55	397,320,416.00	3.65	17.76	/
	Others	2,388,831,295.17	23.23	2,266,359,194.83	20.82	5.40	/
Pharmaceutical	Cost of	53,638,279,193.33	100.00	50,420,088,596.51	100.00	6.38	/
Commerce	purchase						
Others	Other cost	1,008,151,734.27	100.00	1,084,034,608.07	100.00	(7.00)	/

5) Changes in consolidation scope caused by changes in major subsidiaries' equity during the Reporting Period

☐ Applicable ☒ Not Applicable

6) Major changes or adjustments to the group's businesses, products or service during the Reporting Period

☐ Applicable ☒ Not Applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(ii) Analysis of revenue and cost *(Continued)*

7) Major suppliers and sales

Customers or suppliers controlled by the same controller shall be regarded as the same customer or supplier and presented on a consolidated basis, excluding those actually controlled by the same state-owned asset management institution.

Explanation of the consolidated presentation of the following customer and supplier information based on the same control caliber

None

① The major sales customers of the Company

During the Year, sales to the top five customers amounted to RMB8,465,532,612.83 (2024: RMB8,111,482,679.01), representing approximately 10.94% of the total sales (2024: 10.85%) of the Group for the Year. The sales to the largest customer amounted to RMB1,985,817,378.24 (2024: RMB2,047,491,898.82), representing 2.57% (2024: 2.74%) of the total sales of the Group for the Year. The sales to the top five customers included RMB0 being sales to related parties, representing 0% of the total sales of the Group for the Year.

Sales to a single customer accounting for 50% or more of the total sales of the Group, or new customers entering into the list of top five customers, or the Group's sales heavily dependent on a small number of customers during the Reporting Period.

☒ Applicable ☐ Not Applicable.

During the Reporting Period, there were new customers among the five largest customers:

Number	Customers	Sales (RMB)	Proportion of total sales for the year (%)
1	Customer 1	1,543,078,690.94	1.99

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(ii) Analysis of revenue and cost *(Continued)*

7) Major suppliers and sales *(Continued)*

② Major suppliers of the Company

During the Year, purchases by the Group from the top five suppliers amounted to RMB11,179,660,622.78 (2024: RMB9,984,582,727.91), representing approximately 17.07% of the total purchases (2024: 15.59%) of the Group for the Year. The purchases from the largest supplier amounted to RMB2,657,683,162.46 (2024: RMB2,436,612,154.50), representing 4.06% (2024: 3.80%) of the total purchases of the Group for the Year. The purchases from the top five suppliers included RMB0 being purchases from related parties, representing 0% of the total purchases of the Group for the Year.

Purchase from a single supplier accounting for 50% or more of the total purchases of the Group, or new suppliers entering into the list of top five suppliers, or Group's purchases heavily dependent on a small number of suppliers during the Reporting Period.

☐ Applicable ☒ Not Applicable

There is no heavy reliance on a few number of suppliers or customers during the Reporting Period.

To the knowledge of the Board, during the Year, none of the Directors, their associates or shareholders who held more than 5% of the Company's total issued share capital (excluding treasury shares) had any interest in any of the five largest customers and suppliers as were mentioned above.

③ Implementation of Delisting Risk Warning or Other Risk Warnings on the Company's Shares during the Reporting Period

Top 5 Sales Customers

☐ Applicable ☒ Not Applicable

Top 5 Suppliers

☐ Applicable ☒ Not Applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(1) Analysis of principal operations (Continued)

(ii) Analysis of revenue and cost (Continued)

7) Major suppliers and sales (Continued)

④ The Company Had Trade Business Income During the Reporting Period

☒ Applicable ☐ Not Applicable

Trade Business Operations	Operating Income for Current Period (RMB)	Operating Income for Previous Period (RMB)	Year-on-Year Change in Operating Income for Current Period (%)
Wholesale business	54,810,548,282.48	52,152,228,046.28	5.10
Retail business	4,659,457,318.92	3,503,418,574.04	33.00

Top 5 Sales Customers Where Trade Business Accounts for Over 10% of Operating Income

☒ Applicable ☐ Not Applicable

No.	Customer's Name	Sales Amount (RMB)	Percentage of Annual Total Sales (%)
1	Customer 1	1,985,817,378.24	2.57
2	Customer 2	1,629,703,030.17	2.11
3	Customer 3	1,543,078,690.94	1.99
4	Customer 4	1,453,511,995.38	1.88
5	Customer 5	1,272,736,343.32	1.64
Total	/	7,884,847,438.05	10.19

Top 5 Suppliers Where Trade Business Accounts for Over 10% of Operating Income

☒ Applicable ☐ Not Applicable

No.	Supplier's Name	Purchase Amount (RMB)	Percentage of Annual Total Purchases (%)
1	Supplier 1	2,657,394,220.68	4.06
2	Supplier 2	2,652,077,587.70	4.05
3	Supplier 3	2,219,283,941.21	3.39
4	Supplier 4	1,969,825,758.91	3.01
5	Supplier 5	1,655,320,427.48	2.53
Total	/	11,153,901,935.98	17.04

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(iii) Expenses

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB5,826,805,538.40 (2024: RMB5,619,619,395.89), representing an increase of approximately 3.69% as compared with last year.

During the Reporting Period, the Group's general and administrative expenses were approximately RMB2,508,860,485.34 (2024: RMB2,407,633,812.49), representing an increase of approximately 4.20% as compared with last year.

During the Reporting Period, the Group's research and development expenses were approximately RMB661,633,556.21 (2024: RMB763,770,055.43), representing a decrease of approximately 13.37% as compared with last year.

During the Reporting Period, the Group's financial expenses were approximately RMB281,237,749.62 (2024: RMB38,229,086.78), representing an increase of approximately 635.66% as compared with last year.

During the Reporting Period, the Group's income tax expenses were approximately RMB629,215,625.78 (2024: RMB606,848,528.45), representing an increase of approximately 3.69% as compared with last year.

(iv) Research and development expenses

1) Research and development expenses

✓ Applicable ☐ Not applicable

Cost of research and development expenses in the current year (RMB)	661,633,556.21
Capitalization of research and development expenses in the current year (RMB)	33,140,731.62
Total research and development expenses (RMB)	694,774,287.83
Ratio of research and development expenses to income from operations (%)	3.67
Ratio of total research and development expenses to net assets (%)	1.73
Ratio of the capitalization of research and development expenses (%)	4.77

Note: The above R&D investment ratio refers to the proportion relative to the industrial main business revenue.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(iv) Research and development expenses *(Continued)*

2) Research and development staff

☒ Applicable ☐ Not applicable

The amount of research and development staff of the Company 624

Proportion of research and development staff of the Company (%) 2.31

Educational level of research and development staff	
Categories of educational level	Total amount
Doctor degree	66
Master degree	248
Bachelor degree	252
Completion of specialized education	50
Completion of general secondary education & under	8

Age structure of research and development staff	
Categories of age	Total amount
Below 30 years old (<30)	185
30-40 years old (≥30, <40)	312
40-50 years old (≥40, <50)	100
50-60 years old (≥50, <60)	27
60 years old and above 60	0

3) Detailed description

☐ Applicable ☒ Not Applicable

4) Reasons for significant changes in R&D personnel structure and their impact on the Company's future development

☐ Applicable ☒ Not Applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(v) Cash flow

☒ Applicable ☐ Not applicable

Items	The Reporting Period (RMB)	The corresponding period of 2024 (RMB)	Increase/ (Decrease) as compared with the same period of 2024 (%)	Reasons
Net cash flow from operating activities	(232,460,774.72)	3,442,426,597.59	(106.75)	During the Reporting Period, the collection of customer payments by the Company's subsidiaries declined, while payments for purchases increased.
Net cash flow from investing activities	(4,007,367,458.61)	(5,963,945,573.71)	32.81	During the Reporting Period, the amount of time deposits and large-sum certificates of deposit held by the Company and its subsidiaries that matured and were withdrawn increased year-on-year.
Net cash flow from financing activities	489,352,672.96	(1,006,221,496.98)	148.63	(1) During the Reporting Period, the investment funds received from minority shareholders by the Company's subsidiaries increased year-on-year; (2) Due to the payment of cash dividends.

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

☐ Applicable ☒ Not Applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(3) Analysis of financial conditions

(i) Liquidity

As at 31 December 2025, the current ratio of the Group was 1.57 (31 December 2024: 1.48), and its quick ratio was 1.24 (31 December 2024: 1.15). Accounts receivable turnover rate was 5.13 times (31 December 2024: 5.25 times), representing a decrease of 2.24% as compared with the corresponding period of 2024. Inventory turnover rate was 4.97 times (31 December 2024: 5.10 times), representing a decrease of 2.56% as compared with the corresponding period of 2024.

(ii) Financial resources

As at 31 December 2025, cash and cash equivalents of the Group amounted to RMB12,556,315,478.42 (31 December 2024: RMB16,302,938,963.14), of which approximately 99.63% and 0.37% were denominated in Renminbi and foreign currencies, such as Hong Kong dollar, respectively.

As at 31 December 2025, the Group had bank borrowings of RMB14,154,155,920.66 (31 December 2024: RMB13,260,568,854.06), including short-term borrowings of RMB9,558,287,637.24 (31 December 2024: RMB9,122,982,451.32), current portion of non-current liabilities of RMB2,026,560,387.45 (31 December 2024: RMB1,332,047,797.30) and long-term borrowings of RMB2,569,307,895.97 (31 December 2024: RMB2,805,538,605.44).

(iii) Capital structure

As at 31 December 2025, the Group's current liabilities amounted to RMB39,124,708,469.33 (31 December 2024: RMB38,915,689,355.57), representing an increase of 0.54% as compared with the corresponding period of 2024, and its long-term liabilities was RMB5,303,562,878.61 (31 December 2024: RMB4,998,286,418.68), with an increase of 6.11% as compared with the corresponding period of 2024. The shareholders' equity attributable to the shareholders of the Company amounted to RMB37,788,048,346.79 (31 December 2024: RMB35,904,527,868.59), with an increase of 5.25% as compared with the corresponding period of 2024.

(iv) Capital expenditure

The Group expects the capital expenditure for 2026 to be approximately RMB2.152 billion (2025: RMB1.302 billion), which would be mainly applied in the construction of production bases and upgrade of equipments, etc. The Group will raise funds through internal resources and bank borrowings to meet the capital expenditure requirements and support daily operations. As of the date of this annual report, the Company has no plans for fundraising activities within the next year. The Company's management will prudently assess the need for fundraising activities based on market conditions, funding requirements, and changes in development strategies. If there are any fundraising plans in the future, the Company will strictly comply with the Listing Rules of HKEX and SSE and promptly disclose relevant information to shareholders and the public.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(3) Analysis of financial conditions (Continued)

(v) Assets and liabilities

Items	As at 31 December 2025 (RMB)	Proportion of the total assets (%)	As at 31 December 2024 (RMB)	Proportion of the total assets (%)	Increase/ (Decrease) over the corresponding period of 2024 (%)	Reasons for changes
Financial assets held for trading	4,000,000.00	0.00	0.00	0.00	100.00	During the Reporting Period, financial products of the Company's subsidiaries matured in the current year.
Advances to suppliers	970,317,450.32	1.15	577,942,385.96	0.71	67.89	During the Reporting Period, the amount of prepayments made by some of the Company's subsidiaries for the procurement of pharmaceuticals and other materials increased.
Other current assets	5,694,728,482.83	6.74	1,866,475,672.20	2.29	205.11	During the Reporting Period, the Company's subsidiaries purchased large-sum certificates of deposit and time deposits with maturities within one year.
Construction in progress	1,149,620,788.63	1.36	1,846,192,932.95	2.26	(37.73)	During the Reporting Period, some construction-in-progress projects of the Company and its subsidiaries reached the intended usable status and were transferred to fixed assets.
Bearer biological assets	771,362.10	0.00	1,120,772.10	0.00	(31.18)	During the Reporting Period, depreciation provided for bearer biological assets of the Company's subsidiaries increased.
Development expenditure	4,937,826.31	0.01	369,934,913.74	0.45	(98.67)	During the Reporting Period, the Company's subsidiaries obtained drug registration certificates, and the relevant R&D investment was reclassified from development expenditures to intangible assets.
Advances from customers	1,468,727.86	0.00	4,548,223.86	0.01	(67.71)	During the Reporting Period, prepaid rental income received by the Company's subsidiaries was recognized as income in accordance with the relevant schedule.
Contract liabilities	2,833,240,650.21	3.35	5,071,977,258.92	6.21	(44.14)	As at the end of the Reporting Period, the balance of advances from customers of the Company's subsidiaries decreased year-on-year.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(3) Analysis of financial conditions (Continued)

(v) Assets and liabilities (Continued)

Items	As at 31 December 2025 (RMB)	Proportion of the total assets (%)	As at 31 December 2024 (RMB)	Proportion of the total assets (%)	Increase/ (Decrease) over the corresponding period of 2024 (%)	Reasons for changes
Current portion of non current liabilities	2,211,756,510.39	2.62	1,522,617,327.55	1.86	45.26	As at the end of the Reporting Period, long-term borrowings of the Company's subsidiaries due within one year increased.
Bonds payable	604,442,794.52	0.72	0.00	0.00	100.00	During the Reporting Period, the Company's subsidiaries issued medium-term notes of RMB600 million.
Other comprehensive income	(22,597,705.49)	(0.03)	(13,839,663.97)	(0.02)	(63.28)	During the Reporting Period, the changes in fair value of financial assets of the Company and its subsidiaries decreased, and the foreign exchange translation differences of the Company's subsidiaries decreased.

(vi) 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 in exposure to fluctuations in exchange rates. Changes in exchange rates will affect the value of assets, liabilities and foreign investment entities denominated in foreign currencies, and will indirectly cause changes in the Group's revenue or cash flows for a certain period. During the Reporting Period, the fluctuations in exchange rates did not have significant impacts on the results of operation and cash flow of the Group. The Group will continue to pay attention to the foreign exchange risks that may exist in the process of foreign exchange settlement, and appropriate hedging measure would be implemented when necessary for management purposes.

(vii) Main cash resources and applications

As at 31 December 2025, cash and cash equivalents of the Group amounted to RMB12,556,315,478.42 with a decrease of RMB3,746,623,484.72 as compared with the beginning of 2025. Net cash flow from operating activities amounted to RMB-232,460,774.72 with a year-on-year decrease of RMB3,674,887,372.31.

(viii) Contingent liabilities

As at 31 December 2025, the Group had no material contingent liabilities.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(3) Analysis of financial conditions *(Continued)*

(ix) Charge on the Group's assets

As at 31 December 2025, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, as secured by buildings of fixed assets with the original value amounting to HKD8,892,895.00 and net value of HKD5,775,967.31, and by investment properties with the original value amounting to HKD6,842,608.50, and net value of HKD2,834,231.80, had obtained the overdraft amounting to HKD300,000.00, and letter of credit and 90-day credit in the total amount of HKD100,000,000.00 from Bank of China (Hong Kong) Co., Ltd. Unexpired letter of credit of USD0 in value had also been obtained.

(x) Bank loans, overdraft and other borrowings

As at 31 December 2025, the bank loans of the Group amounted to RMB14,154,155,920.66 (31 December 2024: RMB13,260,568,854.06), with an increase of RMB RMB893,587,066.60 as compared with the beginning of 2025. The above bank loans included short-term borrowings of RMB RMB9,558,287,637.24, long-term borrowings of RMB RMB2,569,307,895.97 and current portion of non-current liabilities of RMB2,026,560,387.45.

(xi) Gearing ratio

As at 31 December 2025, the Group's gearing ratio (total liabilities/total assets $\times$ 100%) was 52.57% (31 December 2024: 53.76%).

(xii) Material investment

As at 31 December 2025, save for the aforementioned investments and those disclosed under "(v) Assets and liabilities" in "(3) Analysis of financial conditions" and "(5) Investment situation" under "5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD" in the "Management Discussion and Analysis" section of this report, the Group did not have any other significant additional investments.

(xiii) Overseas assets

☒ Applicable ☐ Not applicable

1) Asset size

Among which, overseas assets account for RMB630,732,699.51, representing 0.75% of total assets.

2) Description of overseas assets accounting for a high proportion

☐ Applicable ☒ Not Applicable

(xiv) Major assets subject to restrictions at the end of the Reporting Period

☒ Applicable ☐ Not Applicable

For relevant details, please refer to "25. Ownership or Use Right restricted Assets" under "V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS" of "VIII. FINANCIAL REPORTS".

(xv) Others

☐ Applicable ☒ Not Applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information

✓ Applicable ☐ Not applicable

The industry of the Company is pharmaceutical manufacturing.

Analysis of the operational information in the pharmaceutical manufacturing industry

(i) Basic information of the industry and main medicine (products)

1) Basic information of the industry

✓ Applicable ☐ Not applicable

In recent years, China has attached great importance to the development of the traditional Chinese medicine industry. A series of strategies and policies have intensified the policy support and investment for TCM, pointed out development direction for TCM and laid a good foundation for the sustainable development of the pharmaceutical industry, including the 14th Five-year Plan for the Development of Traditional Chinese Medicine (《「十四五」中醫藥發展規劃》), the 14th Five-year Plan for the Development of Pharmaceutical Industry (《「十四五」醫藥工業發展規劃》), the Outline of the Strategic Plan for the Development of Traditional Chinese Medicine (2016-2030) (《中醫藥發展戰略規劃綱要 (2016-2030年)》), the Healthy China Outline Plan (2016-2030) (《健康中國規劃綱要 (2016-2030年)》), the Traditional Chinese Medicine Law of the People's Republic of China (《中華人民共和國中醫藥法》), the Opinions on Promoting the Inheritance and Innovative Development of Traditional Chinese Medicine (《關於促進中醫藥傳承創新發展的意見》), the Several Policy Measures on Accelerating the Development of Chinese Medicine (《關於加快中醫藥特色發展的若干政策措施》) and the Guidance on Medical Insurance Support for the Development of Chinese Medicine Heritage, Innovation (《關於醫保支持中醫藥傳承創新發展的指導意見》) and Regulations on the Protection of Traditional Chinese Medicine Varieties (《中藥品種保護條例》). In addition, Chinese medicine attached more attention and received more recognition. There will be high-quality development in TCM industry with background that the country strongly support creative development of TCM.

The Group is the epitome of the southern TCM with obvious advantages in resources, including advantages in the brands and varieties of Chinese patent medicine in southern China and throughout the country. Meanwhile, in the context of the current strong development of the TCM industry in the Guangdong-Hong Kong-Macao Greater Bay Area and Guangdong Province, the Group maintains unique geographical and policy advantages.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

1) Basic information of the industry *(Continued)*

In recent years, encouraged by various medical policies, including the consistency evaluation for generic drugs, the adjustment to the National Medical Insurance Catalogue (《國家醫保目錄》), and the shortened review and approval process for innovative drug, the innovation-driven transformation of chemical medicines has been accelerated. In terms of raw material medicine, the Implementation Plan for Promoting the High-Quality Development of the Raw Material Medicine Industry (《關於推動原料藥產業高質量發展的實施方案》) clearly proposed to promote the innovation and upgrading of production technology, the green and low-carbon transformation of the industry as well as the optimization and adjustment of the industrial structure. In terms of generic drugs, the consistency evaluation was advanced steadily, and China's national centralized volume- based procurement of medical products tended to be normalized. In terms of innovative drugs, the implementation of the Working Procedures for Accelerating the Review and Approval of Marketing Applications for Innovative Drugs by the Center for Drug Evaluation (Trial)(《藥審中心加快創新藥上市申請審評工作程序(試行)》), the Regulations for the Implementation of the Drug Administration Law of the People's Republic of China(《藥品管理法實施條例》), and Several Measures to Support the High-Quality Development of Innovative Drugs(《支持創新藥高質量發展的若干措施》) has further clarified the state's resolve to encourage the development of innovative drugs.

The Group has a complete production chain from raw material medicine to preparation, with products covering common antibiotic varieties. The Group strives to integrate and create a market image as the number one brand of oral anti-bacterial and anti-inflammatory drugs in the country with the famous brand "Kang Zhi Ba" (抗之霸). In addition, the Group constantly attaches great importance to R&D and innovation, enhances the construction of R&D team, improve strength of independent R&D, and has built up technology and innovation system in a number of platforms covering chemical medicine. The Group steadily promotes consistency evaluation in generic drugs, ensures the safety and effectiveness of medicine, actively participates in the national and provincial centralized procurement, and strengthens its competitiveness in the pharmaceutical market.

2) Basic information of principal medicine (products)

✓ Applicable ☐ Not applicable

Basic information of principle medicine (products) by subdivided industry and by therapeutic area

✓ Applicable ☐ Not applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(i) Basic information of the industry and main medicine (products) (Continued)

2) Basic information of principal medicine (products) (Continued)

Products Name	Therapeutic Area	Indications/Functions	Term of Invention Patent	Classification of Drugs Registration	Whether it is protected traditional medicine	Whether it is prescription drug	Whether it is new product during the Reporting Period	Whether to be included in the National Essential Drug List	Whether to be included in the National Medical Insurance Catalogue	Whether to be included in the Provincial Medical Insurance Catalogue
Sildenafil Citrate Tablet	Andrological drugs	The product is indicated for treatment of erectile dysfunction (ED)	From 29 April 2002 to 28 April 2022	Chemical medicine	No	Yes	No	No	No	No
Xiao Ke Pill	Drugs used in internal	Diabetes caused by deficiency of both qi and yin; type-II diabetes	From 19 January 2021 to 18 January 2041	Chinese patent medicine	No	Yes	No	Yes	Yes	No
Xiao Chai Hu Granule	Drugs used in internal	Relieving exterior syndrome, dispelling heat and soothing the liver and regulating stomach	From 18 October 2011 to 17 October 2031	Chinese patent medicine	No	No	No	No	Yes	No
Zi Shen Yu Tai Pill	Drugs used in internal	Kidney-nourishing, spleen-invigorating, primordial Qi-reinforcing, blood-nourishing, miscarriage-preventing and body-strengthening. It is fit for those who suffer spleen and kidney deficiency and miscarriage due to dysfunction of thoroughfare and conception vessels (to prevent habitual miscarriage and threatened miscarriage)	From 27 September 2018 to 26 September 2038	Chinese patent medicine	No	Yes	No	Yes	Yes	No
Hua Tuo Zai Zao Pill	Drugs used in internal	The product is indicated for blood-activating and stasis-eliminating, eliminating phlegm and freeing channels and promoting qi circulation and relieving pain.	No	Chinese patent medicine	Yes	Yes	No	Yes	Yes	No
Qing Kai Ling series	Drugs used in internal	Clearing heat and detoxifying, calming and calming. It is mainly used to treat fever, irritability, sore throat and other symptoms caused by external wind and heat, as well as upper respiratory tract infection, viral cold, acute tonsillitis, acute pharyngitis and other diseases.	From August 2013 to April 2044	Chinese patent medicine	No	Granules are prescription drugs; other forms are double cross varieties.	No	No for oral liquid dosage form; Yes for other dosage form;	No for oral liquid dosage forms. Yes for other dosage forms.	No for oral liquid dosage form; Yes for other dosage forms.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(i) Basic information of the industry and main medicine (products) (Continued)

2) Basic information of principal medicine (products) (Continued)

Products Name	Therapeutic Area	Indications/Functions	Term of Invention Patent	Classification of Drugs Registration	Whether it is protected traditional medicine	Whether it is prescription drug	Whether it is new product during the Reporting Period	Whether to be included in the National Essential Drug List	Whether to be included in the National Medical Insurance Catalogue	Whether to be included in the Provincial Medical Insurance Catalogue
Paracetamol Caffeine and Aspirin series	Drug for analgesia, antipyretic, anti-inflammatory, anti-rheumatism, anti-gout	It is used for fever caused by common cold or influenza, and also used to relieve mild to moderate pain such as headache, arthralgia, migraine, toothache, muscle pain, neuralgia, dysmenorrhea.	From January 2019 to January 2039	Chemical medicine	No	No	No	No	No	No
Amoxicillin Series	Antimicrobial drug	Indicated for infections caused by susceptible bacteria (β -lactamase-negative strains).	Nil	Chemical medicine	No	Yes	No	Yes	Yes	No
Cefuroxime Sodium for Injection	Antimicrobial drug	Suitable for the treatment and prevention of infection caused by specific microbial strains in the following diseases: respiratory tract infection, ear, nose and throat infection, urinary tract infection, skin and soft tissue infection, septicemia, meningitis, gonorrhea, bone and joint infection, puerperium and gynecological infection.	From 20 January 2009 to 19 January 2029	Chemical medicine	No	Yes	No	Yes	Yes	No
Bao Ji Series	Drugs used in internal	Relieving exterior symptoms, eliminating dampness, and regulating the middle energizer	Nil	Chinese patent medicine	No	No	No	Yes	Yes	No

Notes: ① The above table sets out the top 10 products by revenue during the Reporting Period.

② For complete indications and safety information, please refer to the package insert of the medicinal product.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

3) *New entrance and expulsion of the main medicine (products) in relation to the National Medical Insurance Catalogue, Provincial Medical Insurance Catalogue and National Essential Drug List during the Reporting Period*

☐ Applicable ☒ Not applicable

4) *Situation of the centralized purchase of drugs through bidding*

☒ Applicable ☐ Not applicable

Main Drug Names	Bidding price or price range	Total actual purchases of medical institutions
Qing Kai Ling Granules	3g: RMB0.62	128,851,387 bags
Qing Kai Ling Capsules	0.25g: RMB0.22	98,856,170 capsules
Qing Kai Ling Injection	2ml: RMB2.97	8,204,546 ampoules
	10ml: RMB10.07	2,794,259 ampoules
Zi Shen Yu Tai Pill	5g*6 bags: RMB82.665 to RMB82.670	4,352,422 boxes
Cefuroxime Sodium for Injection	0.25g: RMB3.67	82,615,000 bottles (calculated by 0.75g/bottle)
	0.75g: RMB8.5 (National Volume-based Procurement);	
	RMB4.46 (Jiangsu 11-Province Alliance Procurement)	
	1.5g: RMB14.45 (National Volume-based Procurement);	
	RMB7.58 (Jiangsu 11-Province Alliance Procurement)	

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

5) Important medicinal materials involved in major TCM products

Major TCM products of the Group include Xiao Chai Hu Granule, Zi Shen Yu Tai Pill, Xiao Ke Pill, Hua Tuo Zai Zao Pill, Qing Kai Ling Series, Mi Lian Chuan Bei Pi Pa Gao, Xia Sang Ju Series, Bao Ji Series, An Gong Niu Huang Pill, and Shu Shen Jian Yao Pill, etc. The important medicinal materials involved and supply and demand are as follows:

Major TCM products	Manufacturers	Important medicinal material varieties	Purchasing modes	Supply and demand of medicinal material varieties and the influence of price fluctuation on cost
Xiao Chai Hu Granule	Guang Hua	Chinese thorowax root, scutellaria baicalensis, codonopsis pilosula, ginger pinellia etc.	Purchasing by Invitation to Bid	Prices of high-value varieties such as Chinese thorowax root, scutellaria baicalensis, codonopsis pilosula, ginger pinellia declined, while prices of licorice root, jujube and fresh ginger remained stable. Overall procurement costs decreased.
Zi Shen Yu Tai	Zhong Yi	Cuscuta, chao ren, rehmannia, codonopsis pilosula, macrocephalae rhizoma, dipsacus root etc.	Purchasing by Invitation to Bid	Prices of bulk varieties such as macrocephalae rhizoma, codonopsis pilosula, Cuscuta, eucommia bark and ginseng decreased, while the price of wolfberry fruit rose. Prices of other varieties such as rehmannia and dipsacus root remained generally stable. Overall procurement costs declined.
Xiao Ke Pill	Zhong Yi	Trichosanthin, corn beard, schisandra chinensis, rehmannia glutinosa, radix puerariae, etc.	Purchasing by Invitation to Bid	Prices of Trichosanthin, corn beard, schisandra chinensis, radix puerariae, and Chinese yam decreased, while the price of rehmannia glutinosa remained stable or rose slightly. Overall procurement costs declined.
Hua Tuo Zai Zao Pill	Qi Xing	Ligusticum chuanxiong, evodiae, angelicae, paeoniae, radix ophiopogonis, angelica sinensis, etc.	Purchasing by Invitation to Bid	Prices of Ligusticum chuanxiong, evodiae, and angelica sinensis decreased, while prices of paeoniae and radix ophiopogonis remained stable. Overall procurement costs declined.
Qing Kai Ling Series	Ming Xing	Wild honeysuckle flower, indigowoad root, gardenia, powder of buffalo horn	Purchasing by Invitation to Bid	Prices of gardenia decreased, while prices of wild honeysuckle flower, indigowoad root, powder of buffalo horn remained stable. Overall procurement costs decreased slightly.
Mi Lian Chuan Bei Pi Pa Gao	Pan Gao Shou	Fritillaria cirrhosa D. Don, loquat leaf, tangerine peel	Purchasing by Invitation to Bid	Prices of platycodon root, water arum, schisandra fruit and coltsfoot flower decreased, while prices of Fritillaria cirrhosa D. Don, loquat leaf and tangerine peel remained stable. Overall procurement costs declined.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(i) Basic information of the industry and main medicine (products) (Continued)

5) Important medicinal materials involved in major TCM products (Continued)

Major TCM products	Manufacturers	Important medicinal material varieties	Purchasing modes	Supply and demand of medicinal material varieties and the influence of price fluctuation on cost
Xia Sang Ju Series	Xing Quan	Prunella vulgaris, wild chrysanthemum flower, folium mor, etc	Purchasing by Invitation to Bid	Supplies of prunella vulgaris, wild chrysanthemum flower and folium mor were sufficient, and overall procurement costs remained stable.
Bao Ji Series	Wang Lao Ji Pharmaceutical	Gambir plant, magnolia officinalis, costutoot, mongolian snakegourd root, trichosanthin patchouli, radix pueriae, angelica dahurica, mint, poria cocos, etc.	Purchasing by Invitation to Bid	Prices of angelica dahurica, atractylodes lancea, poria cocos, radix pueriae and costutoot decreased, while prices of such varieties as gambir plant, magnolia officinalis, trichosanthin patchouli remained largely unchanged. Overall procurement costs were stable.
An Gong Niu Huang Pill	Zhong Yi	Breeded bezoar in vitro, artificial musk, etc.	Breeded bezoar in vitro and artificial musk are exclusive supplied, and other materials are purchased by bidding	Prices of the two major varieties, breeded bezoar in vitro and artificial musk, remained stable. Prices of varieties with small proportion in total amount, such as scutellaria root and turmeric tuber, declined somewhat. Overall procurement costs changed little.
Shu Shen Jian Yao Pill	Chen Li Ji	Rhizoma Ciboitii, Radix Kadsurae Heteroclitae, Radix Millettiae Speciosae, Rhizoma Corydalis, Semen Cuscutae, Herba Taxilli, Caulis Spatholobi, etc.	Purchasing by Invitation to Bid	Prices of Rhizoma Ciboitii and Radix Kadsurae Heteroclitae increased, while prices of Radix Millettiae Speciosae remained stable. Prices of Rhizoma Corydalis and Semen Cuscutae decreased. Prices of Herba Taxilli, Caulis Spatholobi and other varieties changed slightly. Overall procurement costs rose moderately.

Most of the key medicinal material varieties involved in the above major traditional Chinese medicine products are commonly used bulk materials. Through its centralized Chinese medicinal materials procurement platform, the Group centrally procures from qualified suppliers by means of bidding or targeted procurement according to production needs, thereby enhancing bargaining power and reducing procurement costs. In addition, the Group has built and operated a number of Chinese medicinal material planting bases, which effectively guarantee the quality and quantity of medicinal materials and ensure overall controllable costs.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(i) Basic information of the industry and main medicine (products) (Continued)

6) Operation data of the main business of the Company by the therapeutic areas or medicine (products)

✓ Applicable ☐ Not applicable

Main therapeutic areas	Product name	Operating income (RMB'0000)	Operating cost (RMB'0000)	Gross profit margin (%)	Changes of operating income compared with last year (%)	Changes of operating cost compared with last year (%)	Changes of gross profit margin compared with last year (%)
Drugs used in internal	Xiao Ke Pill	52,389.20	22,454.82	57.14	30.51	13.79	6.29
	Xiao Chai Hu Granule	46,705.97	20,048.33	57.08	(19.75)	(17.86)	(1.70)
	Zi Shen Yu Tai Pill	40,184.13	9,071.20	77.43	(11.66)	(7.51)	(1.01)
	Hua Tuo Zai Zao Pill	33,845.24	14,123.85	58.27	4.60	(4.97)	4.20
	Qing Kai Ling series	33,607.80	18,241.24	45.72	4.18	10.72	(3.21)
Antimicrobial drugs	Cefuroxime sodium for injection	26,405.63	17,631.48	33.23	(30.01)	(23.65)	(5.56)
	Amoxicillin series	19,560.84	14,054.79	28.15	9.46	14.61	(3.23)
Andrological drugs	Sildenafil Citrate Tablet	76,333.33	9,339.56	87.76	(26.18)	(4.04)	(3.55)
Drugs for easing pain, clearing heat, and resisting inflammation, wind- damp and gout suppressants	Aspirin, Caffeine and Paracetamol Series	27,920.00	11,198.90	59.89	(2.44)	(10.32)	3.53

Notes:

- ① The reason for the year-on-year increase in operating income of Xiao Ke Pill is: the subordinate manufacturing enterprises strengthened grassroots promotion, vigorously supported promotional activities, and took effective measures to maintain the stability of the retail price system of the product during the year.
- ② The reason for the year-on-year decrease in operating income of Cefuroxime Sodium for Injection is: the product's national volume-based centralized procurement bid expired and was renewed subsequently, due to the increase in selected enterprises, fierce market competition and a significant drop in the bid-winning price, resulting in a year-on-year decrease in operating income.

Explanation:

✓ Applicable ☐ Not applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

6) Operation data of the main business of the Company by the therapeutic areas or medicine (products) *(Continued)*

During the Reporting Period, the gross profit margin of the principal operation of the Company was 16.12% among which, the gross profit margin of the pharmaceutical industry was 45.68%. The relatively significant difference in gross profit margin between the pharmaceutical industry of the Company and the companies in the same industry mentioned below was mainly due to the difference in the products structure and the significant difference in the gross profit margins of principal products.

The gross profit margin of the companies in the same industry:

Stock code	Abbreviation	Operation revenue (RMB)	Overall gross profit margin (%)
600511	China National Medicines Co., Ltd.	50,597,449,788.57	7.11
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	275,250,934,889.66	11.13
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	41,067,195,862.59	47.97
600085	Beijing Tongrentang Co., Ltd.	18,597,281,604.93	43.96
000538	Yunnan Baiyao Group Co., Ltd.	40,033,300,814.72	27.90

Notes:

- A. The above data of relevant companies in the same industry is obtained from their annual reports in 2024.
- B. Gross profit margin = (operating income – operating costs)/operating income * 100%.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(ii) Research and development situation of the Company's medicine (products)

1) The overall situation of research and development

✓ Applicable ☐ Not applicable

The Group has always placed great emphasis on and continuously advanced the research and development as well as innovation of our products, focusing on innovative drugs, quality consistency evaluation of generic drugs, secondary development of products and development of food and healthcare food, etc., and carried out the scientific research through combining imported projects and independent research and achieved certain results. During the Reporting Period, the Group vigorously promoted scientific research and innovation, enhanced efforts in its intellectual property right related work and made remarkable achievements, mainly including:

① Products in research

As at the end of the Reporting Period, the Group and its joint ventures possessed over 160 projects under research, covering multiple product pipelines such as novel TCM, generic and innovative chemical drugs, biosimilars, medical devices, and more, with nearly ten Class 1 innovative drugs among them. In the field of Class 1 innovative drug R&D, the Group has a broad pipeline coverage, including innovative TCM drugs such as Yang Yin Shu Gan Granules for the treatment of premature ovarian insufficiency, Gu Bi Granules for the treatment of osteoarthritis, and LBZ-18 for cancer-related fatigue; as well as innovative chemical drugs such as HG030 Tablets with broad-spectrum anti-tumor effects, and Ceftazidime Sodium for Injection with a broad antibacterial spectrum. The R&D progress of the Group's Class 1 innovative drugs is set out below:

Number	Therapeutic Areas	Registered classification	Project Progress				
			pre-clinical research	Phase I clinical trial	Phase II clinical trial	Phase III clinical trial	New Drug Application
1	chronic heart failure	Class 1 of Traditional Chinese Medicine					
2	anti-tumor	Class 1 of chemical drug					
3	early-onset ovarian insufficiency	Class 1 of Traditional Chinese Medicine					
4	anti-infection	Class 1 of chemical drug					
5	osteoarthritis diseases	Class 1 of Traditional Chinese Medicine					
6	anti-tumor	Class 1 of chemical drug					
7	cancer-related fatigue	Class 1 of Traditional Chinese Medicine					
8	Sjogren's syndrome	Class 1 of chemical drug					
9	infertility, menstrual disorders	Class 1 of Traditional Chinese Medicine					

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(ii) Research and development situation of the Company's medicine (products) (Continued)

1) The overall situation of research and development (Continued)

② Science and Technology Awards

During the Reporting Period, the Group and its joint ventures obtained 1 national scientific research awards and 4 provincial science and technology awards, the details are as follows:

Category Level	Name f of Winner	Winning Project	Award
International level	Guang Hua	Xiao Chai Hu Granules Based on Modern Pharmaceutical Technology: International Innovation and Clinical Breakthroughs in Traditional Chinese Medicine	Gold Medal at the Geneva International Exhibition of Inventions
Provincial level	Zhong Yi, Qi Xing	Development and Application of Key Technological Systems for Pharmacodynamic Substance Research of Commonly Used Traditional Chinese Medicines	The First Prize of Guangdong Provincial Science and Technology Progress Award
	Ming Xing	Innovation and Application of Precision Drug Delivery System Technologies with Complex Structures	The Second Prize of Guangdong Province Science and Technology Progress Award
	HWBYS	Establishment and Application of Key Pharmacological Evaluation Technology Systems for Detoxification Therapies	The Second Prize of Guangdong Province Science and Technology Progress Award
	Cai Zhi Lin, Gansu Guangyao Baiyunshan Traditional Chinese Medicine Technology Co., Ltd.	Research, Development, and Industrial Application of Probiotic and Traditional Chinese Medicine Fermentation Technologies on the Northwest Plateau	The Second Prize of Gansu Province Science and Technology Progress Award

③ Patents and intellectual property rights

During the Reporting Period, the Group and its joint ventures had applied for a total of 153 patents, which included 119 invention patents, 26 utility model patents and 8 design patents, and obtained 143 granted patents which included 63 invention patents, 20 utility model patents and 60 design patents.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(ii) Research and development situation of the Company's medicine (products) (Continued)

2) Basic information of the main research and development projects

✓ Applicable ☐ Not applicable

R&D Program	Name of the medicine (product)	Registered classification	Indications or functional indications	Prescription or not	Whether it is protected by traditional Chinese medicine (if involved)	The stage of development (registration)
Industrialization project for lyophilized human rabies vaccine (Vero Cell) of PM strain	Lyophilized human rabies vaccine (Vero Cell)	Preventive biological products	Prevention of rabies	Yes	No	Acquired the Drug Registration Certificate in December 2025
Phase I clinical study of BYS 10 tablets in new drug class 1 of anti-tumor Trk inhibitor	BYS 10 tablets (RET inhibitor)	Class 1 of chemical medicine	RET gene fusion in mutant solid tumors	Yes	No	Pivotal clinical trial
Clinical Trial Study of a New Class 1 Anti-tumor Trk Inhibitor	HG 030 tablets (TRK inhibitor)	Class 1 of chemical medicine	NTRK fusion mutations and ROS1 fusion mutation-positive solid tumors	Yes	No	Phase I b of clinical trial
Clinical Trial Investigation of Cefquinome Sodium for Injection as a Class 1 Innovative Drug	Cefquinome Sodium for Injection	Class 1 of chemical medicine	Community-Acquired Pneumonia	Yes	No	Phase II of clinical trial
Predclinical research on LBZ-18, an innovative Traditional Chinese Medicine for the treatment of cancer-related fatigue	LBZ-18	Class 1.2 of Traditional Chinese Medicine	Tonifying Qi and Strengthening the Spleen. Used for the treatment of cancer-related fatigue in tumor patients	No	No	Phase I of clinical trial
A Study on Ke Gan Li Yan Oral Liquid in the Treatment of Acute Pharyngitis (Exogenous Wind-Heat Syndrome) in Adults	Ke Gan Li Yan Oral Liquid	Class 2.3 of Traditional Chinese Medicine	Dispelling Wind and Clearing Heat, Resolving Toxicity and Soothing the Throat.	No	No	Phase III of clinical trial
Phase II Clinical Trial on the Development of Xiao Chai Hu Granule for Pediatric Application	Xiao Chai Hu Granule for children	Class 2.3 of Traditional Chinese Medicine	For pediatric gastroenteritis-type common cold.	No	No	Phase II of clinical trial

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(ii) Research and development situation of the Company's medicine (products) *(Continued)*

3) *Status of pharmaceutical (product) applications submitted to and approved by regulatory authorities during the Reporting Period*

✓ Applicable ☐ Not applicable

During the Reporting Period, the Group obtained 4 notifications of medicine clinical trial approval, 3 notifications of approval for marketing application of chemical raw materials (including pharmaceutic adjuvant), 5 medicine registration certificates (including overseas), and 17 notices of approval for medicine supplementary applications for consistency evaluation. The details are set out in the table below:

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(ii) Research and development situation of the Company's medicine (products) (Continued)

3) Status of pharmaceutical (product) applications submitted to and approved by regulatory authorities during the Reporting Period (Continued)

Product name	Marketing authorization holder/ Manufacturing enterprise	Classification of registration/Subject matter of application	Indications/Functions ^(Note)
BYS30 Granules	Baiyunshan Pharmaceutical General Factory	TCM Category 1.1 Clinical Trial Approval	Indicated for knee osteoarthritis.
LBZ-18 Oral Emulsion	Baiyunshan Han Fang	TCM Category 1.2 Clinical Trial Approval	Supplementing Qi and fortifying the spleen. For the treatment of cancer-related fatigue in oncology patients.
LBZ-18			
Yu Ping Feng Dai Tea	Chen Li Ji	TCM Category 2.3 Improved Formulation Clinical Trial Approval	For Hashimoto's thyroiditis with subclinical hypothyroidism, and clinical hypothyroidism with euthyroid status post-LT4 therapy, presenting with spleen-lung Qi deficiency pattern.
Atonvastatin Calcium	Baiyunshan Chemical Pharmaceutical Factory	Active Pharmaceutical Ingredient (API)	Primary hypercholesterolemia; mixed dyslipidemia; hypertriglyceridemia; homozygous familial hypercholesterolemia; prevention of atherosclerosis.
Sorafenib Tosylate	Baiyunshan Chemical Pharmaceutical Factory	Active Pharmaceutical Ingredient (API)	First-line treatment for advanced hepatocellular carcinoma; treatment for advanced renal cell carcinoma; locally advanced or metastatic thyroid cancer refractory to radioactive iodine.
Structured Triglycerides	Baiyunshan Han Fang	Pharmaceutical Excipient	For parenteral nutrition as a fat supplement in patients for whom oral or enteral nutrition is impossible, insufficient, or contraindicated.
Freeze-dried Human Rabies Vaccine (Vero Cell)	Baiyunshan Biologics	Biological Product for Prevention	Prevention of rabies.
Tadalafil Tablets 2.5mg	Baiyunshan Pharmaceutical General Factory	Chemical Drug Category 4	Treatment of erectile dysfunction (ED). Treatment of the signs and symptoms of ED with benign prostatic hyperplasia (BPH).
Tadalafil Tablets 5mg			
Trimetazidine Hydrochloride Sustained-release Tablets 35mg	Baiyunshan Pharmaceutical General Factory	Chemical Drug Category 4	Prophylactic treatment of angina attacks. Adjunctive symptomatic treatment of vertigo and tinnitus.
An Gong Niu Huang Pill	Zhong Yi	Vietnam Drug Registration Certificate	Clearing heat, resolving toxins, calming convulsions, and resuscitating the orifices.
Xiao Chai Hu Granule (Sugar-free)	Guang Hua	Macau Chinese Patent Medicine Registration Certificate	Relieving exterior, dispersing heat, soothing the liver, and harmonizing the stomach.
Xiao Chai Hu Granule			
Ampicillin Sodium for Injection 0.5g	Tian Xin	Supplementary Application for Generic Drug Quality and Efficacy Consistency Evaluation	For the treatment of infections caused by susceptible strains of the designated microorganisms in the following conditions: respiratory tract infections, gastrointestinal tract infections, urinary tract infections, soft tissue infections, endocarditis, meningitis, septicemia, etc.
Ampicillin Sodium for Injection 1.0g			

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(ii) Research and development situation of the Company's medicine (products) (Continued)

3) Status of pharmaceutical (product) applications submitted to and approved by regulatory authorities during the Reporting Period (Continued)

Product name	Marketing authorization holder/ Manufacturing enterprise	Classification of registration/Subject matter of application	Indications/Functions ^(Note)
Cefotaxime Sodium for Injection 0.5g Cefotaxime Sodium for Injection 1.0g	Tian Xin	Supplementary Application for Generic Drug Quality and Efficacy Consistency Evaluation	For the treatment of infections caused by susceptible strains of the designated microorganisms in the following conditions: lower respiratory tract infections; genitourinary tract infections; gynecologic infections; bacteremia/septicemia; skin and skin structure infections; intra-abdominal infections; bone and joint infections; central nervous system infections.
Clindamycin Phosphate Injection 2ml:0.3g Clindamycin Phosphate Injection 4ml:0.6g	Tian Xin	Supplementary Application for Generic Drug Quality and Efficacy Consistency Evaluation	For the treatment of serious infections caused by susceptible anaerobic bacteria.
Cefoperazone Sodium and Sulbactam Sodium for Injection 1.0g Cefoperazone Sodium and Sulbactam Sodium for Injection 1.5g Cefoperazone Sodium and Sulbactam Sodium for Injection 2.0g	Tian Xin	Supplementary Application for Generic Drug Quality and Efficacy Consistency Evaluation	For the treatment of infections caused by susceptible strains of the designated microorganisms in the following conditions: respiratory tract infections; urinary tract infections; peritonitis, cholecystitis, cholangitis and other intra-abdominal infections; septicemia; meningitis; skin and soft tissue infections; bone and joint infections; pelvic inflammatory disease, endometritis, gonorrhea and other genital tract infections.
Ceftazidime for Injection 0.5g Ceftazidime for Injection 1.0g	Tian Xin	Supplementary Application for Generic Drug Quality and Efficacy Consistency Evaluation	For the treatment of single or mixed infections caused by susceptible strains of the designated microorganisms.
Amoxicillin and Clavulanate Potassium for Suspension (200/28.5mg)	Baiyunshan Pharmaceutical General Factory	Supplementary Application for Generic Drug Quality and Efficacy Consistency Evaluation	For the treatment of infections caused by β -lactamase-producing strains of designated microorganisms.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(ii) Research and development situation of the Company's medicine (products) *(Continued)*

3) *Status of pharmaceutical (product) applications submitted to and approved by regulatory authorities during the Reporting Period (Continued)*

Product name	Marketing authorization holder/ Manufacturing enterprise	Classification of registration/Subject matter of application	Indications/Functions ^(Note)
Cefuroxime Sodium for Injection 0.25g	Baiyunshan Pharmaceutical General Factory	Supplementary Application for Generic Drug Quality and Efficacy Consistency Evaluation	For the treatment of infections caused by susceptible strains of the designated microorganisms in the following conditions: respiratory tract infections, urinary tract infections, and surgical infections.
Cefuroxime Sodium for Injection 1.25g			
Cefuroxime Sodium for Injection 1.75g			
Cefuroxime Sodium for Injection 2.0g			
Cefuroxime Sodium for Injection 2.25g			

Note: For the full indications and safety information, please refer to the drug package insert.

The above approvals will further enrich the Company's product varieties, increase the Company's product reserves, expand the Company's overseas businesses and promote the competitiveness of products.

4) *Situation of the cancellation of the important research and development projects or the products which were not approved during the Reporting Period*

☐ Applicable ☒ Not applicable

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(ii) Research and development situation of the Company's medicine (products) *(Continued)*

5) Accounting policies for research and development

The Company's internal research and development project expenditure is divided into research phase expenditure and development phase expenditure.

The specific 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 medicines). Commencement of Phase III clinical trial is determined based on the approval by the relevant authorities.

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

Expenditure on the research phase is recognized in the profit or loss in the period in which it is incurred.

Development phase expenditures are capitalized if the following conditions are met, otherwise it will be recognised in the profits and losses in the current period in which it is incurred:

- 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 such expenditures into current profit or loss.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(ii) Research and development situation of the Company's medicine (products) (Continued)

6) The investment situation of research and development

Comparison within the same industry

☒ Applicable ☐ Not applicable

Stock code	Abbreviation of companies	Amount of the research and in the same industry (RMB 100 million)	Research and development investment accounted for the proportion of revenue (%)	Research and development investment accounted for the proportion of net assets (%)	Research and development investment accounted for the proportion of capitalization (%)
600511	China National Medicines Co., Ltd.	1.24	0.25	0.73	40.79
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	28.18	11.88	3.93	15.04
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	55.54	13.52	11.75	34.39
600085	Beijing Tongrentang Co., Ltd.	4.09	2.2	3.10	0.00
00538	Yunnan Baiyao Group Co., Ltd.	3.48	0.87	0.90	3.15
Average amount of the research and development investment of the same industry during the Reporting Period (RMB100 million)					18.51
Amount of the research and development investment of the Group during the Reporting Period (RMB100 million)					6.95
Research and development investment accounted for the proportion of revenue of the Group during the Reporting Period (%)					3.67
Research and development investment accounted for the proportion of net assets of the Group during the Reporting Period (%)					1.73
Research and development investment accounted for the proportion of capitalization of the Group during the Reporting Period (%)					4.77

Notes:

- The above data of peer companies is sourced from their 2024 annual reports and calculated based on net assets attributable to parent company shareholders;
- The average R&D investment amount in the industry is the arithmetic average of the five companies in the same industry.
- The research and development investment accounted for the proportion is the proportion accounted for revenue of industry business.

Description on the significant changes in the research and development investment and the reasonability of the proportion of capitalization and the proportion of research and development investment

☐ Applicable ☒ Not Applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(ii) Research and development situation of the Company's medicine (products) (Continued)

7) The investment situation of major research and development project

✓ Applicable ☐ Not applicable

R&D project	Company	R&D investment amount (RMB'0000)	Expense amount of R&D Investment (RMB'0000)	Capitalized amount of R&D investment (RMB'0000)	Ratio of R&D investment to revenue (%)	Change in ratio of amount in the Reporting Period compared with the same period of last year (%)	Presentation of condition
Industrialization project for lyophilized human rabies vaccine (Vero Cell) of PM strain	Baiyunshan Biological	3,423.82	/	3,423.82	/	(47.66)	In 2024, R&D investment was relatively high due to the conduct and completion of multiple batches of production process validation, while R&D investment in 2025 was relatively low.
Phase I clinical study of BYS 10 tablets in new drug class 1 of anti-tumor Trk inhibitor	Baiyunshan General Factory	2,807.78	2,807.78	–	1.88	(50.15)	Preparing for a pivotal clinical stage.
Clinical Study Progress on LBZ-18 Oral Emulsion: An Innovative Traditional Chinese Medicine for the Treatment of Cancer-Related Fatigue	Baiyunshan Han Fang	1,010.90	1,010.90	–	2.30	/	New Projects
Process Extension and Clinical Sample Study of Starting Materials SM1 and SM2 for BYS10, a Class 1 Innovative Drug	Baiyunshan Chemical Factory	965.60	965.60	–	3.45	3.00	/
Phase II Clinical Study on the Development of Xiao Chai Hu Granules for Pediatric Use	Guang Hua	770.40	770.40	–	1.09	146.69	During the period, ethical approval was obtained and the first subject was enrolled, resulting in substantial outsourced research expenses, hence a corresponding increase in R&D investment.

Note: The proportion of R&D investment in operating revenue is the proportion of R&D investment in the operating revenue of the enterprise producing the product.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(iii) Situation of the sales of the Company's medicine (products)

1) Analysis of the main sales model of the Company

☒ Applicable ☐ Not applicable

For the details of the main sales model of each segment of the Group, please refer to “(2) Operating Model”, under “1. Description of the Group's principal business during the Reporting Period” in the third section headed “Management Discussion and Analysis” in this annual report.

2) Analysis of sales expenses

Breakdown of sales expenses

☒ Applicable ☐ Not applicable

Items	Amount incurred for the Reporting Period (RMB)	Percentage of amount incurred for the Reporting Period in the total sales cost (%)
Employee remuneration	2,982,836,359.78	51.19
Advertising and promotion fees	1,017,482,623.74	17.46
Sales service fee	988,976,577.03	16.97
Depreciation charges	245,975,385.39	4.22
Travelling expenses	150,401,168.25	2.58
Freight and miscellaneous charges	126,561,274.08	2.17
Conference expenses	65,088,327.00	1.12
Office expenses	39,441,886.39	0.68
Rental expenses	32,112,436.35	0.55
Others	177,929,500.39	3.05
Total	5,826,805,538.40	100.00

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(iii) Situation of the sales of the Company's medicine (products) (Continued)

2) Analysis of sales expenses (Continued)

Comparison within the same industry

☒ Applicable ☐ Not applicable

Stock Code	Stock Abbreviation	Selling and distribution expenses (RMB)	Selling and distribution expenses accounted for the proportion of revenue (%)
600511	China National Medicines Co., Ltd.	805,142,288.61	1.59
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	12,713,976,431.27	4.62
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	8,679,763,843.89	21.14
600085	Beijing Tongrentang Co, Ltd	3,595,489,312.70	19.33
000538	Yunnan Baiyao Group Co., Ltd.	4,879,502,036.91	12.19
The average amount of the sales expenses of the same industry (RMB)			6,134,774,782.68
Total amount of the sales expenses of the Group during the Reporting Period (RMB)			5,826,805,538.40
Sales expenses accounted for the proportion of revenues of the Group during the Reporting Period (%)			7.50

Notes:

- The above data of relevant companies in the same industry is obtained from their annual reports in 2024;
- The average amount of the sales expenses is the arithmetic average of the five companies in the same industry.

Description on the significant changes in sales expenses and the reasonability of the sales expenses

☐ Applicable ☒ Not Applicable

(iv) Others

☐ Applicable ☒ Not Applicable

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(5) Investment situation

Overall analysis of external equity investment

✓ Applicable ☐ Not applicable

As at the end of the Reporting Period, the external equity investment of the Company amounted to RMB1,584,359,975.87, with an increase of RMB77,100,901.93, as compared with last year, mainly due to: The Group's investment in associates has increased.

1) Significant equity investment

✓ Applicable ☐ Not applicable

Name of Investee	Main Business	Whether the Investee is Engaged in Main Investment Business	Investment Method	Investment Amount (RMB'000)	Shareholding Ratio	Whether Consolidated	Reporting Items (if applicable)	Source of Funds	Collaborating Party (if applicable)	Investment Period (if applicable)	Progress as of the Balance Sheet Date	Expected Income (if applicable)	Impact of Current Profit/Loss	Whether Involved in Litigation	Disclosure Date (if applicable)	Disclosure Source (if applicable)
Nanjing Pharmaceutical	Pharmaceutical Distribution	No	Acquisition	74,880.75	11.04%	No	/	Own funds	/	/	A share transfer contract has been signed and the approval of the competent state-owned assets authority has been obtained	/	No impact	No	28 September 2025, 17 November 2025	Website of SSE and HKEX
Total	/	/	/	74,880.75	/	/	/	/	/	/	/	/	/	/	/	/

Note: On 27 February 2026, GP Fund II received the Securities Transfer Registration Confirmation issued by China Securities Depository and Clearing Corporation Limited. The equity transfer registration procedures for this equity investment have been completed. GP Fund II holds 144,557,431 unrestricted tradable shares of Nanjing Pharmaceutical, accounting for 11.04% of the current total share capital of Nanjing Pharmaceutical.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(5) Investment situation *(Continued)*

Overall analysis of external equity investment *(Continued)*

2) Significant non-equity investment

☒ Applicable ☐ Not applicable

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	Own funds, proceeds	4,019.94	96,512.14	Has completed completion acceptance.
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	Own funds	41.84	370.22	Project re-evaluation phase.
GYBYS Fashionable Traditional Chinese Medicine Valley – Tianhua Garden Project	Guangzhou Baiyunshan International Pharmaceutical and Healthcare Industry Co., Ltd.	Production workshops, TCM materials warehouse, extraction workshop, quality inspection building, comprehensive warehouse, and power center, along with other supporting facilities	320,086.15	Own funds	12,652.83	37,532.76	Foundation construction is in progress

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(5) Investment situation (Continued)

Overall analysis of external equity investment (Continued)

3) Financial Assets Measured at Fair Value

✓ Applicable ☐ Not applicable

Asset Category	Opening Balance (RMB)	Gain or Loss on Fair Value Changes during the Period (RMB)	Accumulated Fair Value Changes Recognized in Equity (RMB)	Impairment Provision during the Period (RMB)	Purchase Amount during the Period (RMB)	Proceeds from Sale/Redemption during the Period (RMB)	Other Changes (RMB)	Closing Balance (RMB)
Financial Assets at Fair Value through Profit or Loss	-	-	-	-	-	-	4,000,000.00	4,000,000.00
Other Equity Instrument Investments	104,180,509.45	-	(8,006,503.49)	-	-	-	-	96,174,005.96
Other Non-current Financial Assets	531,000,228.05	(18,696,965.45)	-	-	-	-	(5,650,000.00)	506,653,262.60

Securities Investment

✓ Applicable ☐ Not applicable

Type of stock	Stock code	Stock abbreviation	The initial amount of investment (RMB)	Capital source	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 included in interests (RMB)	Current purchase amount (RMB)	Current sale amount (RMB)	Current investment gains and losses (RMB)	Book value as at the end of the Reporting Period (RMB)	Accounting subject
A Share of SSE	600664	Harbin Pharmaceutical Group Co., Ltd.	3,705,390.90	Own funds	1,553,305.39	(255,750.04)	-	-	-	-	1,297,555.35	Other non-current financial assets
A Share of Shenzhen Stock Exchange	000950	CQ Pharmaceutical Holding	150,144,733.98	Own funds	139,838,735.40	10,656,855.30	-	-	-	779,769.90	150,495,590.70	Other non-current financial assets
H Share	02289	Charmacy Pharmaceutical Co., Ltd.	7,567,611.84	Own funds	9,052,504.02	(2,484,491.40)	-	-	-	401,481.27	6,568,012.62	Other non-current financial assets
Total	/	/	161,417,736.72	/	150,444,544.81	7,916,613.86	-	-	-	1,181,251.17	158,361,158.67	

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(5) Investment situation (Continued)

Overall analysis of external equity investment (Continued)

3) Financial assets evaluated 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 State-owned Assets Mixed Ownership 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))	89,000,000.00	Own funds	91,481,389.93	(389,848.16)	-	-	-	623,376.05	91,091,541.77	Other non-current financial assets
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))	50,000,000.00	Own funds	52,752,196.22	26,268.85	-	-	-	-	52,778,465.07	Other non-current financial assets
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))	116,622,495.50	Own funds	93,454,816.88	-	(8,431,854.49)	-	-	-	85,022,962.39	Other investments in equity instruments

Derivative investments

☐ Applicable ✓ Not Applicable

4) Specific progress of material assets reorganization and integration during the Reporting Period.

☐ Applicable ✓ Not Applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(6) Significant asset and equity sales

☐ Applicable ☒ Not Applicable

(7) Details of the main subsidiaries and joint ventures of the Company

☒ Applicable ☐ Not applicable

Information on Principal Subsidiaries and Investee Companies whose Impact on the Company's Net Profit Reached 10% or Above

☒ Applicable ☐ Not applicable

Name of enterprises	Type of Company	Principal 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	Subsidiary	Production and sale of pre-packaging food, etc.	1,000,000,000.00	8,785,875,649.46	3,946,340,835.69	18,338,440,178.87	12,070,474,990.39	1,201,591,628.66
GP Corp.	Subsidiary	Wholesale and retail	2,449,305,500.00	58,071,510,974.01	3,234,936,589.11	37,996,803,086.01	8,247,559,837.74	599,409,643.18

Except for WLJ Great Health and GP Corp. 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 amounting to 10% or more of the net profit of the Group during the Reporting Period.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(7) Details of the main subsidiaries and joint ventures of the Company *(Continued)*

Information on Acquisition and Disposal of Subsidiaries during the Reporting Period

☒ Applicable ☐ Not applicable

Name of Company	Method of Acquisition and Disposal of Subsidiaries during the Reporting Period	Impact on Overall Production, Operation and Performance
Xizang Linzhi Guangyao Development Co., Ltd.	Liquidation	No significant impact
Guangzhou Caizhi Pharmaceutical Co., Ltd.	New establishment	No significant impact
Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd.	Equity acquisition	No significant impact
Guangzhou Baiyunshan Jianhu Medical Supplies Co., Ltd.	Equity transfer	No significant impact
Guangyao Baiyunshan (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd.	Liquidation	No significant impact
Guangyao Baiyunshan Macau Co., Ltd.	Liquidation	No significant impact
Guangzhou Baiyunshan Huacheng Technology Co., Ltd.	Liquidation	No significant impact
Guangzhou Guangyao Phase II Fund Equity Investment Partnership (Limited Partnership)	New establishment	No significant impact
Guangyao Yunshan Molecular Technology (Guangzhou) Co., Ltd.	New establishment	No significant impact

Other Explanations

☐ Applicable ☒ Not Applicable

During the Reporting Period, the Group did not engage in other operating activities that had a material impact on net profit.

(8) A structured entity controlled by the Company

☐ Applicable ☒ Not Applicable

6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT

(1) Landscape and trend of the industry

✓ Applicable ☐ Not applicable

- 1) Driven by the deepening of population aging, the improvement of residents' health awareness, and the refinement of the medical security system, China's pharmaceutical market has maintained steady growth. The central and local governments have intensively issued supporting policies to optimize the industrial supply structure, strengthen support for innovative R&D, and fully underpin the high-quality development of the biomedicine and health industry, leading to the continuous expansion of the pharmaceutical market scale.
- 2) Regulatory policies have been further refined with a "value-oriented" focus. The rules for volume-based drug procurement have been optimized, emphasizing the direction of "stabilizing clinical use, ensuring quality, and curbing vicious competition"; the adjustment of the medical insurance catalog has strengthened clinical value assessment and raised the threshold for non-catalog drugs to pass consistency evaluations. The regular advancement of volume-based procurement and medical insurance negotiations, coupled with the intensified whole-process supervision, has driven industry resources to concentrate on leading enterprises with strong R&D capabilities and high clinical value. The refined upgrading of pharmaceutical supervision has promoted pharmaceutical enterprises to improve quality and efficiency.
- 3) Global pharmaceutical mergers and acquisitions (M&A) recovered. Domestic policies have guided leading enterprises to focus on their core businesses and carry out industrial chain integration, with M&A activities characterized by "targeted supplementation and enhancement". Domestic biotech enterprises have become more active in global M&A, and industrial integration focusing on core strategic resources has become the mainstream. The frequency of cross-border collaboration and integrated industrial chain integration has increased significantly.
- 4) The high-quality development of TCM has accelerated, entering a period of policy dividend release. In 2025, the General Office of the State Council issued a special opinion, deploying key tasks for TCM development across the entire industrial chain. The TCM review and approval mechanism has been continuously optimized, accelerating the listing process of new TCM drugs. Progress in fields such as the construction of genuine medicinal material bases and the digital and intelligent empowerment of TCM manufacturing has been accelerated. The recognition of TCM's clinical value has improved, and the pattern of inheritance and innovation has been continuously improved.
- 5) Driven by technological innovation, the R&D and industrialization of innovative drugs in China accelerated, with innovative drugs entering a critical period of high-quality development. The industry has focused on cutting-edge fields such as AI-aided drug discovery. Enterprises have strengthened independent R&D and cross-border cooperation to accelerate the construction of differentiated pipelines. The National Medical Products Administration (NMPA) has launched a wholechain service mechanism to support the "first launch in China" of innovative drugs and promote key core technology research and clinical transformation.

Management Discussion and Analysis

6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT (Continued)

(2) Development strategy and annual work plan for year 2026

✓ Applicable ☐ Not applicable

In 2026, the Group will adhere to making steady progress, accelerate innovation and transformation, and achieve effective qualitative improvement and reasonable quantitative growth. Major activities to be promoted include:

1) Promoting the quality and efficiency improvement of the cornerstone business segments, and cultivating new driving forces to boost development

First, focusing on advantageous fields and the goal of “Excellent Varieties, Quality, and Brands,” the Group will implement the “Excellent Product Plan” to strengthen core flagship products and high-potential varieties. Marketing innovation and the transition toward refinement and specialization will be promoted, optimizing the professional marketing teams based on “product category + channel attributes.” Process optimization will be accelerated to build a quality standard system covering the entire “raw material – manufacturing – inspection” chain, further enhancing consumer trust in quality. Brand coordination and digital marketing will be strengthened to enhance the Group’s brand image and influence.

Second, deepening full-cycle marketing to consolidate its leading position in natural beverages. The Group will strengthen demand insight and continue to cultivate the market. Centering on the core strategy of “seizing the opportunities in all periods and solidifying the basic market,” the Group will improve market share and profitability through all-period linkage, channel refinement, and products upgrades. New products will be developed in differentiated segments such as health and functional. While consolidating the upgrades of category such as Ci Ning Ji and Li Xiao Ji, the Group will focus on promoting channel penetration and sales volume growth for newly launched products such as shaking fruit juice beverages (果搖爽) and Shan Chong Dian Electrolyte Water (閃充電解質水) to nurture a second growth curve.

Third, optimize the business structure, consolidate the core advantages of pharmaceutical wholesale, strengthen strategic supporting businesses such as retail, and comprehensively improve the capabilities of innovation and value-added services. Deepen the full-life-cycle service management of pharmaceuticals, implement differentiated operation strategies for categories such as innovative drugs and centralized procurement drugs, strengthen the refined layout of national regional channels and the construction of supply chain resilience, lay a solid foundation for business development, and continuously enhance the competitiveness and market advantages of the pharmaceutical wholesale business. Firmly seize the policy dividends of the “dual-channel” mechanism and the development opportunities of cross-border e-commerce, optimize the operation of retail business, enrich terminal service scenarios, and further expand the space for business growth. Take innovation as the core engine, accelerate the transformation into a digital and intelligent comprehensive health service provider. Promote the productization of service content, optimize the business development pattern, and effectively cultivate new drivers of high-quality growth through the coordinated efforts of three dimensions: services, models, and digital intelligence.

Fourth, we will accumulate development momentum, accelerate the development of businesses such as consumer health, biotech innovation and medical services, and open up incremental space.

6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT *(Continued)*

(2) Development strategy and annual work plan for year 2026 *(Continued)*

2) Promoting innovation and transformation and focusing on strengthening the technology engine

Firstly, the Group will increase R&D investment and, relying on six major innovation platforms, accelerate the R&D process and market launch of projects in fields such as anti-tumor, anti-infection, gynecology, andrology, pediatrics, external medicine, and medical nutrition and health. Meanwhile, centering on core therapeutic areas such as respiratory, chronic diseases, oncology, and reproduction, through “self-development + introduction”, the Group further enrich its potential project reserves and provide important support for the innovation pipelines. Secondly, industry-academic-research cooperation will be deepened by working with major institutions to jointly build high-level laboratories and innovation research institutes to promote the transformation of more R&D results. The construction of production centers for hospital-made preparations will be advanced, and transformation projects for such preparations will be actively introduced to create a new “production-sales-investment-research-application” transformation model for medical institution preparations. Thirdly, the Group will refine the innovation system and mechanism, the appraisal and evaluation system and the error-tolerance and correction mechanism to implement diversified incentives.

3) Further advancing the internationalization process and promoting the globalization of products, brands, and the industry chain

First, the Group will enhance international brand awareness and influence through expanding high-quality overseas partners, promoting the overseas registration and sales of products, focusing on advancing overseas localized operation projects, and accelerating the entry of pharmaceutical products into the “Belt and Road” market. Second, breakthroughs in key overseas markets and regional radiation will be promoted in layers. Meanwhile, the launch and production of overseas factories will be accelerated, and the supply chain network optimized to further promote the deep integration of overseas market channels and brand localization, steadily driving the continuous growth of the international natural beverages business.

4) Strengthening capital operation and actively releasing the value of the company

Firstly, focusing on fields such as innovative TCM, high-end chemical preparations, high-end medical devices, and regional pharmaceutical commerce, the Group will actively seek high-quality targets, increase investment and mergers and acquisitions, and optimize industrial layout. Secondly, the Group will continue to build a full-life-cycle investment fund system covering angel venture capital, industrial incubation, and investment and acquisition types, consistently enriching investment project reserves and further activating the Group’s capital momentum. Thirdly, the quality of information disclosure will be improved, ESG management levels enhanced, and core corporate value actively and precisely released through multiple channels to optimize market value management and reinforce capital recognition.

5) Strengthening overall coordination and actively promoting digital intelligence empowerment

Firstly, the Group strengthen top-level design, focusing on key areas such as digital foundation construction, integrated product development (IPD), digital manufacturing (dark factories), integrated supply chain (ISC), digital marketing, integration of business and finance, and digital governance, implementing fullchain digitalization of “R&D – manufacturing – logistics – sales.” Secondly, the digital management and control system will be perfected, digital intelligence synergy deepened, and a new ecosystem of modern corporate governance constructed. Meanwhile, prevention and control mechanisms will be improved to build a strong defense for network and data security.

Management Discussion and Analysis

6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT *(Continued)*

(2) Development strategy and annual work plan for year 2026 *(Continued)*

6) Promoting resource integration, deepening management innovation, and solidly improving corporate governance

First, the Group will deepen professional integration of businesses, to exert resource synergy and enhance economies of scale and comprehensive competitiveness. Second, the centralized procurement mode for TCM raw materials, auxiliary and packaging materials, and advertising will be consistently optimized, facilitating the effective role of the Group's centralized procurement platform to release the scale effect of cost reduction and efficiency. Third, the reserve of high-end talents will be strengthened with better performance appraisal, and reinforced incentive orientation to systematically build a strong talent pool. Fourth, the construction of a modern corporate governance system will be promoted, strengthening internal control and risk management to further enhance the level of corporate governance and standardized operation.

(3) Potential challenges and risks

☒ Applicable ☐ Not applicable

The pharmaceutical industry is one of the industries most profoundly affected by national policies. Policy changes directly impact the industry structure, competitive landscape and corporate profitability. With the continuous deepening of the consistency evaluation of the quality and efficacy of generic drugs, the ongoing optimization and normalized implementation of the national centralized drug procurement with volume, the full advancement of the medical insurance payment system reform dominated by diagnosis-related groups (DRG) payment, and the systematic promotion of policies supporting the development of innovative drugs across the entire industrial chain, the pharmaceutical market landscape has been undergoing profound and continuous changes. The rapid evolution of policies has intensified industry competition, driven R&D innovation, industrial integration and business model transformation, bringing pressure and challenges for the Group's transformation and upgrading. Due to the unpredictability of policy risks, the main uncertainties faced by the Group focus on how to adjust strategies in a timely manner to adapt to policy changes. Specific measures to mitigate industry policy risks are set out under "(3) The Impact of Industry Policies and the Group's Response Measures" in "2. Industry Overview of the Group during the Reporting Period" of Section 3 "Management Discussion and Analysis" of this Report. In addition, the Group is exposed to various risks including product quality control risks, R&D risks and market risks.

The Group will continue to dynamically track the evolution of national policies and industry rules, respond to market changes, and tap growth drivers amid transformation. Relying on its brand and resource foundation, we will systematically enhance operational efficiency and product differentiation by strengthening innovation-driven development and deepening digital empowerment, consolidate core competitive barriers, and establish a new pattern of high-quality development driven by innovation and value.

(4) Others

☐ Applicable ☒ Not Applicable

7. OTHER MATTERS

(1) Accounts

The results of the Group for the year ended 31 December 2025 are set out in the consolidated income statement.

The financial condition of the Group as at 31 December 2025 is set out in the consolidated balance sheet.

The cash flows of the Group for the year ended 31 December 2025 are set out in the consolidated cash flow statement.

The cash flows of the Company for the year ended 31 December 2025 are set out in the cash flow statement.

(2) Financial summary

A summary of the results and of the assets and liabilities of the Group are set out in the section headed “III Management Discussion and Analysis” in this annual report.

(3) Reserves

Details of the movements and amount of the reserves of the Group during the Year are set out in the section headed “VIII Financial Reports” in this annual report.

(4) Distributable reserves

The distributable reserves of the Group as at 31 December 2025 calculated in accordance with the China Accounting Standards for Business Enterprises was RMB7,263,234,411.77.

(5) Fixed assets

Details of the movements of fixed assets of the Group for the Year are set out in the section headed “VIII Financial Reports” in this annual report.

(6) Ordinary connected transactions

Details of connected transactions of the Group were set out in the section headed “V Major Events” in this annual report.

(7) Management contracts

No contracts concerning the overall business or the management and administration of the whole or any substantial part of the core business of the Company were entered into or existed during the Year.

7. OTHER MATTERS *(Continued)*

(8) Tax exemption

For individual shareholders and securities investment funds holding the Company's unrestricted A shares, in accordance with the relevant provisions of the Notice on Issues Concerning the Implementation of Differentiated Individual Income Tax Policy on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) and the Notice on Issues Concerning the Differentiated Individual Income Tax Policy on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101), when the Company distributes dividends and bonuses, individual income tax shall be provisionally exempted for those whose shareholding period exceeds one year; for those whose shareholding period is within one year (inclusive), individual income tax shall not be withheld provisionally. For individual shareholders and securities investment funds of A shares who acquire the Company's shares from the public offering and transfer market, if the shareholding period exceeds one year, the income from dividends and bonuses shall be provisionally exempted from individual income tax; if the shareholding period is more than one month but within one year (inclusive), 50% of the income shall be provisionally included in the taxable income, and the actual tax rate is 10%; if the shareholding period is within one month (inclusive), the full amount of the dividend and bonus income shall be included in the taxable income, and the actual tax rate is 20%. When the Company distributes dividends and bonuses, for those with a shareholding period of one year or less, the Company shall not withhold individual income tax provisionally. When such shareholders transfer the shares, the actual tax payable shall be calculated based on their shareholding period and shall be withheld by the securities brokers or other share custodian institutions from the capital accounts of individuals and securities investment funds, and then transferred to China Securities Depository and Clearing Corporation Limited Shanghai Branch (CSDC Shanghai Branch). CSDC Shanghai Branch shall transfer the amount to the Company in the following month. The Company shall declare and pay the tax to the competent tax authorities within the statutory declaration period of the month when the tax is received.

For holders of the Company's A shares that are Qualified Foreign Institutional Investors (QFII), the Company shall withhold and pay enterprise income tax at a uniform rate of 10% on their behalf, in accordance with the provisions of the Notice on Issues Concerning the Withholding of Enterprise Income Tax on Dividends, Bonuses, and Interest Paid by Chinese Resident Enterprises to QFII (Guo Shui Han [2009] No. 47). Should any such shareholder consider that the dividend income obtained is eligible for treatment under any tax treaty (or arrangement), they may, in accordance with the relevant provisions, file a claim directly with the competent tax authorities after receiving the dividends.

For Hong Kong market investors (including both entities and individuals) investing in the Company's A shares through the Shanghai-Hong Kong Stock Connect program, the cash dividends will be distributed by the Company in Renminbi via China Securities Depository and Clearing Corporation Limited Shanghai Branch (CSDC Shanghai Branch) to the account of Hong Kong Securities Clearing Company Limited, the nominee holder of the A shares. Pursuant to the relevant provisions of the Notice on Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Market Trading Connect Mechanism (Cai Shui [2014] No. 81), the Company shall withhold income tax at a rate of 10% and handle the withholding declaration with the competent tax authorities. For those Hong Kong market investors who are tax residents of other countries and whose country of residence has a tax agreement with China providing for a dividend and bonus income tax rate lower than 10%, the relevant entity or individual may apply to the Company's competent tax authorities for the treatment under the tax agreement. Upon review and approval by the competent tax authorities, a refund will be granted for the difference between the tax already paid and the tax payable calculated according to the rate stipulated in the tax agreement.

7. OTHER MATTERS *(Continued)*

(9) Retirement scheme

The Company hereby provides further information in relation to the basic pension insurance (the “Basic Pension Insurance Plan”) paid by the domestic enterprises of the Company according to the relevant regulations of the local government, the mandatory provident fund contribution (the “Mandatory Provident Fund Contribution Plan”) provided by the Company’s wholly-owned subsidiary, Guangyao Baiyunshan Hong Kong Company, in accordance with the Mandatory Provident Fund Schemes Ordinance of Hong Kong, and the enterprise annuity plans established by part of the domestic enterprises of the Company based on the relevant policies of the national enterprise annuity system as stated in the Annual Report pursuant to paragraph 26(2) of Appendix D2 to the Listing Rules of HKEX.

During the Reporting Period, there were no relevant forfeited contributions in the Group under the Basic Pension Insurance Plan and the Mandatory Provident Fund Contribution Plan. Under the enterprise annuity plan, based on the relevant policies of the national enterprise annuity policy and the enterprise annuity system established by the Group, the Company and part of affiliated companies that established the enterprise annuity plan retain the forfeited contributions in the enterprise annuity public account for the benefit of employees who are still in the enterprise annuity plan. The forfeited contributions will not be used to offset future contributions and will not reduce the current and future levels of contributions.

(10) During the Reporting Period, there had been no changes in the newspapers designated by the Company for information disclosure.

(11) Environmental policy

As at 31 December 2025 and at the date of this annual report, the Group has regularly monitored its environmental performance. The environmental policy and its performance of the Group were set out in the 2025 Sustainability Report of the Company (full text of the report has been uploaded to the websites of SSE and HKEX).

8. EXPLANATION ON THE FAILURE TO DISCLOSE AS PER RULES DUE TO INAPPLICABILITY OR SPECIAL REASONS SUCH AS STATE SECRETS AND BUSINESS SECRETS AND THE REASONS THEREFOR

☐ Applicable ☒ Not Applicable

1. DESCRIPTION OF CORPORATE GOVERNANCE

✓Applicable ☐Not applicable

- (1) 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 HKEX, continuously improving the management structure of the Company, 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 was in compliance with the requirements for the standardized operation of listed companies, and there were no material discrepancies against the requirements of 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 Board continues to monitor and review the Company's corporate governance practices to ensure compliance with the provisions under the Corporate Governance Code and will provide Directors with more flexible participation arrangements for meeting attendance.

The Group is committed to: (1) the research and development, manufacturing and sales of pharmaceutical and healthcare products;(2) the wholesale, retail and import/export business of western medicines, traditional Chinese medicines and medical devices;and(3) hospital medical services, traditional Chinese medicine health preservation and medical device-related businesses, and adopted relatively flexible business model and strategies and prudent risk and capital management structure. The Group is committed to strengthening the internal control publicity and guidance and the establishment of systems related to the internal control, risk management, etc., and established a relatively standardized internal control management and risk prevention system; formulated the strategic objectives and detailed work plans and measures of the Group to ensure the accomplishment of the strategic objectives.

The review of the business and financial position of the Company for 2025 is set out in the section headed "III. Management Discussion and Analysis" in this annual report.

The Board confirmed that it was responsible for risk management and internal control and was responsible for continuously reviewing its effectiveness and overseeing management in the design, implementation and monitoring of the risk management and internal control system. The Audit Committee under the Board monitors the Company's risk management and internal control system to ensure that management has fulfilled its responsibilities to establish an effective system. The Audit Committee convened the first Audit Committee meeting of the Company in 2026 on 20 March 2026 to review and approve the Company's 2025 internal control evaluation report which covers financial monitoring, operational monitoring, and compliance monitoring, etc. The Audit Committee (and the Board) are of the view that the internal control and risk management system of the Company is adequate and effective, and the Company has complied with the provisions of the Corporate Governance Code regarding internal control and risk management system, including:

1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

(1) *(Continued)*

(i) Procedures for identification, assessment and management of material risks

Based on comprehensive risk management, the Company, by collecting the information on major risks related to operation management, identifying the risks may pose potential impact on corporate business and operations. Furthermore, in line with the assessment standards for risk potentiality and impact, the Company conducts the assessment of risk events, designates a risk rating and develops the strategies for risk management and procedures for internal monitoring to prevent or reduce risks. The Company monitors the related risks continuously and regularly and makes sure that appropriate procedures for internal monitoring are available. In case of material changes, the Company is responsible for modifying the policies on risk management and regularly reporting the result of risk monitoring to the management and the Board.

(ii) Main features of risk management and internal monitoring system

The comprehensive risk management system of the Company covers risk events, risk management strategies and solutions, risk mapping and risk management information system, and the Company has established a risk management oriented internal control system.

(iii) The Board confirmed that it is responsible for the risk management and internal control systems and reviewing its effectiveness continuously. Such systems are designed to manage rather than eliminate the risk of failure of achieving business objectives, and can only provide reasonable but not absolute assurance against the prevention of material misstatement or loss.

Self-assessment and risk management review of internal control are conducted semi-annually and annually by the Company. The Company identify key risks based on risk assessment and take measures for the management of key risks; base on the risks, review critical internal control activities of key business procedures for high-risk or important business and give the above a high-priority rating regarding effectiveness assessment of internal control and find out the defects; take measures for implementation of defeat rectification measure, sort out and perfect the internal monitoring system towards the goal of risk control. The internal control system and the risk management information system are updated at least once a year.

(iv) Internal audit function

The Company has established an Audit Department (Audit Center), which operates under the leadership of the Board and the Audit Committee and undertakes the following functions: establishing an internal audit system that complies with the requirements of regulatory authorities such as the CSRC and the needs of corporate governance; formulating and implementing internal audit management systems and annual internal audit work plans; auditing the Group's implementation of major policies, development plans, significant decisions and annual business plans; auditing the Group's financial revenues and expenditures, fixed assets, investment projects, procurement projects, key overseas operation and investment projects, overseas enterprises, overseas assets and overseas economic activities; auditing the Group's operation and management, performance, internal control and risk management; auditing the performance of economic responsibilities by the principal persons in charge; auditing major events and large-value fund transactions; conducting performance audits for enterprises implementing the professional manager system; urging the Group to implement audit rectification and strengthen the application of audit results; and coordinating, guiding, supervising and managing the internal audit work of subsidiary enterprises.

1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

(2) Work related to corporate governance of the Company during the Reporting Period are as follows:

- (i) In accordance with 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, the Company has conducted a self-inspection on the internal control and the performance of social responsibilities as of 31 December 2024, formulated the 2024 Annual Internal Control Evaluation Report (《2024年度內部控制的評價報告》), which was reviewed and approved at the Board meeting of the Company convened on 13 March 2025 before disclosure.
- (ii) 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 Board meeting of the Company on 13 March 2025.
- (iii) During the Reporting Period, the Company organized and prepared the shareholders' meeting, the meetings of the Board and the meetings of the special committees under the Board in accordance with the regulations, and followed up on the implementation and progress of the resolutions of such meetings. In 2025, the Company convened a total of 4 shareholders' meetings, 14 meetings of the Board, 21 meetings of all special committees under the Board, and 3 special meetings of independent directors, effectively giving full play to the various functions of the shareholders' meeting, the Board and its special committees.
- (iv) For the purpose of strengthening market value management, the Company formulated the Market Value Management System in accordance with the provisions of the Company Law, the Securities Law, the Measures for the Administration of Information Disclosure by Listed Companies, the Guidelines for the Supervision of Listed Companies No. 10 – Market Value Management (《上市公司監管指引第10號—市值管理》) and other relevant regulations. The system was adopted and implemented upon deliberation and approval at the 21st meeting of the ninth session of the Board of the Company held on 13 March 2025.
- (v) In 2025, in light of the new Company Law and other new regulatory provisions as well as the actual situation of the Company, the Company revised the Articles of Association, the Rules of Procedure for Shareholders' Meeting, the Rules of Procedure for the Board and other systems. At present, the above systems have all taken effect, the Supervisory Committee of the Company has been duly cancelled, and the functions of the Supervisory Committee have been gradually transitioned to the Audit Committee of the Board. In addition, the Company has continuously improved its internal governance system and systematically formulated or revised nearly 20 supporting systems and rules.

1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

(2) Work related to corporate governance of the Company during the Reporting Period are as follows: *(Continued)*

- (vi) The Company mainly carried out the following work in relation to internal control and auditing during the Reporting Period:
 - (A) Promoted the reform of the audit system and established the Audit Center on a coordinated basis. Audit supervision was transformed from “decentralized implementation” to “unified management”, and the authority and execution capacity of audit supervision were continuously enhanced, providing a strong guarantee for strengthening risk prevention and control, standardizing operation and management, and serving high-quality development.
 - (B) Adopted the approach of “early planning, rapid promotion and strong implementation” to ensure that audit projects were carried out as scheduled. Audit efforts were extended vertically to level 5 subsidiaries and horizontally covered key business areas.
 - (C) Comprehensively promoted the systematic development of the institutional system, ensuring that all fields and links of audit work were subject to institutional constraints, clarifying the positioning and responsibilities of internal audit, and standardizing the full-process operation of the Audit Center.
 - (D) Continued to deepen the development of the internal control system and systematically promoted internal control evaluation and the construction of internal control modules. Firstly, the Company conducted internal control self-evaluations for its subsidiaries for the first half and the full year of 2025. Secondly, based on the existing institutional framework and the actual operation of various business segments, the Company launched the development of internal control modules.
 - (E) Further promoted the development of a professional talent team, strengthened the training of audit personnel, built a professional supervision team, and formed a capability development system featuring “internal training + external training + project practice”.
 - (F) Formulated the 15th Five-Year Strategic Plan for Audit Work, providing a solid audit supervision guarantee for the implementation of the Company’s strategy during the 15th Five-Year Plan period.

1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

(3) Establishment and implementation of insider information management

The Company had formulated the Insiders Registration System in 2010 and has revised its Insiders Registration System and relevant clauses by the Board meeting on 28 October 2025.

The Company has established comprehensive insider information handling procedures and internal control measures, including the formulation and strict implementation of information disclosure management systems such as the Information Disclosure Management Regulations and Investor Relations Management Regulations. Rigorous confidentiality protocols for insider information are conscientiously maintained. Throughout the preparation of periodic reports, interim announcements, and strategic deliberations on material events, all Directors, senior management personnel, and relevant stakeholders strictly adhere to confidentiality obligations, resolutely put an end to insider trading.

After self-inspection by the Company, we have not found any violation of the Insiders Registration System as at the end of the Reporting Period.

(4) Establishment and enhancement of the management system regarding the external users of information of the Company

The Company had formulated the Management System Regarding the External Users of Information in 2010 and has revised its Management System Regarding the External Users of Information and relevant clauses by the Board meeting on 31 May 2021, which strictly regulates the relevant behaviors including external disclosure of information by the Company and the use of the information of the Company by the external user, prevents information leakage and ensures the fair disclosure of information.

During the Reporting Period, the Company did not violate any requirement of the system.

Description and explanation of significant differences between the Company's corporate governance and the Laws, the Administrative Laws and Regulations and the Code of Corporate Governance of Listed Companies formulated by CSRC.

☐Applicable ☒Not applicable

2. SPECIFIC MEASURES TAKEN BY CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLERS TO ENSURE THE INDEPENDENCE OF ASSETS, HUMAN RESOURCES, FINANCE, ORGANIZATION AND BUSINESS OF THE COMPANY, AS WELL AS SOLUTIONS, SCHEDULES AND WORK PLANS ADOPTED TO AFFECT THE INDEPENDENCE OF THE COMPANY

✓Applicable ☐Not applicable

GPHL, as the controlling shareholder of the Company, exercises its power and accepts its obligations in accordance with the laws, and has not surpassed the shareholders' meetings to interfere directly or indirectly in the Company's operation. The Company and GPHL have been working separately in areas relating to assets, business, organization, finance and human resources and are independent of each other. The Board and the internal departments of the Company are able to operate independently.

- (1) Separation of business: The Company operates with its own autonomy and integrated business structure and is independent from its controlling shareholder.
- (2) Human resources: The Company maintains independence in the areas of staffing, personnel and payroll management.
- (3) Assets: The Group has an independent production system, a supplementary production system and related facilities. It also has its own independent purchases and sales systems.
- (4) Independence of organization: there was no integration of operation of the Company and its controller shareholder. The Company has established comprehensive organizational structure. The Board and other departments operate independently. Further, the Company has independent decision-making mechanisms and complete production units. No supervisory or reporting relationships existed between the functional departments of the Company and the controlling shareholder.
- (5) Finance: The Company has established an independent finance department, an independent accounting system and an independent financial management policy. The Company has maintained separate bank accounts and paid tax independently.

Situation of same or similar business and operations which controlling shareholders, ultimate controllers and other companies under their control were engaged in, and the impacts to the Company, measures taken, the progress of solutions and follow-up plans of peer competition or material changes in peer competition.

✓Applicable ☐Not applicable

2. SPECIFIC MEASURES TAKEN BY CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLERS TO ENSURE THE INDEPENDENCE OF ASSETS, HUMAN RESOURCES, FINANCE, ORGANIZATION AND BUSINESS OF THE COMPANY, AS WELL AS SOLUTIONS, SCHEDULES AND WORK PLANS ADOPTED TO AFFECT THE INDEPENDENCE OF THE COMPANY *(Continued)*

Peer Competition between Hua Cheng and the Group

Hua Cheng, a wholly-owned subsidiary of GPLH, is principally engaged in the production, manufacture and sale of medicine, and its predecessor is Guangzhou Hua Cheng Pharmaceutical Factory ("Hua Cheng Pharmaceutical Factory"). In September 2012, GPLH took over Hua Cheng Pharmaceutical Factory in full in order to solve its operating difficulties. In January 2016, 100% equity interest of Hua Cheng Pharmaceutical Factory was transferred to GPLH, thus it has become a wholly-owned subsidiary of GPLH, forming a situation of peer competition in the same industry between its business and that of the Group.

The sales cooperation agreement signed between Hua Cheng Pharmaceutical Factory and Guangdong Yili Pharmaceutical Co., Ltd. expired at the end of 2016, and Hua Cheng Pharmaceutical Factory took back the operation rights of 49 drugs, adjusted its business model and arranged operating work.

In order to resolve the issue of peer competition, GPLH initiated the restructuring work of the enterprise and the work of transferring of 100% equity interest in Hua Cheng to the Company in 2017 and completed the preliminary work including auditing and asset evaluation required by the corporate restructuring and equity transfer of Hua Cheng Pharmaceutical Factory in 2018.

As Hua Cheng is a wholly state-owned enterprise and its equity transfer includes land assets, it is necessary to receive the approval according to the relevant provisions on the disposal of land assets of state-owned enterprises. However, the equity transfer have not completed yet in that land appraisal price has not yet been properly resolved and Hua Cheng is also facing the issue of overall relocation due to receiving a letter from the relevant government department regarding the land acquisition for the project, and the equity transfer has failed to achieve substantive progress.

During the Reporting Period, the land reserve and acquisition by government authorities had not yet been implemented. While Hua Cheng continued its production and operation at the original site, relevant parties held discussions on the equity transfer of Hua Cheng.

Impact on the Group: although Hua Cheng is engaged in the production, manufacture and sale of pharmaceutical products, it does not have overlapping or identical products with the Group. Moreover, its operating revenue, net profit and net assets account for a relatively low percentage of the Group and poses insignificant competitive threat for the Group. Therefore, although Hua Cheng forms business competition with the Group, there is no material impact on the Group. In addition, the Company has been strictly following the relevant regulations in determining the value of connected transactions with Hua Cheng, and connected transactions made represent a small proportion. Also, relevant prices are based on market prices, while these transactions are carried out in the normal course of production and business and will not have an adverse impact on the Group's ability to continue operation.

3. DESCRIPTION OF SHAREHOLDERS'S RIGHTS AND SHAREHOLDERS' MEETING

The Company treats all shareholders equally, ensures that they can fully exercise their rights and protects their legal interests; and the shareholders can request and convene shareholders' meeting in strict compliance with the relevant laws and regulations. The Company's corporate governance structure is to ensure that all shareholders, especially the minority shareholders, can enjoy equal benefits and undertake corresponding obligation.

Shareholders of the Company shall enjoy the following rights according to the Articles of Association:

- (i) To request, convene, chair, attend or appoint proxies to attend shareholders' meeting and to exercise the right to speak and voting rights in accordance with laws;
- (ii) To receive dividends and other forms of distribution of interest in proportion to their respective shareholdings;
- (iii) To supervise the management of the business operations of the Company and to make recommendations and interrogations;
- (iv) To transfer, give or pledge shares held by them in accordance with laws, administrative regulations of the State and the Articles of Association;
- (v) To enjoy the rights of access, participation and decision on material matters as stipulated by laws, administrative regulations and the Articles of Association;
- (vi) To obtain relevant information in accordance with the provisions of the Articles of Association;
- (vii) Upon termination or liquidation of the Company, the right to participate in the distribution of the Company's remaining assets in proportion to their shareholdings;
- (viii) Request from shareholders who object to a resolution of a shareholders' meeting on merger or division of the Company for the Company to acquire their shares;
- (ix) Other rights conferred by laws, administrative regulations, relevant regulations of the securities regulatory authorities or the stock exchange where the Company's shares are listed and the Articles of Association.

Shareholders who individually or collectively hold more than 10% of the Company's shares have the right to request the convening of an extraordinary shareholders' meeting from the Board and shall submit it in writing to the Board. The Board shall provide written feedback on whether to agree or disagree to convene an extraordinary shareholders' meeting within 10 days after receiving the request in accordance with laws, administrative regulations, the relevant provisions of the securities regulatory authorities or stock exchanges where the Company is listed and the provisions of the Articles of Association. If the Board agrees to convene an extraordinary shareholders' meeting, it shall issue a notice of convening the shareholders' meeting within 5 days after adopting the board resolution. Any change to the original request in the notice shall be subject to the consent of the relevant shareholders. If the Board does not agree to convene an extraordinary shareholders' meeting, or fails to provide feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company's shares have the right to propose to the Audit Committee to convene an extraordinary shareholders' meeting and shall submit a written request to the Audit Committee, and the meeting topics and proposals shall be completely consistent with those submitted to the Board as mentioned above. If the Audit Committee agrees to convene an extraordinary shareholders' meeting, it shall issue a notice of convening the general meeting within 5 days after receiving the request. Any change to the original request in the notice shall be subject to the consent of the relevant shareholders. If the Audit Committee fails to issue a notice of the shareholders' meeting within the prescribed time limit, it shall be deemed that the Audit Committee does not convene and preside over the shareholders' meeting. Shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over the meeting on their own.

3. DESCRIPTION OF SHAREHOLDERS' RIGHTS AND SHAREHOLDERS' MEETING *(Continued)*

In accordance with the Shareholders Communication Policy of the Company, the shareholders of the Company have the following rights:

- (i) If shareholders have any question regarding their shareholdings, they should direct their questions to the Company's share registrar (H shares) or the designated securities branch (A shares);
- (ii) Shareholders and investors may at any time make a request for the Company's information to the extent that such information is publicly available;
- (iii) The Company shall provide to the shareholders and investors with the designated contact person, e-mail address and enquiry channels of the Company, so as to facilitate them to make reasonable enquires on the Company.

Contact:	Ms. Huang Xuezhen, Ms. Chen Wenxia
E-mail:	sec@gybys.com.cn
Company website:	http://www.gybys.com.cn

Any shareholder of the Company requesting for inspection of the relevant information as stated in the Articles of Association or for obtaining information shall furnish with the Company written document evidencing the class and quantity of shares the shareholder holds in the Company and the Company shall comply with such shareholder's request upon verification of its shareholder capacity.

The shareholders' meetings are convened and held in strict compliance with the Rules for Shareholders' Meetings of Listed Companies issued by the CSRC and Rules and Procedures for shareholders' meetings of the Company. The Company strictly complies with the relevant requirements in respect of voting matters and voting procedures, to protect the legal interests of the Company and its shareholders. Auditor will be present at the meetings as witnesses. The Company encourages all shareholders to attend the shareholders' meetings and welcome shareholders to speak at the shareholders' meetings.

4. INFORMATION OF CURRENT AND OUTGOING DIRECTORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(1) Profile of Directors

Mr. Li Xiaojun, aged 54, holds a bachelor's degree and is a member of delegates to the 12th Guangzhou Municipal Congress of the Communist Party of China and the 14th Guangdong Provincial People's Congress. Mr. Li began his career in July 1995 and has held various positions, including member of the standing committee of the discipline inspection commission, director of the discipline inspection and supervision office and deputy secretary of the discipline inspection commission of Huangpu District of Guangzhou. He also served as the deputy secretary of the party committee and secretary of the discipline inspection commission of the finance bureau of Huangpu District, deputy director of the organization department of the district committee of Huangpu District, deputy secretary and office director of the party working committee of the Wenchong Street in Huangpu District, secretary of the discipline inspection committee of Guangzhou Department Store Enterprise Group Co., Ltd (currently known as Guangzhou Lingnan Business and Travel Investment Group Co., Ltd.) and secretary of the discipline inspection committee of Guangzhou Development Group Co., Ltd. Additionally, he has held senior roles such as deputy secretary of the party committee, vice chairman and general manager and chairman of Guangzhou Public Transport Group Co., Ltd. Mr. Li has been serving as the chairperson of the Company since 21 January 2025. He is currently the secretary of the party committee and chairperson of GPLH, the secretary of the party committee of the Company. Mr. Li has extensive experience in corporate management, discipline inspection and supervision, financial and taxation management, resources integration, reform and innovation.

Mr. Chen Jiehui, aged 51, holds a doctoral degree, a master's degree of laws. Mr. Chen started his career in July 1995 and has successively served as the deputy chief clerk, chief clerk and deputy director of the Office of Guangzhou Taxation Bureau, the deputy director of the Office of Guangzhou Tianhe District Local Taxation Bureau, director of the office of Guangzhou Taxation Bureau and Guangzhou Local Taxation Bureau & State Taxation Administration Guangzhou Municipal Office, the deputy general manager and chief legal counsel of Guangzhou Consumer Goods and Services Group Ltd. (廣州輕工工貿集團有限公司), and has served as the chairperson of Guangzhou Daxin Creative Cultural Development Limited Company (廣州市大新文化創意發展有限公司), etc. Mr. Chen has been a vice chairperson of the Company since 26 September 2025. Currently, He is the deputy secretary of the party committee, vice chairperson, general manager and chairperson of the trade union of GPLH, and the deputy secretary of the party committee and chairperson of the trade union of the Company. Mr. Chen has extensive experience in the fields of strategic management, business management, corporate governance, compliance management, and party affairs.

4. INFORMATION OF CURRENT AND OUTGOING DIRECTORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

(1) Profile of Directors *(Continued)*

Ms. Cheng Ning, aged 60, completed tertiary education and is a senior economist as well as an accountant. Ms. Cheng possesses several professional qualifications, including PRC certified public accountant and PRC certified tax consultant. Ms. Cheng began her career in August 1986 and had been an officer of the finance department of Baiyunshan General Factory, the deputy head of the finance department of Guangzhou Baiyunshan Bao De Pharmaceutical Factory (廣州白雲山寶得藥廠), the head of the finance department of Guangzhou Baiyunshan Veterinary Medicine Factory (廣州白雲山獸藥廠), the head of the settlements division of the operations department, head of the accounts and payments division of the settlements centre, deputy head of the finance department and a member and secretary of the supervisory committee of Baiyunshan, the acting manager and manager of the financial resources department and the head of the finance department of Guangzhou Baiyunshan Enterprise Group Co., Ltd. (廣州白雲山企業集團有限公司), the deputy head and the head of the finance department of GPLH, a director of each of Zhong Yi, Cai Zhi Lin, Qi Xing, Guangxi Yingkang, WLJ Investment, Wang Lao Ji Catering and GP Corp. and the chairperson of the supervisory committee of WLJ Great Health. Ms. Cheng Ning has served as a Director of the Company since 19 September 2012 to March 2026 and as a vice chairperson of the Company since June 2019 to March 2026. Ms. Cheng has extensive experience in finance management, capital operation and internal control of enterprise.

Mr. Cheng Hongjin, aged 56. He holds a postgraduate degree, a master of Business Administration (MBA), and professional qualifications as an engineer and a senior labor relations coordinator. Mr. Cheng began his career in July 1993, and has successively served as deputy leader of the preparatory group, deputy chairman of the labor union, director of the labor union office, general manager of the operations department, and general manager of the strategic planning department of Guangzhou Industrial Investment Holdings Group (廣州工業投資控股集團有限公司); director of the Guangzhou Industrial Control Industry Research and Integration Center (廣州工控產業研究整合中心); director of Guangdong Southern Soda Ash Co., Ltd. (廣東南方城業股份有限公司); full_time external director of Guangzhou Public Transport Group Co., Ltd. (廣州市公共交通集團有限公司), Guangzhou City Construction Investment Group Co., Ltd. (廣州市城市建設投資集團有限公司), and Guangzhou Construction Group Co., Ltd (廣州市建築集團有限公司). Mr. Cheng has been a Director of the Company since 3 June 2025. Currently, Mr. Cheng serves as a member of the party committee and deputy general manager of GPLH. Mr. Cheng has extensive experience in corporate strategic planning, industrial integration and conglomerate governance.

4. INFORMATION OF CURRENT AND OUTGOING DIRECTORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

(1) Profile of Directors *(Continued)*

Mr. Tang Heping, aged 54. He holds a postgraduate degree, a master of Management. He is certified as a senior accountant and a Certified Public Accountant. Mr. Tang commenced his professional career in July 1992, and has successively served as audit manager, director of financial settlement center, and accounting manager of Shenzhen Gas Corporation Ltd. (深圳市燃氣集團股份有限公司); deputy director and subsequently director of the finance department, chief financial officer of Guangzhou Friendship Group Co., Ltd. (廣州友誼集團股份有限公司); chairperson of the supervisory committee of Guangzhou Department Store Enterprise Group Co., Ltd., currently known as Guangzhou Lingnan Business and Travel Investment Group Co., Ltd. (廣州百貨企業集團有限公司，現名為廣州領南商旅投資集團有限公司) and Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司). Mr. Tang has served as a Director of the Company since 3 June 2025. Currently, he is a member of the party committee of the Company, a member of the party committee and the chief accountant of GPHL. Mr. Tang has extensive experience in corporate audit, supervision, financial management and accounting.

Mr. Li Hong, aged 59, holds a bachelor's degree and an EMBA degree. Mr. Li is a senior economist (science and technological entrepreneur) and holds the titles of engineer and senior political work engineer. Mr. Li is a specially appointed committee member of the 11th Chinese People's Political Consultative Conference of Guangdong Province. Mr. Li started his career in July 1990. He had served as a director and the chairperson of the board of Guangzhou Baiyunshan Qiao Guang Pharmaceutical Co., Ltd., a director and the general manager of Tian Xin, a general manager, chairperson and secretary of the party committee of Ming Xing, a director of Baiyunshan, an assistant to the general manager of GPHL, vice chairperson of HWBYS and a director of Baiyunshan Yi Xin Tang. Mr. Li has been the general manager of the Company since 23 Junly 2017 and became a Director and general manager of the Company since 22 June 2018, and is currently a member of the party committee of the Company, a director of Haima Company, a director of Ming Xing, a director of Guangyao Baiyunshan Hong Kong Company, the chairperson of Baxter Qiao Guang, the vice chairperson of Guangyao Group (Macau) Company, the director and general manager of Zhuhai Hengqin Pharmaceutical Industry Park Company (珠海橫琴醫藥產業園公司) and Guangyao International (Zhuhai Hengqin) Tradition Chinese Medicine Industry Co., Ltd (廣藥國際(珠海橫琴)中醫藥產業有限公司), the director of Guangzhou Baiyunshan Pharmaceutical Technology Development Co., Ltd (廣州白雲山醫藥科技發展有限公司) and HWBYS. Mr. Li has extensive experience in enterprise management and marketing.

Mr. Chen Yajin, aged 63, holds a doctorate degree, and is a professor and chief physician. Mr. Chen is the vice-officer of the Biliary Surgery Expert Committee of the Capacity Building and Continuing Education Committee of the National Health Commission of the PRC, officer of the Hepatobiliary and Pancreatic ERAS Expert Committee of the Chinese Branch of the International Hepato-Pancreato-Biliary Association, officer of the Hepatobiliary Surgery Branch of Guangdong Medical Doctor Association, a standing committee member of the Bile Duct Expert Committee of the Surgery Branch of Chinese Medical Doctor Association, the vice-officer of the Digestive Oncology Branch of Chinese Research Hospital Association, a member of the Biliary Surgery Group of the Surgery Branch of Chinese Medical Association, a member and the vice-officer of the China Branch of Asian-Pacific Laparoscopic Hepatectomy Promotion Committee, and a standing committee member of the International Laparoscopic Liver Society (ILLS). Mr. Chen began his career in July 1986, and successively held various positions such as the director of hepatobiliary surgery department and deputy officer of the Southern Hospital District Management Committee of Sun Yat-Sen Memorial Hospital of Sun Yat-Sen University and has been an independent non-executive Director of the Company since 29 June 2020. Mr. Chen is currently the Discipline Leader of Hepatobiliary Surgery at Sun Yat-Sen Memorial Hospital of Sun Yat-Sen University. Mr. Chen has extensive experience in scientific research and development and technical research.

4. INFORMATION OF CURRENT AND OUTGOING DIRECTORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

(1) Profile of Directors *(Continued)*

Mr. Huang Min, aged 62, holds a postgraduate degree and a doctorate degree in pharmacology, and is a professor (Grade II). Mr. Huang is a member of the Pharmacopoeia Commission of the PRC, Honorary Chairperson of the Clinical Pharmacology Professional Committee of the Chinese Pharmacological Society, the vice-officer of the Drug Metabolism Expert Committee, the president of Guangdong Provincial Assessment & Accreditation Federation of Technology. Mr. Huang began his career in June 1983, and successively held various positions such as a professor of the Department of Clinical Pharmacology of Zhongshan Medical University, and dean of School of Pharmaceutical Sciences of Sun Yat-Sen University. Mr. Huang has been an independent non-executive Director of the Company since 29 June 2020 and is currently a professor and the Director of the Institute of Clinical Pharmacology of Sun Yat-sen University and as an independent director of Shenzhen Chipscreen Biosciences Co., Ltd. Mr. Huang has extensive experience in the teaching, scientific research and scientific and technological development in the field of pharmacy.

Mr. Wong Lung Tak Patrick, aged 78, is a Certified Public Accountant (Practising) in Hong Kong, Chartered Governance Professional and Tax Adviser. He is Fellow Member of The Institute of Chartered Accountants in England & Wales; The Association of International Accountants; Hong Kong Institute of Certified Public Accountants. He is also Fellow Member of The Association of Chartered Certified Accountants in UK, the Taxation Institute of Hong Kong; The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in UK. Mr Wong was awarded a Badge of Honour (BH) by the Queen of England in January 1993 and was appointed a Justice of the Peace (JP) in July 1998. He was also awarded a Bronze Bauhinia Star (BBS) by the Government of the HKSAR in July 2010. Mr Wong is currently the Practicing Director of Patrick Wong CPA Limited. He is also an independent non-executive director of Galaxy Entertainment Group Limited; Water Oasis Group Limited; The Cross-Harbour (Holdings) Limited; and Winox Holdings Limited. Mr. Wong has significant experience in the accountancy professional and corporation management.

Ms. Sun Baoqing, aged 55, holds a master degree and is a professor, researcher and doctoral tutor with postgraduate qualifications. Ms. Sun is the deputy director of the National Clinical Medical Research Center for Respiratory Diseases, as a member of the first expert database of national health science popularization ect. Ms. Sun started her career in July 1992 and is currently the director of laboratory department of the National Clinical Medical Research Center for Respiratory Diseases at the First Affiliated Hospital of Guangzhou Medical University, and the vice chairperson of Guangdong Zhongnanshan Medical Foundation. Ms. Sun has extensive experience in clinical testing, scientific research and technology development.

For details of the membership information of the Board committees on which the independent non-executive directors serve, please refer to "16. Committees of the Board" in this section. For details of the terms of the independent non-executive directors of the Company, please refer to "5. Changes in Interests and Emoluments" in this section.

4. INFORMATION OF CURRENT AND OUTGOING DIRECTORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD *(Continued)*

(2) Profiles of senior management

Ms. Zheng Haoshan, aged 50, holds a master of management degree and is a senior economist. Ms. Zheng Haoshan served successively as the deputy director of the business administration department, the deputy director of the marketing department, the deputy director and director of the business administration, technology and quality department of Baiyunshan, the director of Ming Xing, the director and the deputy director of the business administration department of GPL. Ms. Zheng has been a deputy general manager of the Company since July 2019 and currently serves as a director of GP Corp. and the secretary of the party committee and chairperson of Bai Di Biological. Ms. Zheng has rich experience in enterprise management, resource integration and operation analysis.

Mr. Zheng Jianxiong, aged 56, holds a Master of Business Administration degree and is a Professor-level Senior Economist and Pharmacist-in-Charge. Mr. Zheng commenced his career in July 1993 and has served successively as director of the Shanghai Office and deputy director of the Sales Department of Guangzhou Pharmaceutical Company; director of the Out-of-Province Sales Department, director of the Purchasing Department, and Vice President of GP Corp; and deputy general manager of Cai Zhi Lin and chairperson of Guangzhou Cai Zhi Lin Pharmacy Chain. Since August 2020, Mr. Zheng has been a member of the Party Committee and deputy general manager of the Company. He currently serves as a director of Cai Zhi Lin, a director of Baiyunshan Medical Equipment Investment, a director of Guangzhou Zhongcheng Medical Equipment Industry Development Co., Ltd., chairperson of GP Corp (Macau) Company Limited, chairperson of GP International Pharmaceutical Industry Development (Zhuhai Hengqin) Co., Ltd., and chairperson of Guangzhou Shennong Modern Agriculture Co., Ltd. Mr. Zheng has extensive experience in business management and marketing.

Ms. Huang Xuezheng, aged 52, holds a master's degree of arts and financial economist (intermediate) title, is a non-partisan, a member of director representative of the third council of China Association for Public Companies and a member of the 15th session of the People's Congress of Liwan District, Guangzhou City. Ms. Huang started her career in July 1999 and joined the Company in September 2003. She had served as the deputy officer of the Secretariat to the Board of the Company, the head of the secretariat and representative of securities affairs. She has served as the secretary to the Board of the Company since 26 April 2017 and is currently the Company secretary of the Company, the head of the Secretariat to the Board and a director of Golden Eagle Fund.

Ms. Liu Fei, aged 49, holds a bachelor's degree, a master's degree in accounting, and the title of senior accountant. Ms. Liu started her career in November 1997. She had held several key positions, including manager of the Finance Department at WLJ Great Health, head of the Finance Department at Guangzhou Pharmaceutical, deputy head of the Finance Department at the Company, deputy general manager of Guangzhou Pharmaceutical Import & Export Company Limited, deputy general manager of Tian Xin and deputy director of the Finance Department at the Company. Currently, she serves as the Chief Financial Officer of the Company, a board member at Cai Zhi Lin and Tian Xin, and a supervisor at Bai Di Biological, Chuangying Company, Baiyunshan Biological, Baxter Qiao Guang, and Golden Eagle Fund. Ms. Liu boasts extensive experience in financial management and budget management.

5. CHANGES IN INTERESTS IN SHARES AND EMOLUMENTS

(1) Changes in Interests in shares and emoluments of the current and the outgoing Directors and senior management of the Company during the Reporting Period

(i) Changes in interests in shares and emoluments of the current and the outgoing Directors and senior management of the Company during the Reporting Period

Name	Position	Gender	Age	Commencement date of term of office	Ending date of term of office	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	Reasons for change	Emoluments received from the Company during the Reporting Period ^{Note 10} (RMB'0000) (before tax)	Emoluments received from the Company's shareholder during the Reporting Period ^{Note 10} (RMB'0000)
Li Xiaojun	Chairperson	Male	54	2025-01-21	Term of office shall expire on the date the new board members are elected.	0	0	0	N/A	/	97.47
Chen Jiehui	Vice chairperson	Male	51	2025-09-26	Term of office shall expire on the date the new board members are elected.	0	0	0	N/A	/	136.88
Cheng Ning	Vice chairperson (Resigned with effect from 6 March 2026)	Female	60	2019-06-03	2026-03-06	0	0	0	N/A	/	138.32
Cheng Hongjin	Executive Director	Male	56	2025-06-03	Term of office shall expire on the date the new board members are elected.	0	0	0	N/A	/	80.52
Tang Heping	Executive Director	Male	54	2025-06-03	Term of office shall expire on the date the new board members are elected.	0	0	0	N/A	/	136.67
Li Hong	Executive Director, General manager	Male	59	Executive Director: 2018-06-22 General manager: 2017-06-26	Term of office shall expire on the date the new board members are elected.	0	0	0	N/A	131.45	/
Chen Yajin	Independent non-executive Director	Male	63	2020-06-29	Term of office shall expire on the date the new board members are elected.	0	0	0	N/A	12.00	/
Huang Min	Independent non-executive Director	Male	62	2020-06-29	Term of office shall expire on the date the new board members are elected.	0	0	0	N/A	12.00	/
Wong Lung Tak Patrick	Independent non-executive Director	Male	78	2023-05-30	Term of office shall expire on the date the new board members are elected.	0	0	0	N/A	12.00	/
Sun Baoqing	Independent non-executive Director	Female	55	2023-05-30	Term of office shall expire on the date the new board members are elected.	0	0	0	N/A	12.00	/
Zheng Haoshan	Deputy general manager	Female	50	2019-07-12	Term of office shall expire on the date the new board members are elected.	0	0	0	N/A	119.54	/

5. CHANGES IN INTERESTS IN SHARES AND EMOLUMENTS (Continued)

(1) Changes in Interests in shares and emoluments of the current and the outgoing Directors and senior management of the Company during the Reporting Period (Continued)

(i) Changes in Interests in shares and emoluments of the current and the outgoing Directors and senior management of the Company during the Reporting Period (Continued)

Name	Position	Gender	Age	Commencement date of term of office	Ending date of term of office	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	Reasons for change	Emoluments received from the Company during the Reporting Period ^{Note ①} (RMB'0000) (before tax)	Emoluments received from the Company's shareholder during the Reporting Period ^{Note ①} (RMB'0000)
Zheng Jianxiong	Deputy general manager	Male	56	2020-08-28	Term of office shall expire on the date the new board members are elected.	2,300	2,300	0	Note ②	157.43	/
Huang Xuezhen	Secretary to the Board	Female	52	2017-04-26	Term of office shall expire on the date the new board members are elected.	0	0	0	N/A	112.89	/
Liu Fei	Chief Financial Officer	Female	49	2024-03-15	Term of office shall expire on the date the new board members are elected.	0	0	0	N/A	99.23	/
Yang Jun	Vice chairperson (Resigned with effect from 13 June 2025)	Male	57	2020-01-13	2025-06-13	0	0	0	N/A	/	100.83
Liu Juyan	Executive Director (Resigned with effect from 21 January 2025)	Female	61	2014-01-28	2025-01-21	0	0	0	N/A	/	40.45
Wu Changhai	Executive Director (Resigned with effect from 14 February 2025)	Male	60	2010-06-28	2025-02-14	0	0	0	N/A	/	63.41

Notes:

① Save for the independent non-executive Directors of the Company who receive fixed remuneration, the remuneration of other Directors and senior management personnel during the Reporting Period from the Company/shareholders includes basic salary, performance pay, subsidies, various insurance premiums, public accumulation fund, annuity as well as settlement of annual salary for the previous years, etc.

② Mr. Zheng Jianxiong held shares that were traded in the secondary market before he became the deputy general manager of the Company.

5. CHANGES IN INTERESTS IN SHARES AND EMOLUMENTS *(Continued)*

(2) Interests of Directors and chief executives and short positions in shares, underlying shares and debt securities of the Company or any associated corporations

As at 31 December 2025, none of the Directors and chief executives 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 which they are taken or deemed to have 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.

6. POSITIONS HELD BY THE CURRENT DIRECTORS AND SENIOR MANAGEMENT AND THOSE WHO DEPARTED DURING THE REPORTING PERIOD

(1) Position in shareholder's company:

☒ Applicable ☐ Not applicable

Name	Company	Position(s) held in the shareholder's company	Commencement date of term of office	Ending date of term of office
Li Xiaojun	GPHL	Secretary of the party	November 2024	/
Chen Jiehui		Chairperson		
	GPHL	Deputy secretary of the party	October 2023	/
		Vice chairperson	May 2025	
		General manager		
Cheng Ning	GPHL	Chairperson of labour union	December 2024	
		Standing deputy general manager	March 2019	March 2026
Cheng Hongjin	GPHL	Deputy general manager	February 2025	/
Tang Heping	GPHL	Chief accountant	November 2020	/
Yang Jun	GPHL	Deputy secretary of the party		
		Vice chairperson	October 2019	May 2025
		General manager		
Liu Juyan	GPHL	Deputy general manager	January 2011	October 2024
		Chief engineer	August 2005	
Wu Changhai	GPHL	Deputy general manager	August 2021	February 2025
Zheng Jianxiong	Guangyao Group (Macau) Company	Chairperson	June 2025	/
	Guangzhou Pharmaceutical International Pharmaceutical Industry Development (Zhuhai Hengqin) Co., Ltd.	Chairperson	July 2025	/
	Guangzhou Shennong Modern Agriculture Co., Ltd.	Chairperson	June 2025	/

6. POSITIONS HELD BY THE CURRENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE WHO DEPARTED DURING THE REPORTING PERIOD *(Continued)*

(2) Positions in other company

☒ Applicable ☐ Not applicable

The Company's current and departed Directors and senior management personnel during the Reporting Period primarily hold positions within the Group and its joint ventures.

7. INFORMATION ON THE EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

☒ Applicable ☐ Not applicable

The annual emoluments for Directors were proposed by the Board, respectively, and were approved at the Shareholders' Meeting of the Company. In accordance with the rules of Procedure of the Board of Directors of the Company, the Board or its Nomination and Remuneration Committee shall be responsible for the formulation of standards for the evaluation of Directors and carrying out the evaluation of Directors. When evaluating or discussing the remuneration of individual Director, the Board or the Nomination and Remuneration Committee will consider the remuneration paid by similar companies, the hours and responsibilities required and the conditions of employment of other positions within the Group and provide advises to the Board for the remuneration of Directors (including individual executive directors and non-executive directors), including non-pecuniary benefits, pension rights and amounts of compensation (including compensation for loss or termination of office or appointment), and the corresponding Director shall recuse himself. According to the Implementing Rules for the Board Nomination and Remuneration Committee, the Company's Nomination and Remuneration Committee should provide advice to the Board on emoluments' policy and structure of Directors and senior management, transparent procedures of emoluments policy, and offer suggestions to emoluments in response to the adjustment of the Company's policy and objectives, and review and approve management. The annual emoluments of the senior management include but not limited to salary, welfare benefits and settlement of annual salary for the previous year, etc. The actual amounts of the emoluments of the senior management were subject to the appraisal and adjustment in accordance with the Compensation and Performance Appraisal Measures for Senior Management of GYBYS.

The range of remuneration for the year ended 31 December 2025 (including the basic salary, bonus, subsidy, insurance premiums, statutory surplus reserve and annuity as well as settlement of annual salary for the previous year etc.) of the senior management of the Company as at 31 December 2025 is as follows:

Range of the remuneration (RMB'0,000)	Number of people
0-100	1
101-150	3
151-	1

7. INFORMATION ON THE EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

(Continued)

The decision-making procedures, basis, actual payment, etc. for the remuneration of Directors and senior management are shown in the following table:

Decision-making procedures for the remuneration of Directors and senior management	The remuneration of executive Directors shall be determined in accordance with the Company's relevant remuneration system and implemented after approval by the shareholders' meeting. The allowances for independent non-executive Directors shall be implemented after approval by the Board and the shareholders' meeting. The remuneration of the Company's senior management shall be assessed by the Nomination and Remuneration Committee of the Board, and the proposed plan shall be submitted to the Board for approval before implementation.
Whether Directors recuse themselves from the Board when discussing their remuneration	Yes
Description of the advice provided by the Special Meeting of Independent Directors or Nomination and Remuneration Committee on the remuneration of Directors and senior management	On 15 March 2025, the Company held the 1st meeting of the Nomination and Remuneration Committee in 2025, at which it considered and approved the Proposal on the 2025 Remuneration of Directors of the Ninth Session of the Board, and unanimously agreed to submit the proposal to the Board for consideration. On 28 April 2025, the Company held the 2nd meeting of the Nomination and Remuneration Committee in 2025, at which it considered and approved the Proposal on Nominating Mr. Cheng Hongjin as a Candidate for Executive Director of the Ninth Session of the Board and Recommending His 2025 Remuneration and the Proposal on Nominating Mr. Tang Heping as a Candidate for Executive Director of the Ninth Session of the Board and Recommending His 2025 Remuneration, and unanimously agreed to submit the proposals to the Board for consideration. On 14 August 2025, the Company held the 3rd meeting of the Nomination and Remuneration Committee in 2025, at which it considered and approved the Proposal on Nominating Mr. Chen Jiehui as a Candidate for Executive Director of the Ninth Session of the Board and Recommending His 2025 Remuneration, and unanimously agreed to submit the proposal to the Board for consideration. On 21 December 2025, the Company held the 4th meeting of the Nomination and Remuneration Committee in 2025, at which it considered and approved the Proposed Remuneration Settlement Plan for Senior Management of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited for 2025, and unanimously agreed to submit the proposal to the Board for consideration.

7. INFORMATION ON THE EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

(Continued)

The basis for determining the remuneration of Directors and senior managers	The remuneration of executive Directors is determined in accordance with the Company's relevant remuneration system and combined with the results of annual assessments. The remuneration of the Company's independent non-executive Directors is paid in accordance with the plan approved by the shareholders' meeting; the remuneration of senior management is determined in accordance with the Company's Measures for the Remuneration and Performance Assessment of Senior Management, combined with the Company's performance completion and the personal performance of senior management.
The actual payment of remuneration to Directors and senior management	The remuneration of the Company's Directors and senior management has been paid in accordance with relevant regulations.
The total remuneration actually received by all Directors and senior management at the end of the Reporting Period	RMB6.6855 million.
Basis for Assessment and Performance Status of Actual Remuneration Received by all Directors and Senior Management at the End of the Reporting Period	The performance appraisal of executive Directors and senior management personnel has been effectively implemented and completed in accordance with the relevant provisions of the Company's remuneration system; the remuneration of independent non-executive Directors shall be paid in accordance with the plan approved by the shareholder's meeting.
Deferred Payment Arrangements for Actual Remuneration Received by all Directors and Senior Management at the End of the Reporting Period	No deferred payment arrangement applies to the remuneration of the Company's independent non-executive Directors. The annual remuneration of the general manager and other senior management personnel consists of basic annual salary, performance annual salary and term incentive income. Term incentive income refers to the reward linked to the appraisal results of the general manager's term of office. Such term is determined by reference to the tenure of the legal representative of the Company, with each term appraisal period not exceeding three years, and shall be paid in a lump sum after the completion of the term appraisal based on the appraisal results. The term incentive income of the general manager shall be reviewed and determined by the Nomination and Remuneration Committee of the Board with reference to the Company's major financial performance, achievement of business objectives and performance of duties, and shall be submitted to the Board for approval. The term incentive income of other senior management personnel shall be determined according to the results of their term appraisal, and shall not exceed 20% of the general manager's performance annual salary during the corresponding term.
Clawback and Forfeiture Status of Actual Remuneration Received by All Directors and Senior Management at the End of the Reporting Period	None

8. THE APPOINTMENTS OR DEPARTURES OF DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

(1) During the Reporting Period

Name	Positions in the Company	Changes	Reasons for Changes
Li Xiaojun	Chairperson	Election	/
Chen Jiehui	Vice chairperson	Election	/
Cheng Hongjin	Executive director	Election	/
Tang Heping	Executive director	Election	/
Yang Jun	Vice chairperson, executive Director, the chairperson 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
Liu Juyan	Executive Director and a member of the Strategic Development and Investment Committee of the Board	Departed	attained the statutory retirement age
Wu Changhai	Executive Director and a member of the Nomination and Remuneration Committee of the Board	Departed	work adjustment

(2) After the Reporting Period

Name	Positions in the Company	Changes	Reasons for Changes
Cheng Ning	Vice chairperson, executive Director, a member of the Budget Committee of the Board and as an authorised representative of the Company pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited	Departed	attained the statutory retirement age

In accordance with Rule 13.51(B)(1) of the Listing Rules of HKEX, the details of change in information of Directors after the publication of the interim report of the Company for the six months ended 30 June 2025 are as follows:

Name of Director/ senior manager	Detail of change
Cheng Ning	She has not served as vice chairperson, executive Director, a member of the Budget Committee of the Board, an authorised representative of the Company pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, convener of the board of directors of Guangyao Baiyunshan Hong Kong Company, director of Guangyao Group (Macau) Company, chairperson of Zhuhai Hengqin Pharmaceutical Industrial Park Company, chairperson of Guangzhou Pharmaceutical International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd. and chairperson of GP Capital with effect from March 2026.
Tang Heping	He has not served as a chairperson of the supervisory committee of Guangzhou Pearl River Piano Group Co., Ltd. (廣州珠江鋼琴集團股份有限公司) since December 2025

8. THE APPOINTMENTS OR DEPARTURES OF DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD *(Continued)*

(2) After the Reporting Period *(Continued)*

Name of Director/ senior manager	Detail of change
Li Hong	He has not served as a director of Baiyunshan Yi Xin tang since October 2025.
Zheng Haoshan	She has served as secretary of the General Party Branch and chairperson of Bai Di Biological with effect from October 2025; has not served as head of the Corporate Management Department of the Company with effect from April 2025; has not served as director of Ming Xing with effect from November 2025; has not served as director of Zhong Yi, Qi Xing, Baiyunshan Han Fang and Baiyunshan Pharmaceutical Marketing with effect from February 2026.
Zheng Jianxiong	He has served as chairperson of Guangyao Group (Macau) Company Limited with effect from June 2025; has served as chairperson of Guangzhou Pharmaceutical International Pharmaceutical Industry Development (Zhuhai Hengqin) Co., Ltd. and chairperson of Guangzhou Shennong Modern Agriculture Co., Ltd. with effect from July 2025; has not served as Secretary of the Party Committee and chairperson of GP Corp. with effect from June 2025.

9. DISCLOSURE OF PENALTIES IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE PAST THREE YEARS

☐ Applicable ☒ Not applicable

10. SERVICE CONTRACTS OF DIRECTORS

As at the end of the Reporting Period, each Director of the ninth session of the Board has signed a written service contract with the Company. Details of the contracts are as follows:

Name of Director	Term of Service Contract
Li Xiaojun	came into effect from 21 January 2025 until the election of the new members of the Board of Directors
Chen Jiehui	came into effect from 26 September 2025 until the election of the new members of the Board of Directors
Cheng Hongjin Tang Heping	came into effect from 3 June 2025 until the election of the new members of the Board of Directors
Cheng Ning Li Hong Chen Yajin Huang Min Wong Lung Tak, Patrick Sun Baoqing	came into effect from 30 May 2023 until the election of the new members of the Board of Directors

10. SERVICE CONTRACTS OF DIRECTORS *(Continued)*

Mr. Li Xiaojun, Mr. Chen Jiehui, Mr. Cheng Hongjin and Mr. Tang Heping were appointed during the Reporting Period. Each of them has complied with the requirements of Rule 3.09D of the Listing Rules of the HKEX, obtained legal opinions on 20 January 2025, 22 September 2025, 3 June 2025 and 3 June 2025 respectively, and understood their duties as directors of a listed issuer.

The term of each session of Board of the Company is about three years. Each Director can be re-elected upon expiration of their term of office. None of the Directors has signed any unexpired service contracts with the Company and/or its subsidiaries which cannot ended by the employer within one year without payment of compensation (other than statutory compensation).

11. PERMITTED INDEMNITY

At no time during the year and up to the date of this report, there was or is, permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

The Company has arranged appropriate Directors' and senior management's liability insurance coverage during the year for the Directors and senior management, to provide them with sufficient protection in case of any legal proceedings.

12. INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in "Continuing Connected Transaction" "Material Related Party/Connected Transactions on Joint External Investment" and notes to the Financial Reports, During the Year or at the end of the year, the Company, each affiliated company, affiliated companies or holding companies in the group entered into no significant transaction, arrangement or contract in which any business of the Group is involved or any Director of the Company or any entity related to such Director directly or indirectly has any material right and interest.

13. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts 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 and Senior Management Personnel of the Company" (《董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. After making specific inquiries to individuals who served as Directors, the Company confirms that all Directors who served during the Reporting Period complied with the standards for securities trading as stipulated by the aforementioned codes and regulations. The Company is not aware of any incidents where Directors have failed to comply with the Model Code.

14. BOARD

(1) Composition

The Board is the core decision-making body entrusted by shareholders' meeting to be in charge of the operation and management of the Company's assets. The Board is accountable to the shareholders. The management is responsible for the Company's daily operations and daily administration management works. There are no financial, business, families or other material relationships among members of the Board.

14. BOARD (Continued)

(1) Composition (Continued)

The current Board is the 9th session of the Board of the Company since its establishment. As the end of the Reporting Period, the Board consisting of 10 Directors, including Mr. Li Xiaojun (chairperson), Mr. Chen Jiehui (Vice Chairperson), Ms. Cheng Ning (Vice Chairperson), 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 Board shall exercise the following powers:

- (A) convention of shareholders' meetings, and report to the shareholders' meetings;
- (B) implementation of the resolutions of the shareholders' meetings;
- (C) making decisions on the business plan and investment scheme of the Company;
- (D) formulation of the profit distribution plan and loss recovery plan of the Company;
- (E) formulation of the plan of increase or reduction of registered capital and the plan of issue of corporate bonds or other securities of the Company and proposals for listing;
- (F) drafting of the policies of material acquisition of the Company, purchase of the Company's shares, or the merger, separation, dissolution and change of corporate form of the Company;
- (G) making decisions on the establishment of internal management system of the Company;
- (H) making decisions on the employment or dismissal of the senior management personnel of the Company, and making decisions on their remuneration, rewards and punishments;
- (I) formulation of the basic management system of the Company;
- (J) formulation of the proposal on amendment of the Articles of Association;
- (K) making decisions on matters such as external investment, acquisition and sale of assets, mortgaged assets, external guarantee, financial management by commission, connected transaction, external donations, within the scope of authorization by the shareholders' meetings;
- (L) management of disclosure of information of the Company;
- (M) proposal to the shareholders' meeting on employment or replacement of accounting firm responsible for auditing for the Company;
- (N) receiving the work report of the general manager of the Company and checking the work of the general manager;
- (O) pass resolutions regarding the repurchase of the shares of the Company by the Company under the circumstances prescribed in Item (3), Item (5) and Item (6) of Article 31 of the Articles of Association;
- (P) other powers conferred by laws, administrative regulations, the relevant provisions of the securities regulatory authorities or stock exchanges where the Company is listed, the provisions of the Articles of Association and the shareholders' meetings.

14. BOARD (Continued)

(1) Composition (Continued)

The Board shall exercise the above powers by holding meetings of the Board to consider the relevant matters and can implement only after the passing of the Board resolutions.

Directors shall be elected or replaced by the shareholders' meetings, at which a cumulative voting system is adopted for the election of directors. Directors are eligible for re-election upon expiration of their terms of office. All independent non-executive Directors are independent persons, and are not connected with the Company and its substantial shareholders. Their terms of office shall not exceed six years.

The roles of chairperson and general manager of the Company are performed by separate persons with clear division of responsibilities. The Board is presided over by the chairperson, who is in charge of the daily business of the Board and the examination of the implementation of the resolutions passed at Board meetings. The general manager works under the leadership of the Board. The principal responsibilities of the general manager include management of the Company's daily operations and implementation of the resolutions passed at the Board. The chairperson of the Board is Mr. Li Xiaojun and the general manager is Mr. Li Hong as at the date of disclosure of this Report.

Members of the Board have different industry backgrounds, having expertise and extensive experience in areas such as business management, accounting, finance, pharmaceuticals, law and investment planning.

During the Reporting Period, the Directors of the Company complied with code provision C.1.4. and participated in the sustainable professional development actively in order to update their relevant knowledge and skills and ensure they are able to make informed contributions to the Board of the Company. The Company regularly arranges every Director to participate in the professional trainings organized by the CSRC and the stock exchanges on which the Company is listed, and certificates of qualification for training or certificate recognized by the relevant authorities were obtained. The Company secretary of the Company also participates in the relevant professional trainings of not less than 15 hours each year. All Directors had provided the secretary of the Board with records on their trainings during the Reporting Period. The Company encourages all Directors to attend the relevant training courses and bears the relevant expenses. Details of training (including participation of professional trainings organized by institutes, reading related subject's materials, etc.) on Directors (including current and former Directors) and secretary of the Company during the Reporting Period are as follows:

Name	Participating in the professional training	Reading the materials related to the themes
Li Xiaojun	✓	✓
Chen Jiehui	✓	✓
Cheng Ning	✓	✓
Cheng Hongjin	✓	✓
Tang Heping	✓	✓
Li Hong	✓	✓
Chen Yajin	✓	✓
Huang Min	✓	✓
Wong Lung Tak Patrick	✓	✓
Sun Baoqing	✓	✓
Huang Xuezheng	✓	✓
Yang Jun	✓	✓
Liu Juyan	✓	✓
Wu Changhai	✓	✓

14. BOARD (Continued)

(1) Composition (Continued)

All the Directors can obtain from the secretary of the Board and the secretariat to the Board timely relevant information and updates of the statutory and regulatory obligations that Directors of listed companies must comply with and that are related to their continuing obligations in order to ensure that the Directors understand their duties and that the procedures of the Board are implemented and complied with appropriately.

The Directors and the special committees of the Board are both entitled, within the scope of their powers, duties and business needs, to engage the services of independent professional institutions for performing their duties or for the business operation when needed. The Company shall bear the reasonable costs incurred therefrom.

The Board shall perform the following functions of corporate governance responsibilities:

- (A) formulate and review the Company's corporate governance policies and procedures;
- (B) review and monitor the personnel training and continuing professional development of the Directors and senior management;
- (C) review and monitor the Company's compliance with the policies and procedures prescribed by laws and regulations;
- (D) formulate, review and monitor the ethics code of conduct and compliance manual applicable to employees and Directors (if any); and
- (E) review the Company's compliance with the Corporate Governance Code and the disclosure in the corporate governance report.

The management of the Company shall exercise the following functions and powers: preside over the production and operation management of the Company, organize the implementation of the resolutions of the Board, organize the implementation of the Company's annual business plan and investment plan, formulate the plan for the establishment of the Company's internal management organization, formulate the Company's basic management system, formulate the Company's basic rules and regulations, propose to the Board to appoint or dismiss the Company's deputy general manager and financial director, appoint or dismiss the responsible management personnel other than those who shall be appointed or dismissed by the Board, and other functions and powers granted by the Articles of Association and the Board.

14. BOARD (Continued)

(2) Board Meetings

In 2025, there were 14 Board meetings held to discuss the periodic reports, the appointment as the auditor and the internal control auditor of the Company, connected transaction, nomination of candidates for executive director, external investment, etc. The Board meetings had effective discussion and can make decisions which are prudent and conscientious.

The attendance of the Directors at Board meetings and shareholders' meetings during the Reporting Period is set out below:

Directors	Participation of Directors at Board meetings							Attendance of Directors at shareholders' meetings	
	Whether an independent director	Number of meetings that should have attended	Number of meetings participated in person	Number of meetings participated by way of communication	Number of meetings participated by appointing a representative	Number of absence	Failure to participate in two meetings in person consecutively	Number of shareholders' meetings that should have attended	Number of shareholders' meetings attended
Li Xiaojun	No	14	14	11	0	0	No	3	3
Chen Jiehui	No	4	4	4	0	0	No	1	1
Cheng Ning	No	14	14	11	0	0	No	4	4
Cheng Hongjin	No	8	8	7	0	0	No	2	1
Tang Heping	No	8	8	7	0	0	No	2	2
Li Hong	No	14	14	11	0	0	No	4	3
Chen Yajin	Yes	14	14	12	0	0	No	4	4
Huang Min	Yes	14	14	11	0	0	No	4	4
Wong Lung Tak Patrick	Yes	14	14	13	0	0	No	4	3
Sun Baoqing	Yes	14	14	12	0	0	No	4	4
Yang Jun	No	6	6	4	0	0	No	2	2
Liu Juyan	No	1	1	0	0	0	No	1	0
Wu Changhai	No	2	2	1	0	0	No	1	1

Note: Participation by way of communication is deemed participation in person.

14. BOARD (Continued)

(2) Board Meetings (Continued)

Explanation for two successive instances of absence from Board meeting in person

☐Applicable ☒Not applicable

Number of Board meetings held during the Year	14
Including: Number of on-site meetings	1
Number of meetings by way of communication	11
Number of on-site meetings combined with participation by communication	2

Explanation for the Directors raise objections to matters relating to the Company

☐Applicable ☒Not applicable

(3) Independent non-executive Directors

Currently, the Company has 4 independent non-executive Directors, representing more than 1/3 of the total members of the Board. All the independent non-executive Directors of the Company are familiar with the rights and obligations of the directors and independent non-executive directors of listed companies. During the Reporting Period, the independent non-executive Directors strictly complied with the provisions in the Articles of Association, "Rules of Procedures of the Board", "Independent Directors System" and "The Annual Reporting System of Independent Directors", faithfully and diligently discharged the duties as independent non-executive Directors, carefully, seriously and appropriately exercised the rights of independent non-executive Directors, proactively and seriously attended Board meetings and general meetings of shareholders and offered their experience and strengths to the full extent. They had done a lot of work on improving the Company's corporate governance and material decision-making, and had expressed impartial and objective opinions on relevant matters, thus effectively safeguarding the interests of the shareholders as a whole. All of the 4 independent non-executive Directors of the Company were members of the special committees formed under the Board.

During the Reporting Period, the Board of the Company carefully reviewed the implementation and validity of the Articles of Association, "Rules of Procedures of the Board", "Independent Directors System", "The Annual Reporting System of Independent Directors" and "Rules for the special meeting of Independent Directors" to ensure the independent views and opinions are available to the Board. The independent non-executive Directors of the Company expressed their independent views on the relevant transactions made during the Reporting Period and discharged their duties as independent non-executive Directors seriously.

During the Reporting Period, the independent non-executive Directors of the Company expressed no dissenting views on the Board resolutions or other matters not subject to the consideration of the Board.

The Board confirmed the receipt from each of the independent non-executive Directors a confirmation letter in regards to his or her independence pursuant to Rule 3.13 of the Listing Rules of HKEX. The Board considered that the existing independent non-executive Directors has not held any position other than independent Director in the Company, nor has held any position in the Company's major shareholder units, and has no interest in the Company and major shareholders or other relationships that may hinder his or her independent and objective judgment. All independent non-executive Directors complied with the relevant guidance set out in Rule 3.13 of the Listing Rules of HKEX and still considered the existing independent non-executive Directors to be independent.

14. BOARD *(Continued)*

(3) Independent non-executive Directors *(Continued)*

Pursuant to the “Notice on Proper Preparation of the 2025 Annual Report by Listed Companies on the Main Board” issued by SSE on 20 January 2026, the independent non-executive Directors studied the relevant requirements set out in the Notice seriously. The management team of the Company reported to the independent non-executive Directors on production and operation issues and the progress of major events, and submitted an action plan in relation to the preparation of the 2025 annual report and auditing work and relevant information. After completion of the preliminary auditing work by the Company’s accountants, the independent non-executive Directors also communicated with the auditors on issues related to the auditing process.

(4) Loan or guarantee granted to Directors

During the Reporting Period, the Group had not provided any loan or any guarantee for any loan, directly or indirectly, to the Directors and senior management of the Company, the Company’s controlling shareholders or their respective connected persons.

(5) Directors’ responsibility in preparing the financial statements

The Directors acknowledge that it is their responsibilities to prepare the financial statements which give a true and fair view of the state of the Group and the cash flows of the Group for the Year, and the financial statements had been prepared in accordance with the statutory requirements and other regulatory requirements. As at 31 December 2025, the Board was not aware of any material misstatement or uncertainties that might cast doubt on the Group’s financial position or ability to continue as a going concern. The Board endeavors to ensure a balanced, clear and understandable assessment of the Group’s performance, position and prospects in financial reports. The statement of the auditors regarding their reporting responsibility for the financial statements is set out in the Financial Reports of this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern.

15. SPECIAL COMMITTEE OF INDEPENDENT DIRECTORS

To further improve the Company's corporate governance structure, promote the standardized operation of the Company, and protect the legitimate rights and interests of the Company and minority shareholders, in accordance with the *Company Law*, the *Securities Law*, the *Corporate Governance Guidelines for Listed Companies*, the *Measures for the Administration of Independent Directors of Listed Companies* issued by the CSRC, the *Listing Rules of the SSE* and other relevant laws, regulations and normative documents, as well as the *Articles of Association and the Independent Directors System* of the Company, the Company has established a special meeting mechanism for independent directors. The duties of the special meetings of independent directors are as follows:

1. Deliberate on disclosable connected transactions;
2. Proposals for modifying or waiving commitments by the Company and related parties;
3. Decisions made and measures adopted by the Board in response to a takeover of the Company;
4. Other matters stipulated by laws, administrative regulations, provisions of the CSRC, business rules of the stock exchange where the Company is listed, and the Articles of Association.

During the Reporting Period, the Company held three special meetings of independent directors, and all independent non-executive directors attended the meetings, with details set forth below:

Meeting Session	Date of Convening	Matters Deliberated
First Meeting of 2025	27-May-25	Proposal on the Company's Capital Increase in Guangzhou Baiyunshan Biological Products Co., Ltd. and Connected Transaction
Second Meeting of 2025	24-Jul-25	Proposal on Participation in the Establishment of an Equity Investment Fund and Connected Transaction
Third Meeting of 2025	21-Dec-25	1. Proposal on the Estimated Amount of Daily Connected Transactions of the Company for 2026 2. Proposal on the Estimated Daily Connected Transactions with Guangzhou Pharmaceutical Group Co., Ltd. for 2026 and Execution of the Daily Connected Transaction Agreement 3. Proposal on the Subscription of Limited Partnership Shares of Guangzhou Liwan Guangyao Venture Capital Fund Partnership (Limited Partnership) by Guangzhou Guangyao Phase II Fund Equity Investment Partnership (Limited Partnership) and Connected Transaction 4. Proposal on the Subscription of Limited Partnership Shares of Guangzhou Guangyao Guangkai Venture Capital Fund Partnership (Limited Partnership) by Guangzhou Guangyao Phase II Fund Equity Investment Partnership (Limited Partnership) and Connected Transaction

16. COMMITTEES OF THE BOARD

(1) Audit Committee

1) Overview

The Company established an Audit Committee in August 1999. Its primary responsibilities include reviewing and overseeing the quality and procedures of the Group's financial reporting; examining and monitoring the financial controls, internal controls, internal audit, and risk management systems and their implementation; assessing the soundness and effectiveness of the Company's internal control systems; deliberating on the appointment of independent auditors and coordinating related matters, as well as evaluating the efficiency and quality of their work. Effective 26 September 2025, the Company renamed the Audit Committee of the Company from “審核委員會” to “審計委員會” in Chinese, while retaining the English name.

The Audit Committee of the ninth session of the Board was established on 30 May 2023 and as at the end of the Reporting Period comprises Mr. Wong Lung Tak Patrick (chairperson of the Audit Committee), Mr. Chen Yajin, Mr. Huang Min and Ms. Sun Baoqing. All of them are independent nonexecutive Directors and are qualified under the relevant requirements, whose term of office commenced on 30 May 2023 and will last until the date when a new session of the Board is elected.

16. COMMITTEES OF THE BOARD *(Continued)*

(1) Audit Committee *(Continued)*

2) Meeting Proceedings

In 2025, the Audit Committee actively performed its duties in accordance with the Corporate Governance Guidelines for the Listed Companies, the Articles of Association, Detailed Rules for the Audit Committee of the Board, the CG Code and other relevant regulations. During the Reporting Period, the Audit Committee held four meetings and each of the members of the committee attended all the meetings, the details are as follows:

Session of the Meeting	Date of Convening	Items for Deliberation
The First Meeting of 2025	13 March 2025	The Company's 2024 Annual Report and its Summary; The Company's 2024 Annual Financial Report; Proposal on Supplementing Important Accounting Policies in the 2024 Annual Financial Report; The Accounting Firm's Review Opinion on the 2024 Annual Report and Connected Transactions; 2024 Internal Control Evaluation Report of the Company
The Second Meeting of 2025	28 April 2025	The 2025 First Quarterly Report of the Company; Proposal on the Reappointment of WUYIGE Certified Public Accountants LLP as the Company's Financial Audit Firm for 2025; Proposal on the Reappointment of WUYIGE Certified Public Accountants LLP as the Company's Internal Control Audit Firm for 2025
The Third Meeting of 2025	14 August 2025	The Company's 2025 Interim Report and its Summary; The Company's 2025 Interim Financial Report; The Accounting Firm's Review Opinion on the 2025 Interim Report and Connected Transactions
The Fourth Meeting of 2025	27 October 2025	The 2025 Third Quarterly Report of the Company

16. COMMITTEES OF THE BOARD *(Continued)*

(1) Audit Committee *(Continued)*

3) Major tasks accomplished by the Audit Committee in 2025:

(1) *Supervision and evaluation of the work of external auditors*

1) During the Reporting Period, due to the Company's operational development and audit requirements, the Audit Committee, in accordance with the Notice on Implementing the Measures for the Selection of Accounting Firms by State-Owned Listed Companies and the Company's internal control requirements and procedures, conducted the selection process for the 2025 annual financial audit firm and the 2025 internal control audit firm. The details are as follows:

- ① In March 2025, the Audit Committee proposed to the Company to initiate the process of selecting an accounting firm.
- ② In April 2025, after reviewing the relevant documents related to the selection of an accounting firm, the Audit Committee approved the evaluation criteria and specific scoring standards for the selection of the annual auditor and supervised the entire selection process. Upon completion of the selection, the Audit Committee reviewed the selection report and raised no inquiries or additional suggestions.
- ③ At the Second Audit Committee Meeting in 2025, the Proposal on the Reappointment of WUYIGE Certified Public Accountants LLP as the Company's 2025 Annual Financial Audit Firm and the Proposal on the Reappointment of WUYIGE Certified Public Accountants LLP as the Company's 2025 Internal Control Audit Firm were reviewed. The committee was of the view that WUYIGE Certified Public Accountants LLP ("Da Xin") is an audit firm compliant with the Securities Law, possessing the professional qualifications and competence to provide audit services to listed companies. The audit team members did not violate the independence requirements of the Code of Ethics for Chinese Certified Public Accountants. Da Xin demonstrated sufficient independence, integrity, and investor protection capabilities, meeting the requirements for the Company's 2025 annual financial audit and internal control audit. The Audit Committee agreed to reappoint Da Xin as the Company's 2025 annual financial audit firm and internal control audit firm and submitted the proposal to the Board for deliberation.

16. COMMITTEES OF THE BOARD *(Continued)*

(1) Audit Committee *(Continued)*

3) Major tasks accomplished by the Audit Committee in 2025: *(Continued)*

(1) *Supervision and evaluation of the work of external auditors (Continued)*

- 2) The Audit Committee communicated with Da Xin, the 2024 financial audit firm, regarding the audit scope, plan, and other matters, requiring the external auditor to promptly report to the Audit Committee and independent directors to ensure that the external auditor adhered to the principle of independence and diligently performed its audit responsibilities. The Audit Committee believes that Da Xin, in conducting the Company's 2024 annual audit, maintained a rigorous, truthful, independent, and objective working attitude, adhered to professional ethics, followed auditing standards, fulfilled its audit responsibilities, and submitted the audit report on time.

(2) *Review of the Company's financial information and disclosures*

During the Reporting Period, the Audit Committee reviewed the Company's 2024 Annual Financial Report, 2025 Interim Financial Report, and the financial statements for the first and third quarters of 2025. The members of the Audit Committee diligently fulfilled their supervisory responsibilities, paying close attention to and thoroughly understanding the basis and standards for impairment provisions, among other matters, and issued relevant review opinions. They unanimously agreed that the Company's financial reports truthfully, accurately, and completely reflected the Company's financial status and operational management. There was no evidence of fraud, misconduct, or significant misstatements, nor were there any significant accounting error adjustments, matters involving critical accounting judgments, or issues that would lead to a non-standard unqualified audit opinion. The content and procedures of the disclosures were compliant with applicable laws and regulations.

(3) *Supervision and evaluation of internal audit work*

During the Reporting Period, the Audit Committee carefully reviewed the Company's internal audit work plan and endorsed its feasibility. It also urged the Company's internal audit department to strictly adhere to the audit plan and provided guidance on issues identified during the internal audit process.

(4) *Supervision and evaluation of the effectiveness of internal controls*

Upon review, the Audit Committee is of the opinion that the Company has established a sound corporate governance structure and system in accordance with the Company Law, the Basic Standards for Enterprise Internal Control, relevant supporting guidelines, and the requirements of the CSRC and the Shanghai Stock Exchange. During the Reporting Period, the Company was able to implement various laws and regulations, the Articles of Association, and related internal management systems. The General Meeting of Shareholders, the Board, and management operated in a standardized manner, effectively safeguarding the legitimate rights and interests of the Company and its shareholders. The Audit Committee thoroughly reviewed the Company's Internal Control Evaluation Report and the Internal Control Audit Report issued by Da Xin, examining and reviewing the Company's financial controls, internal controls, internal audit, and risk management systems, as well as the effectiveness of implementation.

16. COMMITTEES OF THE BOARD *(Continued)*

(1) Audit Committee *(Continued)*

3) Major tasks accomplished by the Audit Committee in 2025: *(Continued)*

(5) *Supervision of major matters*

- 1) The Audit Committee supervised the audit department in organizing inspections of the Company's relevant matters, covering the implementation of major events such as the use of proceeds, provision of guarantees, connected transactions, provision of financial assistance, and external investments. The inspections also included the Company's large fund transactions and fund transactions with Directors, senior management, controlling shareholders, actual controllers, and their connected parties.
- 2) The Audit Committee supervised the use and management of the Company's proceeds. In 2025, the Company strictly complied with relevant laws, regulations, and the Company's Proceeds Management System in the deposit, use and management of proceeds, with no violations identified.
- 3) Review of the Company's connected transactions: during the Reporting Period, the Audit Committee reviewed the Company's connected transactions for 2024 and the first half of 2025. It examined the necessity, reasonableness, and fairness of these transactions, continuously monitored the compliance of the deliberation and disclosure processes, and conducted a detailed review of each connected transaction. No instances were found where connected transactions harmed the interests of the Company or its shareholders.
- 4) Supervision of the Company's external guarantees: during the Reporting Period, the Company did not engage in any form of external guarantees, nor were there any external guarantee matters from previous periods that continued into the Reporting Period.

16. COMMITTEES OF THE BOARD *(Continued)*

(1) Audit Committee *(Continued)*

4) Work related to the 2025 annual audit and annual report preparation

In accordance with the Detailed Rules for the Audit Committee of the Board and the annual report work procedures of the Audit Committee, the members of the Audit Committee actively supported the Company's 2025 annual audit and annual report preparation efforts, including:

- (A) On 5 January 2026, members of the Audit Committee communicated with the Company's auditors, Directors, management, and relevant functional departments through a combination of online and offline methods. They discussed the audit scope for the 2025 annual audit, the independence of the accounting firm and related auditors, key timelines, focal points of the annual report audit, and personnel arrangements, among other matters. The Audit Committee members listened to the auditors' presentation on the 2025 annual report audit and raised no objections.
- (B) On 13 March 2026, upon completion of the annual audit work and prior to the submission of the audit report to the Board, the Audit Committee reviewed the financial statements. In accordance with relevant regulations, it also reviewed the report submitted by the auditors regarding the 2025 annual audit and connected transactions, and issued a written review opinion.
- (C) On 20 March 2026, the Company's Audit Committee held its first meeting of 2026, during which it reviewed and approved the full text and summary of the Company's 2025 Annual Report and the 2025 Internal Control Evaluation Report, among other proposals. The Audit Committee agreed to submit these documents to the Board for deliberation. Additionally, the Audit Committee summarized and evaluated the auditors' annual audit work, acknowledging that the auditors adhered to a rigorous, truthful, independent, and objective working attitude during the Company's 2025 annual audit. The auditors upheld professional ethics, followed auditing standards, fulfilled their audit responsibilities, submitted the audit report on time, and provided constructive management recommendations to the Company's management, successfully completing the audit work entrusted by the Company.

(2) Strategic Development and Investment Committee

The Company established an Investment Management Committee in February 2001, which was later renamed as the Strategic Development and Investment Committee upon the approval by the 4th meeting of the fourth session of the Board. Its primary responsibilities are: to study and make recommendations on the Company's long-term development strategy; to deliberate on the Company's medium to long-term strategic plans and objectives, to monitor the implementation of the strategy, and to propose strategic adjustment plans as appropriate; and to handle other matters authorized by the Rules of Procedures of the Board.

16. COMMITTEES OF THE BOARD *(Continued)*

(2) Strategic Development and Investment Committee *(Continued)*

The Strategic Development and Investment Committee under the ninth session of the Board was established on 30 May 2023. As of the end of the Reporting Period, the members of the Committee include Mr. Li Xiaojun (Chairman of the Committee), Mr. Chen Jiehui, Mr. Li Hong, Mr. Chen Yajin and Ms. Sun Baoqing, whose terms of office are as follows:

Name of Committee Member	Commencement Date of Term	Expiry Date of Term
Li Xiaojun	From 23 June 2025	Until the date on which members of the new session of the Board are elected
Chen Jiehui	From 26 September 2025	Until the date on which members of the new session of the Board are elected
Li Hong	From 30 May 2023	Until the date on which members of the new session of the Board are elected
Chen Yajin	From 30 May 2023	Until the date on which members of the new session of the Board are elected
Sun Baoqing	From 30 May 2023	Until the date on which members of the new session of the Board are elected

During the Reporting Period, the Strategic Development and Investment Committee held a total of twelve meetings to review and deliberate on matters including investment and mergers and acquisitions, capital increase to subsidiary enterprises, establishment of new companies, and property acquisition and storage. All members of the Committee attended each meeting.

(3) Nomination and Remuneration Committee

In February 2002, the Company established the Remuneration Committee, which was renamed as Nomination and Remuneration Committee as approved at the 4th Board meeting of the 4th session of the Board. Its principal responsibilities are to review and make recommendations on the election standards and procedures for directors, general managers and other senior management; to identify suitably qualified candidates of directors and senior management, examine them and make recommendations; to make recommendations to the Board on the policy and structure for all remuneration of directors and senior management; to guide the Company to construct a reasonable remuneration standard and structure, and monitor the implementation of the remuneration system of the Company; and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules of HKEX, etc.

The Nomination and Remuneration Committee of the 9th session of the Board was established on 30 May 2023. As of the end of the Reporting Period, the Committee comprises Mr. Huang Min (chairperson of the Committee), Mr. Chen Jiehui, Mr. Cheng Hongjin, Mr. Chen Yajin and Ms. Sun Baoqing. The terms of office of the members are as follows:

Name of Committee Member	Commencement Date of Term	Expiry Date of Term
Chen Jiehui	From 26 September 2025	Until the date on which members of the new session of the Board are elected
Cheng Hongjin	From 23 June 2025	Until the date on which members of the new session of the Board are elected
Huang Min	From 30 May 2023	Until the date on which members of the new session of the Board are elected
Chen Yajin	From 30 May 2023	Until the date on which members of the new session of the Board are elected
Sun Baoqing	From 30 May 2023	Until the date on which members of the new session of the Board are elected

16. COMMITTEES OF THE BOARD *(Continued)*

(3) Nomination and Remuneration Committee *(Continued)*

During the Reporting Period, the Nomination and Remuneration Committee held four meetings and all the members attended each meeting. The details are as follows:

Meeting Session	Date of Convening	Matters Deliberated
1st Meeting of 2025	13 March 2025	- Proposal on the remuneration of directors, supervisors and senior management of the Company for the year 2024 - Proposal on the remuneration of directors of the ninth session of the Board of the Company for the year 2025
2nd Meeting of 2025	28 April 2025	- Proposal on nominating Mr. Cheng Hongjin as a candidate for executive director of the 9th session of the Board of the Company and recommending his remuneration for the year 2025 - Proposal on nominating Mr. Tang Heping as a candidate for executive director of the 9th session of the Board of the Company and recommending his remuneration for the year 2025
3rd Meeting of 2025	14 August 2025	Proposal on nominating Mr. Chen Jiehui as a candidate for executive director of the 9th session of the Board of the Company and recommending his remuneration for the year 2025
4th Meeting of 2025	21 December 2025	Proposal on the recommended implementation plan for the remuneration of senior management of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited for the year 2025

16. COMMITTEES OF THE BOARD (Continued)

(3) Nomination and Remuneration Committee (Continued)

The Board has adopted a director nomination policy to set out the criteria and procedures for the nomination and appointment of directors and appointed Nomination and Remuneration Committee to propose the remuneration for executive directors and senior management to the Board. The Company has formulated the Board Diversity Policy ("Policy"), which was approved at the Board meeting held on 26 September 2013 and revised on 28 October 2025. The Board reviews the implementation and effectiveness of the Policy annually. Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Board has set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. To ensure the effective implementation of the Policy, the Nomination and Remuneration Committee will monitor and review the Policy on a continuing basis. In addition, in accordance with the Rules for the Implementation of the Nomination and Compensation Committee of the Board of Directors of the Company, Nomination and Remuneration Committee of the Company discusses the selection standard, procedures and methods of Directors, general manager and other senior management, and provides advice to the Board, with the consideration about the experience, knowledge, independence, gender diversity or other contribution and whether the candidates could perform the duties with enough time or not (especially director and general manager). The Company is of the view that the Company continues to promote the diversity of the Board and ensure the scientific and effective decision-making of the Board. As of the end of the Reporting Period, the Company currently has 10 Directors, including 4 independent Directors and 2 female Directors, 3 of whom have professional backgrounds in finance and accounting, and 4 of whom have professional backgrounds in pharmaceuticals. The Board of the Company is currently gender diverse. And the current composition of the Board is diversified and balanced, and suitable for the business development of the Company.

	Structure and Size		Committees				Qualifications			Skills and Expertise				Number of Directorships in Listed Companies (including the Company)
	Age	Gender	Audit Committee	Nomination and Remuneration Committee	Strategic Development and Investment Committee	Budget Committee	Professional Qualifications	Highest Education	Business Management	Strategic Planning	Financial Reporting	Pharmaceutical Industry	Compliance and Internal Controls	
Executive Directors														
Li Xiaojun	54	Male			▲			Bachelor's Degree	▲	▲			▲	1
Chen Jiehui	51	Male		▲	▲			Ph.D.	▲	▲			▲	1
Cheng Ning	60	Female				▲	P1	Associate Degree	▲	▲	▲		▲	1
Cheng Hongjin	56	Male		▲			P2	Master's Degree	▲	▲				1
Tang Heping	54	Male				▲	P3	Master's Degree	▲	▲	▲		▲	1
Li Hong	59	Male					P4	Bachelor's	▲	▲		▲		1
Independent Non-Executive Directors														
Chen Yajin	63	Male	▲	▲	▲	▲		Ph.D.	▲			▲		1
Huang Min	62	Male	▲	▲		▲		Ph.D.	▲			▲		2
Wong Lung Tak Patrick	78	Male	▲			▲	P5	Ph.D.	▲		▲			6 (1 A-share company)
Sun Baoqing	55	Female	▲	▲	▲			Ph.D.	▲			▲		

P1: Senior Economist, Senior Accountant, PRC Certified Public Accountant, PRC Certified Tax Consultant

P2: Engineer, Senior Labor Relations Coordinator

P3: Senior Accountant, PRC Certified Public Accountant

P4: Senior Economist, Engineer, Senior Political Work Engineer

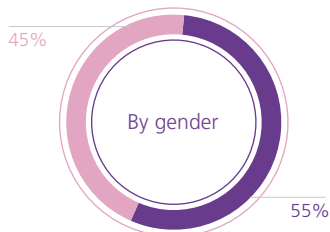
P5: Certified Public Accountant (Practising) in Hong Kong, Chartered Governance Professional and Tax Adviser

16. COMMITTEES OF THE BOARD *(Continued)*

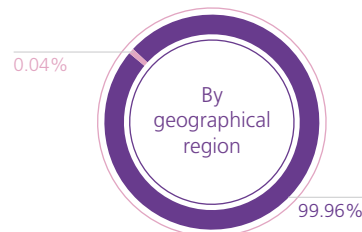
(3) Nomination and Remuneration Committee *(Continued)*

The Nomination and Remuneration Committee has adopted a nomination process for the selection of candidates for Directors of the Company. When performing its role in identifying suitably qualified individuals, it will refer to the Company's Board Diversity Policy and take into account the skills, experience, professional knowledge and personal integrity of such individuals, as well as the needs of the Company and other relevant statutory requirements and provisions.

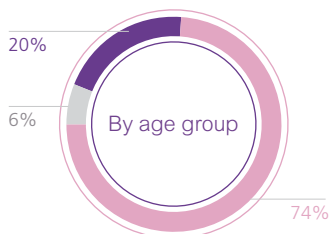
To create a working environment respecting diversified backgrounds, build a diversified and inclusive working culture and promote the personal development of employees, the Company has formulated the Employee Diversity Policy. The Company strictly abides by the Labor Law, Labor Contract Law and other laws and regulations, recruits employees according to job requirements, does not treat employees differently based on differences in religion, nationality, marriage, and gender, and realizes the diversity of all employees from various aspects such as gender, age, cultural and educational background, professional experience, and skills. In the recruitment, the Group provides equal employment opportunities to candidates mainly based on their merits, skills and work experience. And provides equal career development and promotion opportunities for female employees. As of the end of the Reporting Period, the Group had 12,047 female employees, accounting for 44.52%, among which nearly 80 are female senior management. Among the Directors and senior management, there are 5 female members, accounting for 35.7% of the total.



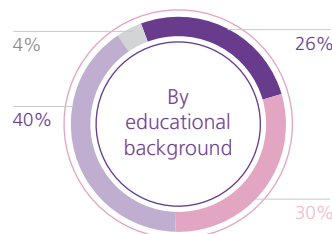
Male 15,010
Female 12,047



Chinese Mainland 27,045
Hong Kong, Macau, and Taiwan, and foreign countries 12



Under 30 5,403
Aged 30-50 19,928
Over 50 1,726



Technical secondary school or lower 7,053
Junior college 7,995
Bachelor's degree 10,998
Master's degree or higher 1,011

16. COMMITTEES OF THE BOARD *(Continued)*

(4) Budget Committee

In October 2007, the Company established the Budget Committee as approved at the 4th meeting of the 4th session of the Board. Its principal responsibilities are to provide guidance on the formulation of the annual budgeting plans and business objectives of the Company and to supervise and inspect their implementations.

The Budget Committee of the 9th session of the Board was established on 30 May 2023. As of the end of the Reporting Period, it comprises Mr. Chen Yajin (chairperson of the Committee), Mr. Huang Min, Mr. Wong Lung Tak Patrick, Ms. Cheng Ning and Mr. Tang Heping. The terms of office of the members are as follows:

Name of Committee Member	Commencement Date of Term	Expiry Date of Term
Cheng Ning	From 30 May 2023	Until the date on which members of the new session of the Board are elected
Chen Yajin	From 30 May 2023	Until the date on which members of the new session of the Board are elected
Huang Min	From 30 May 2023	Until the date on which members of the new session of the Board are elected
Wong Lung Tak Patrick	From 30 May 2023	Until the date on which members of the new session of the Board are elected
Tang Heping	From 23 June 2025	Until the date on which members of the new session of the Board are elected

During the Reporting Period, the Budget Committee held one meeting to review and approve the 2025 annual operational targets and annual budget plan of the Company, as well as the 2025 annual budget work plan. All committee members had attended the meeting.

(5) The special committees of the Board did not raise any important opinions or suggestions during the Reporting Period when discharging their duties.

17. DESCRIPTION OF ANY RISKS IN THE COMPANY DISCOVERED BY THE AUDIT COMMITTEE OF THE COMPANY

☐Applicable ☒Not applicable

18. EMPLOYEES OF THE PARENT COMPANY AND THE MAJOR SUBSIDIARIES

(1) Situation of the employees

Number of the employees of the parent company	2,027
Number of the employees of the major subsidiaries	25,030
Total number of employees	27,057
Number of retired employees whose expenses should be undertaken by the parent company and major subsidiaries	9,170
Gross payroll of the Group	RMB3.781 billion

Composition

Category constitution	Number of constitute staff
Production staff	5,450
Sales personnel	10,463
Technical staff	3,760
Finance staff	810
Administrative staff	6,574
Total	27,057

Educational Level

	Number
Postgraduate	1,011
Undergraduate	10,998
University college	7,995
Secondary and below	7,053
Total	27,057

18. EMPLOYEES OF THE PARENT COMPANY AND THE MAJOR SUBSIDIARIES *(Continued)*

(2) Remuneration policy

☒ Applicable ☐ Not applicable

The remuneration of the employees of the Group includes salaries, bonuses, subsidies, six social insurances and enterprise annuities, supplementary medical insurance and other welfare scheme. The Group, in accordance with the relevant laws and regulations, paid different rates of remuneration to different employees, depending on their performance, qualification, position and other factors. Meanwhile, the Group provides professional and management channels for the career development of employees, as a breakthrough to the predicament in 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 employees with care such as staff shuttles, apartments for talents, and various interest groups. The group adheres to equal employment, attaches importance to the integration of diverse cultures, respects all enterprises with different background, fairly treats employees of different nationalities, races, religious beliefs, genders and ages, and resolutely opposes any form of discrimination.

(3) Training plan

☒ Applicable ☐ Not applicable

The Group attaches great importance to the career development and growth needs of employees, which serve as the core driving force for the high-quality development of the enterprise. To effectively meet the needs of employees for capability improvement at different career stages, the Group takes the enterprise Communist Party school as the core carrier and has established a sound and efficient training management system. Standardized procedures and clear standards have been formulated for curriculum system design, selection of internal and external lecturers, training process control, and closed-loop evaluation of training effectiveness. In terms of the talent development model, based on the differentiated training needs of employees at all levels and in all positions, the Group combines internal training and external study to build a diversified development system, provides customized training programs and stepped growth support for employees. Relying on a comprehensive and systematic talent development system, the Group continuously promotes the common growth of employees at all levels and the enterprise, and effectively achieves the win-win goal of enhancing employees' value and achieving the development and growth of the enterprise.

(4) Labour Outsourcing

☐ Applicable ☒ Not applicable

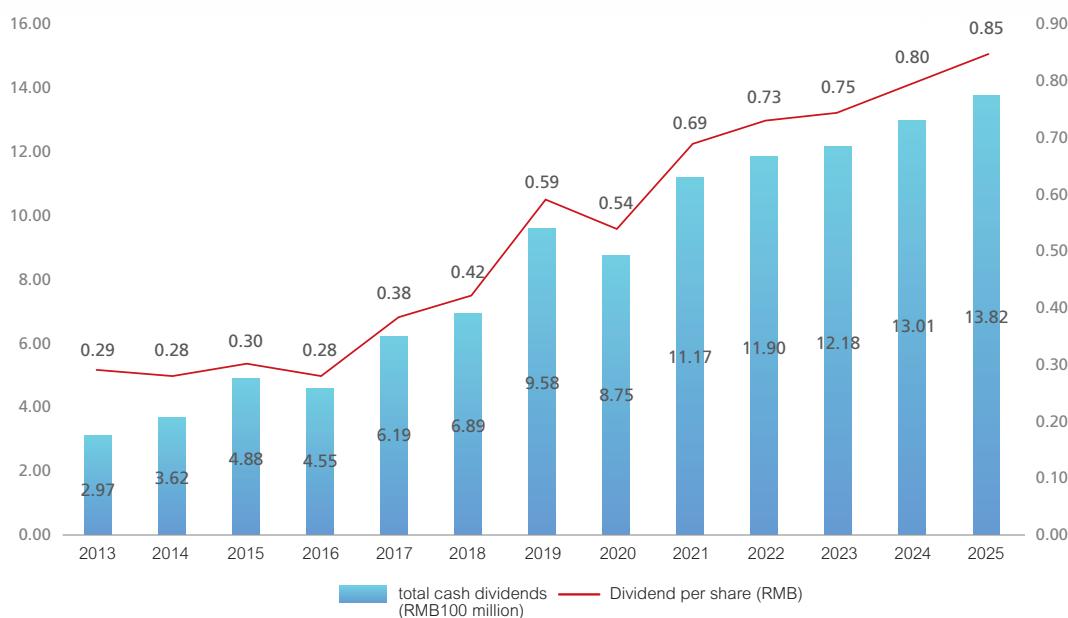
19. PROPOSED SCHEME OF PROFIT DISTRIBUTION OR INCREASE IN SHARE CAPITAL BY TRANSFER FROM CAPITAL RESERVE

(1) Formulation, Implementation, or Adjustment of the Cash Dividend Policy

✓Applicable ☐Not applicable

The Company attaches great importance to the reasonable investment returns for investors, explicitly stipulates the distribution policy in the relevant provisions of the Articles of Association, including the principle of distribution, method of distribution, conditions of distribution and the lowest proportion of distribution, decision-making process of distribution and the conditions and process of the adjustment of distribution.

During the Reporting Period, having considered factors such as profit, cash flow, investment, funding needs and shareholders' returns planning, etc., in conjunction with the relevant provisions of the Articles of Association relating to profit distribution, the management of the Company submitted the proposal in relation to the profit distribution and dividend payment for 2024 and the first half of 2025 to the Board. The proposal was submitted to the 2024 annual shareholders' meeting of the Company and was approved. The aforementioned dividends have been distributed. From 2013 to 2025, the total amount of dividends and cash dividends distributed by the Company is shown in the figure below:



19. PROPOSED SCHEME OF PROFIT DISTRIBUTION OR INCREASE IN SHARE CAPITAL BY TRANSFER FROM CAPITAL RESERVE (Continued)

(2) Explanation of cash distribution policy

☒Applicable ☐Not applicable

Whether it conforms to the provisions of the Articles of Association or the requirements of the resolution of the shareholders' meeting

☒Yes ☐No

Whether the standard and proportion of dividends are clear or not

☒Yes ☐No

Whether the relevant decision-making procedures and mechanisms are comprehensive or not

☒Yes ☐No

Whether the independent directors have cautiously and prudently performed their duties and played their due role.

☒Yes ☐No

Whether there are opportunities for minority shareholders to fully express their opinions and appeals, and whether their legitimate rights and interests have been fully protected

☒Yes ☐No

(3) Profit distribution scheme or plan, reserved funds to equity shares scheme or plan of the Company for the last three years (including the Reporting Period)

Distribution year	Distribution for every 10 shares (inclusive of tax) (RMB)	Amount of profit distribution in cash (inclusive of tax) (RMB)	Net profit attributable to the shareholders of the Company for the distribution year as shown in the consolidated financial statements (RMB)	Proportion of payout distribution in the net profit attributable to the shareholders of the Company as showed in the consolidated financial statements (%)
2025 (contain the half)	8.50	1,381,922,306.65	2,983,113,594.80	46.32
2024 (contain the half)	8.00	1,300,632,759.20	2,835,496,163.51	45.87
2023	7.49	1,217,717,420.80	4,055,678,691.49	30.02

Notes: There was no capitalization of capital reserve scheme of the Company for the last three years.

(4) The parent company made profit and the undistributed profit is positive but the Company did not propose a scheme of profit distribution during the Reporting Period, the Company should disclose the reason and the plan on the application of the undistributed profit.

☐Applicable ☒Not applicable

19. PROPOSED SCHEME OF PROFIT DISTRIBUTION OR INCREASE IN SHARE CAPITAL BY TRANSFER FROM CAPITAL RESERVE *(Continued)*

(5) Plan of profit distribution and increase in share capital from capital reserve during the Reporting Period

✓Applicable ☐Not applicable

Number of bonus shares to be distributed for every 10 shares (shares)	0
Distribution for every 10 shares (RMB) (inclusive of tax)	8.50
Number of shares to be transferred into share capital for every 10 shares (shares)	0
Amount of profit distribution in cash (RMB) (inclusive of tax)	1,381,922,306.65
Net profit attributable to the ordinary shareholders of the Company for the distribution year as shown in the consolidated financial statements (RMB)	2,983,113,594.80
Proportion of net profit attributable to the ordinary shareholders of the Company as showed in the consolidated financial statements (%)	46.32
Amount of repurchase of shares in cash included in profit distribution in cash (RMB)	0
Total amount of profit distribution (RMB) (inclusive of tax)	1,381,922,306.65
Proportion of net profit attributable to the ordinary shareholders of the Company as shown in the consolidated financial statements (%)	46.32

Notes:

1. The Company distributed an interim cash dividend of RMB0.40 per share (tax inclusive) totaling RMB650 million for the first half of 2025. The proposed annual cash dividend for the year 2025 (contain the half) is RMB1.382 billion, representing 46.32% of the net profit attributable to shareholders of the listed company in the consolidated financial statements.
2. The Company plans to complete the distribution of the dividends mentioned above no later than the end of August 2026.

The aforesaid plan is pending approval at the 2025 annual shareholders' meeting of the Company. The annual shareholders' meeting of the Company in 2025 will be convened by a combination of onsite registered vote and online voting, thereby ensuring that there are opportunities for minority shareholders to fully express their opinions and appeals and that their legitimate rights and interests are fully protected.

(6) Cash Dividend Distribution in the Past Three Fiscal Years

Aggregate Cash Dividends (Tax Inclusive) for the Past Three Fiscal Years (1) (RMB)	3,900,272,486.65
Cumulative Share Repurchases and Cancellations for the Past Three Fiscal Years (2) (RMB)	0
Total Cash Dividends and Share Cancellations (3)=(1)+(2) (RMB)	3,900,272,486.65
Annualized Net Profit for the Past Three Fiscal Years (4) (RMB)	3,291,429,483.27
Cash Dividend Payout Ratio (%) (5)=(3)/(4)	118.50
Net Profit Attributable to Common Shareholders of the Listed Company in the Most Recent Fiscal Year's Consolidated Financial Statements (RMB)	2,983,113,594.80
Retained Earnings at Year-End in the Parent Company's Financial Statements for the Most Recent Fiscal Year (RMB)	7,263,234,411.77

20. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACT

(1) Incentives disclosed in temporary announcements and with no progress or change in subsequent implementation

☐Applicable ☒Not applicable

(2) Incentives undisclosed in temporary announcement or with progress in subsequent implementation

Equity incentive

☐Applicable ☒Not Applicable

Others

☐Applicable ☒Not Applicable

Employee stock ownership plan

☐Applicable ☒Not Applicable

Other incentive measures

☐Applicable ☒Not Applicable

(3) Equity incentives given to the Directors and senior management during the Reporting Period

☐Applicable ☒Not applicable

(4) Assessment mechanism for the senior management officers and the establishment and implementation of the incentive mechanism during the Reporting Period.

The Company has established the performance assessment mechanism in respect of the senior management officers and thus can assess the performance of the senior management officers according to the formulated assessment scheme on an annual basis. At present, the Company is actively exploring relevant proposals regarding the incentive mechanisms, and will promote share incentive plans at the appropriate time so as to improve and complete the mechanism and to mobilize the enthusiasm and initiatives of the management officers at the medium and senior levels and business backbones to the greatest extent, and to arouse their creativity for purposes of generating greater return to the Company and its shareholders.

21. ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL DURING THE REPORTING PERIOD

☒Applicable ☐Not applicable

The Company has always attached importance to the construction of internal control system, and constantly improve the internal control system. During the Reporting Period, the Company added and revised more than 40 systems, including compliance, personnel, labor union, procurement, scientific research management, and other aspects., and the subsidiaries further improved the process of internal control system, strengthened internal supervision and risk control. The Company organizes its subsidiaries to carry out self-evaluation of internal control to evaluate the design and implementation of the internal control system, which ensures the effective operation of the internal control system. Based on the existing institutional framework and the actual operations of various business segments, the Company has completed the drafting work for establishing an internal control framework, adding 13 new modules to achieve full-process coverage.

Explanation of significant imperfections in internal control during the Reporting Period

☐Applicable ☒Not applicable

22. MANAGEMENT AND CONTROL ON SUBSIDIARIES DURING THE REPORTING PERIOD

☒Applicable ☐Not applicable

During the Reporting Period, all subsidiaries operated independently with autonomous management under the framework of the Group's overall strategic plan, business objectives, and standardized operational regulations. According to the rules of the system of internal control, the Company guides its subsidiaries to establish and improve the effective implementation of internal management control system, mainly including the financial report management system, budget management system, asset management system, guarantee management system, the debt financing management system, foreign investment management system, and information system management system, etc., covering financing activity, asset management, procurement, sales, production management, research and development, information systems management, contract management, and other high-risk areas, to evaluate the effectiveness periodically, ensure the operation and management of subsidiaries are legal and compliant as well as the asset security, financial reports and related information are true and complete, improve the efficiency and effectiveness of operation. According to the new situation and requirements, the Company revised the rules and regulations related to the management of each holding subsidiary.

The Company has been continuously improving its governance mechanism with the Articles of Association as the overarching framework, supported by the rules of procedure of the Party Committee, Board of Directors, Shareholders' General Meeting, and Executive Management Meeting, underpinned by core management systems, and featuring a transparent delineation of authority and responsibility. Oversight over the operations and major matters of subsidiaries is exercised through the appointment of directors, supervisors, and senior management.

Abnormal risk alerts exist in the management control of subsidiaries

☐Applicable ☒Not applicable

23. AUDIT REPORT ON THE INTERNAL CONTROL

- (1) The assessment opinion of the audit firm: WUYIGE Certified Public Accountants LLP considered that as at 31 December 2025, the Group has maintained effective internal control in its financial reporting in all material aspects pursuant to the “Guidelines for Internal Control Standards” and relevant regulations.
- (2) WUYIGE Certified Public Accountants LLP has verified and evaluated the Group’s internal control for the Year (full version is available on the website of the SSE).

Whether the audit report on internal control is disclosed: Yes

The type of opinion for the audit report on the internal control: Unqualified opinion

Whether a non-standard internal control audit opinion was issued for the Reporting Period or the previous year: No

24. RECTIFICATION ON THE SPECIFIC PROJECT OF SELF-CHECK OF CORPORATE GOVERNANCE

For details of the rectification of the peer competition between the Company and Hua Cheng, a subsidiary of GPLH, please refer to “Situation of same or similar business and operations which controlling shareholders, ultimate controllers and other companies under their control were engaged in, and the impacts to the Company, measures taken, the progress of solutions and follow-up plans of peer competition or material changes in peer competition” set out in the section headed “Corporate Governance”. The other problems in the self-check have been rectified.

25. 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 Province – Enterprise Environmental Information Mandatory Disclosure System https://www.wapp.gdeei.cn/gdeepub/front/dal/dal/newindex
2	Weiling	
3	Chemical & Pharmaceutical Zhuhai Company	
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	

Specific explanation

☐Applicable ☒Not applicable

26. SOCIAL RESPONSIBILITY PERFORMANCE

(1) Whether to issue a standalone social responsibility report, sustainability report, or ESG report

✓Applicable ☐Not applicable

The Company has complied with the requirements set forth in the Notice on Proper Preparation of the 2025 Annual Report by Listed Companies issued by the SSE, the rules under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and Appendix C2 to the Listing Rules of the HKEX, and prepared the 2025 Sustainability Report, which was published on both the SSE and HKEX websites on the same day as this annual report.

(2) Situation of social responsibility report

✓Applicable ☐Not applicable

External donation/ Public welfare projects	Amount/Content	Explanations
Total amount (RMB'0,000)	1,442.18	/
Include: cash (RMB'0,000)	1,332.70	primarily including targeted assistance, rural revitalization and other donations
Value of goods and materials (RMB'0,000)	109.48	Mainly included drugs, drinks, etc
Number of people benefited (persons)	/	/

Specific explanation

✓Applicable ☐Not applicable

27. NEEDY ALLEVIATION EFFORTS AND PERFORMANCE OF RURAL VITALIZATION

✓Applicable ☐Not applicable

Poverty-alleviation and rural revitalization projects	Amount/Content	Explanations
Total amount (RMB'0,000)	562.74	/
Include: cash (RMB'0,000)	513.00	/
Value of goods and materials (RMB'0,000)	49.74	Mainly donations of materials
Number of people benefited (persons)	/	/
Form of poverty-alleviation (e.g. industry poverty-alleviation, employment poverty-alleviation, education poverty-alleviation and etc.)	Poverty alleviation by industry, education, and rural governance, and safeguard of people's livelihood	/

Specific explanation

✓Applicable ☐Not applicable

27. NEEDY ALLEVIATION EFFORTS AND PERFORMANCE OF RURAL VITALIZATION *(Continued)*

During the Reporting Period, the Group continued to advance efforts in consolidating and expanding achievements in poverty alleviation, promoting rural revitalization, and other related initiatives, as detailed below:

- (I) Providing assistance of approximately RMB2.76 million to the Zhanjiang area, Guangdong Province: the Group donated three sets of multimedia equipment, including two sets to Zhangchou Primary School in Qujie Town, Xuwen County and one set to Tianyang Primary School in Qujie Town, Xuwen County. In providing paired assistance to Nanxing Town in Leizhou City, Zhanjiang, the Group supported the local expansion of the traditional Chinese medicine industry by providing supporting drying platforms, warehouses and packaging equipment; effectively hardened industrial transport roads to further expand the industrial scale; donated a batch of medical equipment including an anesthesia machine, electrosurgical unit, ophthalmic surgery equipment and pharmaceuticals to Nanxing Central Health Center; and supported the renovation of the sports field at Nanxing Middle School.
- (II) Providing paired assistance to Taiping Town in Conghua District, Guangzhou City, the Group donated RMB1.8 million to support the improvement of local rural housing aesthetics, the construction of the slope head in Dengcun Village and the renovation of its surrounding environment, the upgrading and restoration of road safety in Shengang Village, Fenshui Village and Huangxi Village, the construction of the health station in Getang Village, the upgrading and renovation of the Shengang Community Cultural Activity Center, and the drainage improvement of the road section from Mumian Village to Xihu Village, so as to accurately meet the needs of the people and improve the quality of life in the assisted areas in terms of medical care, infrastructure and other aspects.
- (III) Providing paired assistance to three towns and eight villages in Sandu County, Qiannan Autonomous Prefecture, Guizhou Province, the Group donated RMB1 million to support the upgrading and supporting construction of infrastructure in two local towns, the construction of solar streetlights in Hengfeng Village, the hardening of roads in six villages, the construction of drainage ditches in Xinhe Village, and the renovation of household toilets in the towns.
- (IV) The Group donated pharmaceuticals worth approximately RMB90,000 to Damai Shan Town, Sanpai Town, Zhaigang Town and Daping Town in Liannan Yao Autonomous County, Qingyuan City, Guangdong Province.

28. OTHERS

(1) Significant relationships with employees, customers, suppliers and others

The Group offers various remuneration and benefit packages to its employees in line with industry norms based on, among others, their performance, abilities and positions. The Company attaches importance to career development demands of employees, constructs professional promotion channels and a comprehensive talent training system. In addition, the Group chooses its suppliers with due prudence and has a comprehensive supplier management system in place to ensure the quality of the Company's products and provide products with superior quality to the customers, as an effort to protect their rights and interests. During the Reporting Period, the Group enjoyed an agreeable and stable business relationship with both its suppliers and customers. Meanwhile, the Group attaches remarkable importance to the issues concerning environmental protection and public welfare, and strives to promote the sustainable and healthy development of the Company together with its stakeholders during the economic exchanges with them.

(2) Information disclosure and management of relationship with investors

The Company designated the secretary to the Board to be responsible for handling the Company's information disclosure, receiving shareholders and investors and answering enquiries from shareholders and investors designated and responding to correspondences from shareholders in a timely manner. The Company has designated Shanghai Securities News, Securities Times, China Securities Journal and Securities Daily in the PRC as newspapers for publishing the Company's information and disclose, such at the websites designated by the SSE and the HKEX and the Company's website. The Company continues to disclose information in a truthful, accurate, comprehensive and timely manner in strict compliance with the relevant rules and regulations and the Code of Information Disclosure of the Company, and preserve confidentiality before disclosure. The Company also ensures that all shareholders have fair and equitable access to information relating to the Company.

The Company believes that effective communication with its shareholders is essential to foster investor relations and to enhance investors' understanding of the Group's business performance and strategies. The Company has reviewed the implementation of the Shareholders Communication Policy and found it to be effective. The Company has also developed the Investor Relations Management System to ensure good communication with shareholders. The Company endeavors to maintain an ongoing dialogue with its shareholders, and communicates with investors through multiple channels and at multiple levels with effective and convenient communication methods so that investors can express their opinions on matters affecting the Group. Specific methods include shareholders' meeting, SSE E-Interactive Platform, investor relations hotline, special section of investor relations on the Company's official website, results presentations, email correspondence, roadshows, reverse roadshows, etc. During the current year, the Company held 3 results presentations and participated in the Investor Relations Month events in Guangdong Province actively, and participated in more than 90 investor communication events including analyst meeting, one-on-one conferences and roadshows, and conducted receiving nearly 400 investors. The Company believes that the implementation and effectiveness of relevant systems during this year have been effective and adequate.

Major Events

1. PERFORMANCE OF UNDERTAKINGS

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period

✓ Applicable ☐ Not applicable

(i) 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 right 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, organisation 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

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(ii) 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 (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, which engages 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 and vigorously procure its subsidiaries to give up 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 and period 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

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(iii) 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, GPLH and its subsidiaries should minimize and regulate connected transactions with the Company. If there is any unavoidable connected transaction, GPLH and its controlled subsidiaries will sign agreement with new GPC 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 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 new GPC legally and validly exists and GPLH owns controlling interest in the Company.
Time and period 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

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(iv) 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 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 and period 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

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(v) Undertakings related to trademarks

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 trademarks 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 on 1 May 2020, or earlier when the licensing agreement and its supplemental agreement were held 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 promise as follows: After all of the legal disputes regarding the trademarks of Wang Lao Ji have been resolved and within two years commencing from the transferable day, GPLH shall, pursuant to the provisions of the then 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) for 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.

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(v) Undertakings related to trademarks *(Continued)*

Item	Content
Time and period 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. This commitment has been fully performed.
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 disputes of red can decoration. 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
Remarks	On 16 August 2017, the Supreme People's Court of the PRC announced the judgment on the case of "disputes over red can decoration", 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.

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(v) Undertakings related to trademarks *(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 the 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" series trademarks had been completed.

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 GPL. As affected by the COVID-19 epidemic, GPL 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.

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

- (vi) The undertaking made by the Company and the controlling shareholders of the Company in relation to reducing or regulating related party transactions

Item	Content
Background of undertakings	The undertaking related to the application of GP Corp., a holding subsidiary, for listing on the NEEQ
Party given the undertaking	The Company and the controlling shareholder 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 and 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. 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 NEEQ.

Major Events

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

- (vi) The undertaking made by the Company and the controlling shareholders of the Company in relation to reducing or regulating related party transactions *(Continued)*

Item	Content
4.	The Enterprise guarantees that it will 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.; (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 and period of the undertaking	The undertaking was given on 10 May 2024
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

- (vii) 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 undertakings	The undertaking related to the application of GP Corp., a holding subsidiary, for listing on the NEEQ
Party given the undertaking	The Company and the controlling shareholder of the Company
Undertakings	- 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., it 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. - 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;

Major Events

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

- (vii) 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
	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.
Time and period of the undertaking	The undertaking was given on 10 May 2024
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

- (viii) 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 undertakings	The undertaking related to the application of GP Corp., a controlled subsidiary, for listing on the NEEQ
Party given the undertaking	The Company and the controlling shareholder of the Company
Undertakings	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; 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 and period of the undertaking	The undertaking was given on 10 May 2024
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

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

- (ix) The undertaking made by the controlling shareholders of the Company in relation to resolving title defects

Item	Content
Background of undertakings	The undertaking related to the application of GP Corp., a controlled subsidiary, for listing on the NEEQ
Party given the undertaking	The controlling shareholder of the Company
Undertakings	- 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. - 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 nor liable for any losses from the properties. There has been no tunneling of benefits or other equivalent interest arrangements involving related parties between the controlling shareholders of the Company and GP Corp.
Time and period of the undertaking	The undertaking was given on 14 March 2024
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

- (x) 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 undertakings	The undertaking related to the application of GP Corp., a controlled subsidiary, for listing on the NEEQ
Party given the undertaking	The Company and the controlling shareholders of the Company
Undertakings	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. (4) if the continuing performance of such breached undertakings is possible, the Enterprise shall continue to do so.

Major Events

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

- (x) 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
	3. If the Enterprise is unable to perform the public undertakings due to force majeure events such as changes of laws, regulations, or policies, natural disasters, or other causes beyond its control, it undertakes that:
	(1) to timely and adequately disclose the detailed reasons for failing, 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 and period of the undertaking	The undertaking was given on 10 May 2024
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes

Save for the above, there is no other undertakings that has not been fulfilled and needs to be disclosed.

(2) The Company's assets or projects involving profit forecast and were still in the profit forecast period during the Reporting Period, Company's explanation on whether the assets or projects have met the original profit forecast and the reasons therefor

☐ Reached ☐ Not reached ☒ Not applicable

(3) Performance Commitment Status

☐ Applicable ☒ Not applicable

2. NON-OPERATIONAL APPROPRIATION OF THE FUNDS OF THE COMPANY BY ITS CONNECTED PARTIES DURING THE REPORTING PERIOD

✓ Applicable ☐ Not applicable

Name of shareholders or related parties	Relationships	Occupation time	Reasons remuneration	Balance at the beginning of the period (RMB)	New occupied amount during the Reporting Period (RMB)	Total repaid amount during the Reporting Period (RMB)	Balance at the end of the period (RMB)	Balance as at the date of disclosure of annual report (RMB)	Expected repayment method	Expected repayment (RMB)	Expected repayment time
HWBYS	Joint venture	2-3 years	Dividends	1,500,000.00	15,000,000.00	15,000,000.00	1,500,000.00	1,500,000.00	Cash Payment	1,500,000.00	-
Proportion of total amount at the end of the Reporting Period to the latest audited net assets											0.00%
Decision-making process of controlling shareholders or other related parties for non-operational occupied funds											-
Reasons for the occupation of non-operational funds by new controlling shareholders and other related parties, the investigation of responsible persons and the explanation of the measures proposed and taken by the Board of Directors											-
Reasons for the investigation of responsible persons and explanation of the measures proposed and taken by the Board of Directors for failure to repay the occupied non-operational funds as planned											-
Auditors' opinions of certified public accountants on occupation of funds (if any)											-
Reasons for inconsistency between non-operational funds occupied by controlling shareholders and other related parties disclosed in the annual report and special audit opinions (if any)											-

3. ILLEGAL OF GUARANTEE

☐ Applicable ✓ Not applicable

4. EXPLANATION GIVEN BY THE BOARD ON THE "QUALIFIED AUDITOR'S REPORT" ISSUED BY THE AUDITORS

☐ Applicable ✓ Not applicable

5. EXPLANATION AND ANALYSIS OF THE COMPANY ON THE REASONS FOR AND EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR THE CORRECTION OF MAJOR ACCOUNTING ERRORS

(1) Explanation and analysis of the Company on the reasons for and effects of the changes in accounting policies and accounting estimates

☒ Applicable ☐ Not applicable

The implementation of the aforementioned accounting policies by the Company has not had a significant impact on the current and prior period's owner's equity and net profit. For specific details, please refer to the financial statement notes under "III. (35) Changes in Significant Accounting Policies and Estimates," specifically item 1, which discusses the execution of newly revised significant accounting policies.

(i) Changes in Significant Accounting Policies

☐ Applicable ☒ Not applicable

(ii) Changes in Significant Accounting Estimates

☐ Applicable ☒ Not applicable

(2) Explanation and analysis of the Company on the reasons for and effects of the correction of major accounting errors

☐ Applicable ☒ Not applicable

(3) Communication with former accounting firm

☐ Applicable ☒ Not applicable

(4) Approval procedure and others

☐ Applicable ☒ Not applicable

6. APPOINTMENT, DISMISSAL OR CHANGE IN APPOINTMENT OF AUDITORS

	Original appointment	Current appointment
Name of the domestic Certified Public Accountants	WUYIGE Certified Public Accountant LLP	WUYIGE Certified Public Accountant LLP
Total remuneration of the domestic Certified Public Accountants (RMB)	3,070,000	3,070,000
Term of office of the domestic Certified Public Accountants	3	4
Name of the certified public accountants of the domestic Certified Public Accountants	He Xiaojuan and Xia Ling	He Xiaojuan and Wu Weiyang
Accumulated term of office of the certified public accountants of the domestic Certified Public Accountants	3 years	He Xiaojuan: 4 years; Wu Weiyang: 1 year

	Name	Remuneration (RMB)
Internal control audit Certified Public Accountants	WUYIGE Certified Public Accountant LLP	400,000

During the Reporting Period, WUYIGE Certified Public Accountant LLP did not provide material non-audit services to the Company and the Company did not offer any material payment to the auditor for non-audit services. In the past three years, the Company's auditor has not changed.

Explanatory notes on the appointment and dismissal of auditors

☒ Applicable ☐ Not applicable

As considered and approved at the 2nd meeting of the Audit Committee in 2025, the 23rd meeting of the ninth session of the Board, the Company approved 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. The said matter was approved at the annual shareholders' meeting of the Company in 2024 convened on 3 June 2025.

A statement on the change in the employment of an accounting firm during the audit period

☐ Applicable ☒ Not applicable

Explanatory on the reduction of audit fees by more than 20% (including 20%) over the previous year

☐ Applicable ☒ Not applicable

7. RISK OF FACING SUSPENSION OF LISTING

(1) Reasons for the risk of potential delisting

☐ Applicable ☒ Not applicable

(2) The proposed response measures

☐ Applicable ☒ Not applicable

(3) The circumstances and reasons for the potential delisting

☐ Applicable ☒ Not applicable

8. MATTERS RELEVANT TO WINDING UP AND SCHEME OF ARRANGEMENT

☐ Applicable ☒ Not applicable

9. MATERIAL LITIGATION AND ARBITRATION MATTERS

☐ The Company had been engaged in significant litigation or arbitration during the Year

☒ The Company had not been engaged in any significant litigation or arbitration during the Year

(1) Litigations and arbitrations which were disclosed in temporary announcements and have no subsequent developments

☐ Applicable ☒ Not applicable

(2) Litigations and arbitrations which were not disclosed in temporary announcement or which have subsequent developments

☐ Applicable ☒ Not applicable

(3) Other explanations

☐ Applicable ☒ Not applicable

10. INFORMATION REGARDING SUSPECTED VIOLATIONS OF LAWS AND REGULATIONS, PENALTIES, AND RECTIFICATION OR REFORM ACTIONS PERTAINING TO THE COMPANY, ITS DIRECTORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, AND ACTUAL CONTROLLERS

☐ Applicable ☒ Not applicable

11. EXPLANATION ON THE HONESTY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER DURING THE REPORTING PERIOD

☐ Applicable ☒ Not applicable

12. CONNECTED TRANSACTIONS

(1) Related party transactions in relation to the ordinary operations

- (i) Matters which had been disclosed in temporary announcements and where there was no progress or change in subsequent implementation

☐ Applicable ☒ Not applicable

- (ii) Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation

☒ Applicable ☐ Not applicable

During the Reporting Period, the details of the related party transactions in relation to the ordinary operations are as follows:

Related party	Relationship	Type of related party transaction	Related transaction content	Related party pricing principle	Transaction amount (RMB)	Proportion of similar transaction amount (%)	Related party transaction settlement method
Baxter Qiao Guang	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	112,916,132.24	0.17	Cash
HWBYS	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	78,307,389.55	0.12	Cash
Hua Cheng	Controlled by the same parent company	Purchase of goods	Medicinal material or medicine	Market price	4,683,195.24	0.01	Cash
Baiyunshan Yi Xin Tang	Associates	Purchase of goods	Medicinal material or medicine	Market price	791,021.67	0.00	Cash
Subtotal					196,697,738.70		
Baiyunshan Yi Xin Tang	Associates	Purchase of goods	Medicinal material or medicine	Market price	1,344,904.25	0.00	Cash
HWBYS	Joint venture	Purchase of goods	Other goods	Market price	23,450.00	0.00	Cash
Bencao Craft Brewery	Controlled by the same parent company	Purchase of goods	Other goods	Market price	8,849.56	0.00	Cash
Subtotal					1,377,203.81		
HWBYS	Joint venture	Acceptance of service	Exhibition services	Market price	20,081,561.04	1.97	Cash
Baiyunshan Yi Xin Tang	Associates	Acceptance of service	Exhibition services	Market price	143,237.75	0.01	Cash
Hua Cheng	Controlled by the same parent company	Acceptance of service	Exhibition services	Market price	50,070.00	0.00	Cash
Subtotal					20,274,868.79		

12. CONNECTED TRANSACTIONS (Continued)

(1) Related party transactions in relation to the ordinary operations (Continued)

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

Related party	Relationship	Type of related party transaction	Related transaction content	Related party pricing principle	Transaction amount (RMB)	Proportion of similar transaction amount (%)	Related party transaction settlement method
GP Capital	Controlled by the same parent company	Acceptance of service	Funds services	Market price	8,445,808.72	0.83	Cash
Subtotal					8,445,808.72		
HWBYS	Joint venture	Acceptance of service	Consigned processing	Market price	19,546,803.54	9.60	Cash
Guangyao Group (Macau) Company	Controlled by the same parent company	Acceptance of service	Consigned processing	Market price	246,463.00	0.12	Cash
Subtotal					19,793,266.54		
Total					246,588,886.56		
Baiyunshan Yi Xin Tang	Associates	Sales of goods	Medicinal material or medicine	Market price	171,389,473.36	0.22	Cash
Hua Cheng	Controlled by the same parent company	Sales of goods	Medicinal material or medicine	Market price	90,764,236.11	0.12	Cash
HWBYS	Joint venture	Sales of goods	Medicinal material or medicine	Market price	33,889,665.72	0.04	Cash
Guangzhou University Biomedical Technology Transfer and Commercialization Center	Controlled by the same parent company	Sales of goods	Medicinal material or medicine	Market price	3,051,797.35	0.00	Cash
Baxter Qiao Guang	Joint venture	Sales of goods	Medicinal material or medicine	Market price	860,530.95	0.00	Cash
Guangyao Group (Macau) Company	Controlled by the same parent company	Sales of goods	Medicinal material or medicine	Market price	107,976.96	0.00	Cash
Subtotal					300,063,680.45		
Hua Cheng	Controlled by the same parent company	Sales of goods	Other goods	Market price	401,637.57	0.00	Cash
HWBYS	Joint venture	Sales of goods	Other goods	Market price	189,263.94	0.00	Cash
GPHL	Parent company	Sales of goods	Other goods	Market price	37,746.01	0.00	Cash
Baiyunshan Yi Xin Tang	Associates	Sales of goods	Other goods	Market price	28,256.89	0.00	Cash
Subtotal					656,904.41		
HWBYS	Joint venture	Provision of labour services	Advertising agency service	Market price	20,589,787.73	39.95	Cash

12. CONNECTED TRANSACTIONS (Continued)

(1) Related party transactions in relation to the ordinary operations (Continued)

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

Related party	Relationship	Type of related party transaction	Related transaction content	Related party pricing principle	Transaction amount (RMB)	Proportion of similar transaction amount (%)	Related party transaction settlement method
Hua Cheng	Controlled by the same parent company	Provision of labour services	Advertising agency service	Market price	7,317,638.68	14.20	Cash
GPHL	Parent company	Provision of labour services	Advertising agency service	Market price	182,035.37	0.35	Cash
Guangzhou Baiyunshan Xihe Health Pharmaceutical	Controlled by the same parent company	Provision of labour services	Advertising agency service	Market price	15,250.10	0.03	Cash
GP Capital	Controlled by the same parent company	Provision of labour services	Advertising agency service	Market price	581.12	0.00	Cash
Baxter Qiao Guang	Joint venture	Provision of labour services	Advertising agency service	Market price	(9,433.96)	(0.02)	Cash
Hua Cheng	Controlled by the same parent company	Provision of labour services	Consigned processing	Market price	28,703,502.25	14.10	Cash
HWBYS	Joint venture	Provision of labour services	Consigned processing	Market price	8,667,567.09	4.26	Cash
HWBYS	Joint venture	Provision of labour services	Research and development services	Market price	1,048,748.11	4.70	Cash
Baxter Qiao Guang	Joint venture	Provision of labour services	Other services	Market price	5,104,207.88	0.50	Cash
Hua Cheng	Controlled by the same parent company	Provision of labour services	Other services	Market price	203,018.87	0.02	Cash
HWBYS	Joint venture	Provision of labour services	Other services	Market price	168,043.97	0.02	Cash
Baiyunshan Yi Xin Tang	Associates	Provision of labour services	Other services	Market price	11,655.26	0.00	Cash
Bencao Craft Brewery	Controlled by the same parent company	Provision of labour services	Other services	Market price	6,492.00	0.00	Cash
Subtotal					72,009,094.47		
Hua Cheng	Controlled by the same parent company	Providing patents, trademarks, etc.	Trademark use rights	Agreement price	399,540.52	14.79	Cash

12. CONNECTED TRANSACTIONS (Continued)

(1) Related party transactions in relation to the ordinary operations (Continued)

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

Related party	Relationship	Type of related party transaction	Related transaction content	Related party pricing principle	Transaction amount (RMB)	Proportion of similar transaction amount (%)	Related party transaction settlement method
HWBYS	Joint venture	Providing patents, trademarks, etc.	Trademark use rights	Agreement price	138,891.58	5.14	Cash
Subtotal					538,432.10		
GPHL	Parent company	Others	Assets leased from related parties	Agreement price	9,673,942.53	3.31	Cash
HWBYS	Joint venture	Others	Assets leased from related parties	Agreement price	4,010,115.58	1.37	Cash
Baiyunshan Yi Xin Tang	Associates	Others	Assets leased from related parties	Agreement price	8,095.59	0.00	Cash
Subtotal					13,692,153.70		
Baxter Qiao Guang	Joint venture	Others	Assets leased to related parties	Agreement price	3,778,605.72	4.51	Cash
GPHL	Parent company	Others	Assets leased to related parties	Agreement price	408,825.69	0.49	Cash
Baiyunshan Yi Xin Tang	Associates	Others	Assets leased to related parties	Agreement price	220,847.68	0.26	Cash
Guangyao Group (Macau) Company	Controlled by the same parent company	Others	Assets leased to related parties	Agreement price	182,179.80	0.22	Cash
HWBYS	Joint venture	Others	Assets leased to related parties	Agreement price	118,596.33	0.14	Cash
BYS Cultural Industry	Controlled by the same parent company	Others	Assets leased to related parties	Agreement price	54,099.10	0.06	Cash
Subtotal					4,763,154.32		
Total					391,723,419.45		

Note: The above connected transactions were conducted in the ordinary and usual course of business of the Group, the prices of which were determined with reference to market prices, and have no negative impact on the Group's abilities to sustain its operations.

(iii) Matters which were not disclosed in temporary announcements

☐ Applicable ☒ Not applicable

12. CONNECTED TRANSACTIONS *(Continued)*

(1) Related party transactions in relation to the ordinary operations *(Continued)*

- (iv) According to Chapter 14A of the Listing Rules of HKEX, the Group conducted the following continuing connected transactions during the Reporting Period:

On 28 December 2023, the Group and GPLH entered into a continuing connected transaction agreement (the "Agreement"), with a term of two years, commencing on 1 January 2024 and ending on 31 December 2025. Under the Agreement, the Group will undertake the following transactions (the "Transactions"):

- (i) purchase of medicinal materials, drugs and other merchandise from GPLH and its subsidiaries by the Group ("Purchase Transactions");
- (ii) sale of products, raw and auxiliary materials and other merchandise to GPLH and its subsidiaries by the Group ("Sales Transactions");
- (iii) provision of services (advertising, research and development, exhibition, management services, etc.) by the Group to GPLH and its subsidiaries ("Provision of Labour Services");
- (iv) acceptance of labour services (advertising, research and development, exhibition, management services, etc.) from GPLH and its subsidiaries by the Group ("Acceptance of Labour Services");
- (v) provision of processing services by GPLH and its subsidiaries entrusted by the Group ("Entrusted Processing");
- (vi) the Group accepts entrustment from GPLH and its subsidiaries to provide them with processing service ("Acceptance of Entrusted Processing");
- (vii) grant of licence for the use of trademarks/trade names to GPLH and its subsidiaries by the Group ("Use of Trademarks Under Licence");
- (viii) leasing of properties and/or equipment by GPLH and its subsidiaries to the Group ("Leasing Asset From GPLH"); and
- (ix) leasing of properties and/or equipment by the Group to GPLH and its subsidiaries ("Leasing Asset to GPLH").

The terms of the Transactions shall be determined with reference to the then prevailing market prices of similar transactions entered into between the independent third parties and the Group or GPLH and its subsidiaries and shall be on normal commercial terms or terms no less favourable to the Group than terms available to/or from independent third parties at the then time. The prevailing market prices under specific contracts entered into between the Group and GPLH and its subsidiaries for various such transactions shall be determined based on the prices of similar transactions conducted by the Group with independent third parties in China (or provided to independent third parties) on an arm's length basis, pursuant to general commercial terms and in the ordinary course of the Group's business. For more detailed pricing principles of these Transactions, please refer to the Company's announcement dated 28 December 2023. In setting the prices and terms for each individual continuing connected transaction during the relevant financial year, the Group has adhered to the applicable pricing policies.

12. CONNECTED TRANSACTIONS *(Continued)*

(1) Related party transactions in relation to the ordinary operations *(Continued)*

- (iv) According to Chapter 14A of the Listing Rules of HKEX, the Group conducted the following continuing connected transactions during the Reporting Period: *(Continued)*

On 29 November 2024, the Board reviewed and evaluated the continuing connected transactions under the Agreement and anticipated that the actual transaction amounts for the Sales Transactions, Provision of Labour Services, Leasing Assets to GPLH, and Leasing Assets from GPLH would exceed the original projections made at the time the Agreement was entered into. As a result, the Company entered into a supplemental agreement ("Supplemental Agreement") with GPLH, revising the annual cap for the year ending 31 December 2025 for the Sales Transactions and Leasing Assets from GPLH, as well as the annual caps for the two years ending 31 December 2025 for the Provision of Labour Services and Leasing Assets to GPLH under the Agreement. Except as disclosed herein, all other terms and conditions under the Agreement shall remain unchanged. Please refer to the Company's announcement dated 19 November 2024 for further details.

As disclosed above, GPLH is the controlling shareholder of the Company, holding 45.04% of the Company's shares, and is therefore considered a connected person of the Company. Accordingly, the execution of the Agreement, its Supplemental Agreement, and the transactions conducted thereunder constitute continuing connected transactions of the Company under the Listing Rules of HKEX.

The Board believes that these transactions are mutually beneficial to both the Group and GPLH and can bring commercial benefits to the Company and the Group as a whole. The execution of the Agreement and the Supplemental Agreement will facilitate the growth of the Group's business.

The Board believed that the Transactions have been conducted in accordance with the terms of relevant agreements or contracts governing the transactions. The Directors confirm that the caps for the purchase and sale of finished goods and raw materials, the provision and receipt of labor services, entrusted processing and acceptance of processing services, trademark licensing fees, rental expenses and rental income, as well as the actual amounts incurred by the Company in 2025, are as follows.

Items	Cap/Approved amount for the Year (RMB'0000)	Actual amount incurred in 2025 (RMB'0000)
Purchase Transactions	1,200	469.20
Sales Transactions	17,000	9,436.34
Provision of Labour Services	2,200	772.50
Acceptance of Labour Services	900	849.59
Entrusted Processing	100	24.65
Acceptance of Entrusted Processing	3,900	2,870.35
Use of Trademarks Under Licence	150	39.95
Leasing Asset to GPLH	150	64.51
Leasing Asset From GPLH	2,100	967.39

12. CONNECTED TRANSACTIONS *(Continued)*

(1) Related party transactions in relation to the ordinary operations *(Continued)*

- (iv) According to Chapter 14A of the Listing Rules of HKEX, the Group conducted the following continuing connected transactions during the Reporting Period: *(Continued)*

Meanwhile, transactions with joint ventures and related parties – other than the continuing connected transactions mentioned above and the material connected/related transactions described in the “Material related party/connected transactions on joint external investment” section – have been disclosed in the notes to the financial statements. However, such transactions do not constitute connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules of HKEX.

The aforementioned Transactions have been reviewed by the independent non-executive Directors of the Company and confirmed by each independent non-executive Director that they are conducted in the ordinary and usual course of business of the Company. The transactions are conducted under normal commercial terms or under terms to the Company no less favorable than (i) terms to independent third parties or (ii) terms given by independent third parties. Such transactions were conducted in accordance with the terms of the relevant agreements, which are fair and reasonable and in the interest of the shareholders as a whole. The actual amounts of these transactions remain well within their annual caps.

The Company’s auditors have been engaged to report on the Group’s continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000, “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA. The auditor has issued a letter containing the work results under Rule 14A.56 of the Listing Rules of HKEX.

(2) Related party transactions on acquisition or disposal of assets or equity interests

- (i) Events which were disclosed in temporary announcements but there has been no progress or change in subsequent implementation
☐ Applicable ☒ Not applicable
- (ii) Events which were disclosed in temporary announcements but there has been progress or change in subsequent implementation
☐ Applicable ☒ Not applicable
- (iii) Events which were not disclosed in temporary announcements
☐ Applicable ☒ Not applicable
- (iv) Where there is agreement on financial performance, the performance achievements during the Reporting Period shall be disclosed
☐ Applicable ☒ Not applicable

12. CONNECTED TRANSACTIONS *(Continued)*

(3) Material related party/connected transactions on joint external investment

- (i) Events which were disclosed in temporary announcements but there has been no progress or change in subsequent implementation

☐ Applicable ☒ Not applicable

- (ii) Events which were disclosed in temporary announcements but there has been with progress or change in subsequent implementation

☒ Applicable ☐ Not applicable

- (1) On 28 May 2025, the Board approved the entering into of the Capital Increase Agreement by the Company, pursuant to which the Company, GP Venture Capital Fund and Guangzhou Time Honored Brand Fund shall make capital contributions to Baiyunshan Biological in the amounts of RMB150.00 million, RMB130.00 million and RMB20.00 million respectively. The Capital Increase Agreement shall take full effect on 30 June 2025. The other shareholders of Baiyunshan Biological will waive their preemptive rights in respect of this capital increase. GP Industrial Investment Fund is indirectly controlled by Guangzhou Pharmaceutical Group, the controlling shareholder of the Company, and thus constitutes a connected person of the Company. Given that GP Industrial Investment Fund holds a 25.00% equity interest in Baiyunshan Biological, Baiyunshan Biological is accordingly a connected subsidiary of the Company. Therefore, the transactions contemplated under the Capital Increase Agreement constitute connected transactions of the Company under the Rules Governing the Listing of Securities on The HKEX. Upon completion of this capital increase, the registered capital of Baiyunshan Biological will be increased from RMB84.00 million to RMB120.535909 million. The Company's direct and indirect equity interest in Baiyunshan Biological will remain unchanged at 50.00%, and Baiyunshan Biological will continue to be a subsidiary of the Company.

For detailed information, please refer to the Company's announcements dated 28 May 2025 and 30 June 2025 respectively.

- (2) The Company, as a limited partner, contributed RMB1,498.50 million with its own funds to participate in the establishment of GP Fund II, accounting for 99.90% of the total subscribed capital contribution of GP Fund II. GP Capital, the manager of GP Fund II, is a holding subsidiary in which GPHL, the controlling shareholder of the Company, holds an 80% equity interest. As the executive partner, fund manager and general partner, GP Capital subscribed a capital contribution of RMB1.50 million. Therefore, the Company's subscription of the share of GP Fund II this time constitutes a connected transaction.

GP Fund II completed industrial and commercial registration and obtained the business license on 30 July 2025, and completed the filing formalities with the Asset Management Association of China on 18 August 2025, having obtained the Private Equity Fund Filing Certificate.

12. CONNECTED TRANSACTIONS *(Continued)*

(3) Material related party/connected transactions on joint external investment *(Continued)*

- (ii) Events which were disclosed in temporary announcements but there has been with progress or change in subsequent implementation *(Continued)*

(2) *(Continued)*

On 22 December 2025, the Company approved its subsidiary, GP Fund II, to subscribe for the limited partnership shares of Guangzhou GP GK Fund and Guangzhou GP LW Fund with investments of RMB97.50 million and RMB99.50 million respectively. GP Capital, the manager of GP Fund II, is a connected person of the Company. As the executive partner, fund manager and general partner, GP Capital subscribed capital contributions of RMB2.50 million and RMB3.50 million respectively. The subscription of the limited partnership shares of Guangzhou GP GK Fund and Guangzhou GP LW Fund by GP Fund II this time constitutes a connected transaction. The relevant parties entered into the Partnership Agreements on 29 December 2025 and 31 December 2025 respectively.

For details, please refer to the Company's announcements dated 25 July 2025, 19 August 2025, 22 December 2025, 29 December 2025 and 31 December 2025.

- (iii) Events which were not disclosed in temporary announcements

☐ Applicable ☒ Not applicable

(4) Credit claims and liabilities between related parties

- (i) Matters which had been disclosed in temporary announcements and where there was no progress or change in subsequent implementation

☐ Applicable ☒ Not applicable

- (ii) Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation

☐ Applicable ☒ Not applicable

- (iii) Matters which were not disclosed in temporary announcements

☐ Applicable ☒ Not applicable

(5) The financial business between the Company and its related financial company, and between the Company's holding financial company and its related parties

☐ Applicable ☒ Not applicable

(6) Others

☐ Applicable ☒ Not applicable

13. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(1) 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.

(2) Guarantees

☐ Applicable ☒ Not applicable

(3) Management of cash assets by entrusting third parties

(i) The Group's entrusted wealth management activities

1) *Overview of the entrusted wealth management products*

☐ Applicable ☒ Not applicable

Other

☐ Applicable ☒ Not applicable

2) *Individual entrusted wealth management products*

☐ Applicable ☒ Not applicable

Other

☐ Applicable ☒ Not applicable

3) *Provision for impairment of entrusted wealth management*

☐ Applicable ☒ Not applicable

(ii) The Company's entrusted loans

1) *Overview of the entrusted loans*

☐ Applicable ☒ Not applicable

Others

☐ Applicable ☒ Not applicable

2) One-off entrusted loans

☐ Applicable ☒ Not applicable

Others applicable

☐ Applicable ☒ Not applicable

3) Provision for impairment of entrusted loans

☐ Applicable ☒ Not applicable

13. MATERIAL CONTRACTS AND THEIR PERFORMANCE (Continued)

(3) Management of cash assets by entrusting third parties (Continued)

(iii) Others

☐ Applicable ☒ Not applicable

(4) Others material contracts

☐ Applicable ☒ Not applicable

14. DESCRIPTION OF THE PROGRESS ON THE 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 RMB7,885,807,628.44 and the net proceeds of RMB7,863,446,528.33 (after deducting all relevant expenses) raised. For details, please refer to the circular of the Company dated 26 February 2015 and the announcement of the Company dated 18 August 2016 on the websites of the SSE and the HKEX.

(1) Overall use of the raised proceeds

☒ Applicable ☐ Not applicable

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 issuance expenses (1) (RMB'0000)	The total amount of permitted proceeds for investment in a prospectus (2) (RMB'0000)	The over amount of the raised proceeds (3)=(1)-(2) (RMB'0000)	The total amount of the aggregate proceeds invested as at the end of Report Period (4) (RMB'0000)	Include: the over amount of the aggregate proceeds invested as at the end of Report Period (5) (RMB'0000)	The progress of the aggregate proceeds invested as at the end of Report Period (%) (6)=(4)/(1)	The progress of over amount of the aggregate proceeds invested as at the end of Report Period (%) (7)=(5)/(3)	The proceeds invested during the Year (8) (RMB'0000)	The proportion of the proceeds invested during the Year (%) (9)=(8)/(1)	Amount of the proceed funds carried forward to the current year (RMB'0000)	The amount of proceeds the use of which changed (RMB'0000)
Issue of shares to specific subjects	11 August 2016	788,580.76	786,344.65	786,344.65	0	766,170.29	0	97.43	-	1,380.76	0.18	43,007.06	207,144.27

Other explanation

☒ Applicable ☐ Not applicable

During the Reporting Period, the asset investment project of the Company's fund-raising project "the Great Southern TCM R&D Platform Construction Project" has reached the intended state for use. Upon deliberation and approval at the 31st meeting of the ninth session of the Board and the third extraordinary general meeting of the Company in 2025, the Company completed the conclusion of this project. Following the conclusion of this project, all fund-raising projects of the Company's non-public offering of A shares in 2016 have been fully implemented and completed. Meanwhile, to effectively enhance the efficiency of the use of raised funds, the Company will use the surplus raised funds from "the Great Southern TCM R&D Platform Construction Project" and "the Phase I Construction Project of the Great Southern TCM Production Base" to permanently supplement working capital.

Major Events

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

(2) Details of the proceeds projects

✓ Applicable ☐ Not applicable

(i) Details of Raised Proceeds

The aforesaid proceeds (1) their details and descriptions of the different uses during the Reporting Period; (2) a breakdown 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 in the Prospectus	Whether the Use of Proceeds for Investment Projects Has Changed	Permitted Amount of Investment	Permitted Amount of Investment Projects After Adjustment (1)	Amount of Proceeds Invested During the Year	Total Amount of Proceeds Invested as at the End of Report Period (2)	The Progress of the Aggregate Proceeds Invested as at the End of Report Period (3)=(2)/(1) (%)	Date of the Projects Becoming Ready for Intended Use	Whether to Be Concluded	Whether the Actual Progress Conforms to the Planned Progress	Reasons for Actual Progress Not Reaching the Planned Progress	The Effectiveness Achieved for the Year	Whether 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'0000)	(RMB'0000)	(RMB'0000)	(RMB'0000)	(%)					Reflected in the Company's Effectiveness	Reflected in the Company's Effectiveness	(RMB'0000)
Issue of Shares to Specific Subjects	The Construction Project of the Great Southern TCM Research and Development & Production Base	Construction of Research and Development & Production Base	Yes	Yes	150,000.00	99,757.10	1,380.76	92,309.95	92.53	31-Dec-25	Yes	Yes	N/A	Reflected in the Company's Effectiveness	Reflected in the Company's Effectiveness	28,551.86
Issue of Shares to Specific Subjects	The Construction Project of the Great Southern TCM Production Base (Phase I)	Construction of Production Base	Yes	Yes	100,000.00	64,391.67	-	61,160.95	94.98	31-Jan-24	-	Yes	N/A	-	-	13,341.85
Issue of Shares to Specific Subjects	Include Ming Xing Relocation Reconstruction Project	Construction of Production Base	Yes	No	60,000.00	60,000.00	-	56,769.28	94.62	31-Jan-24	Yes	Yes	N/A	-	-	4,520.21
Issue of Shares to Specific Subjects	He Ji Gong Factory Relocation Reconstruction Project	Construction of Production Base	Yes	Yes	40,000.00	4,391.67	-	4,391.67	100	Terminated on 23 November 2020	-	-	N/A	-	-	-
Issue of Shares to Specific Subjects	The Extension Project of Modern Pharmaceutical Logistics Services	Operation Management	Yes	Yes	100,000.00	-	-	-	-	Change in the Intended Use on 28 March 2019	-	-	N/A	-	-	5,596.02
Issue of Shares to Specific Subjects	The Project for Acquiring the "Wang Lao Ji" Series Trademarks Held by the Controlling Shareholder Guangzhou Pharmaceutical Holdings Co., Ltd.	Operation Management	No	Yes	108,000.00	108,000.00	-	108,000.00	100	N/A	Yes	-	N/A	Reflected in the Company's Overall Effectiveness	Reflected in the Company's Overall Effectiveness	-
Issue of Shares to Specific Subjects	The Project of Channel Construction and Brand Construction	Operation Management	Yes	No	200,000.00	200,000.00	-	203,395.67	101.7	N/A	-	-	N/A	Reflected in the Company's Overall Effectiveness	Reflected in the Company's Overall Effectiveness	12,317.64
Issue of Shares to Specific Subjects	The Project of Informatization Platform Construction	Operation Management	Yes	Yes	20,000.00	2,774.99	-	2,774.99	100	Change in the Intended Use on 31 December 2020, Partial Change in the Intended Use of the Company	-	-	N/A	Reflected in the Company's Overall Effectiveness	Reflected in the Company's Overall Effectiveness	-

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

(2) Details of the proceeds projects (Continued)

(i) Details of Raised Proceeds (Continued)

Source of the Raised Proceeds	Name of Projects	Nature of Projects	Whether it is the Investment Project in the Prospectus	Whether the Use of Proceeds for Investment Projects Has Changed	Permitted Amount of Investment Projects (RMB'0000)	Amount of Investment Projects After Adjustment (1) (RMB'0000)	Amount of Proceeds Invested During the Report Period (RMB'0000)	Total Amount of Proceeds Invested as at the End of Report Period (2) (RMB'0000)	Aggregate Proceeds Invested as at the End of Report Period (3)=(2)/(1) (%)	Date of the Projects Becoming Ready for Intended Use	Whether to Be Concluded	Whether the Actual Progress Conforms to the Planned Progress	Reasons for Actual Progress Not Reaching the Planned Progress	The Effectiveness Achieved for the Year	The Effectiveness Achieved or R&D Results of the Project	Whether 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'0000)
Issue of Shares to Specific Subjects	The Construction Project of Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd.	Construction of Production Base	No	Yes	-	48,901.37	-	30,046.89	61.44	31-Dec-23	Yes	Yes	N/A	-	-	No	19,063.14 Replenish Working Capital
Issue of Shares to Specific Subjects	The project for Nansha base Phase I of WUJ Great Health	Construction of Production Base	No	Yes	-	38,400.00	-	20,172.21	52.53	31-Dec-23	Yes	Yes	N/A	-	-	No	18,400.00 Replenish Working Capital
Issue of Shares to Specific Subjects	The project of Gansu Guangyao Baiyunshan TCM Technology Industry Park Phase I Project	Construction of Production Base	No	Yes	-	11,842.90	-	11,324.43	97.31	31-Dec-23	Yes	Yes	N/A	-	-	No	401.27 Replenish Working Capital
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	Yes	Yes	N/A	Reflected in the Company's Effectiveness	Reflected in the Company's Effectiveness	No	- -
Total	/	/	/	/	786,344.65	796,117.73	1,380.76	766,170.29	/	/	/	/	/	/	/	/	/

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 2025.

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

☐ Applicable ☒ Not applicable

(iii) Specific circumstances of the re-evaluation of the proceeds projects during the Reporting Period

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

(ii) Temporary replenishment of working capital from unused proceeds

☐ Applicable ☒ Not applicable

(iii) Cash management and investment of unused proceeds

☐ Applicable ☒ Not applicable

(iv) Permanent replenishment of working capital or refund the loan from exceeded proceeds

☐ Applicable ☒ Not applicable

(v) Other

☒ Applicable ☐ Not applicable

Save for the above, as at 31 December 2025, the use of the proceeds through the non-public offering of A shares above was in line with the intended use of the proceeds as disclosed previously.

In addition, pursuant to the requirements of the relevant provisions of the China Securities Regulatory Commission's Regulations on the Supervision of Proceeds of Listed Companies (《上市公司募集資金監管規則》) issued by the CSRC and the Self-regulatory Guidelines No. 1 for Listed Companies – Standard Operation on the Shanghai Stock Exchange (《上海證券交易所上市公司自律監管指引第1號 – 規範運作》) and other relevant guidelines, the Company made a special report on the deposit and actual use of the proceeds in 2025 (the full text of which had been uploaded to the website of the SSE).

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

(5) Conclusionary Opinions of Intermediary Institutions on the Special Verification and Authentication of the Storage and Use of Raised Proceeds

☒ Applicable ☐ Not Applicable

- (i) Huatai United Securities Co., Ltd., the sponsor institution, is of the opinion that the Company has strictly implemented the special account storage system for raised proceeds and effectively executed the tripartite and quadripartite supervision agreements. No occupation of the raised proceeds by the controlling shareholder and the actual controller, entrustment of financial management or other such circumstances have occurred. As at 31 December 2025, the specific use of the raised proceeds is consistent with the disclosed information, and no violations of the relevant laws and regulations in the use of the raised proceeds have been found. The sponsor institution has no objection to the storage, management and use of the raised proceeds of the Company in 2025.
- (ii) WUYIGE Certified Public Accountants LLP, the annual audit institution of the Company, is of the opinion that the special report on the storage, management and actual use of the raised proceeds prepared by the Company complies with the relevant provisions and fairly reflects the actual storage and use of the Company's raised proceeds in 2025 in all material respects.

Explanation of the relevant situation of abnormalities of verification

☐ Applicable ☒ Not applicable

(6) Follow-up Rectification on Unauthorized Change of the Use of Raised Proceeds and Unauthorized Occupation of Raised Proceeds

☐ Applicable ☒ Not applicable

- 15. AS AT THE END OF THE REPORTING PERIOD, THE EXPENSES ON CONSTRUCTION AND EQUIPMENT IN RELATION TO WHICH CONTRACTS HAD BEEN ENTERED INTO BY THE GROUP BUT PAYMENTS HAD NOT BEEN MADE WERE RMB2,025,046,000 AND THE RENTAL EXPENSES IN RELATION TO WHICH CONTRACTS HAD BEEN ENTERED INTO BY THE GROUP BUT PAYMENTS HAD NOT BEEN MADE WERE RMB556,668,800.
- 16. ACCORDING TO THE REQUIREMENTS OF RULE 23 OF APPENDIX D2 TO THE LISTING RULES OF HKEX, THE COMPANY DID NOT HAVE ANY PROPERTIES OF DEVELOPMENT AND/OR SALE, OR INVESTMENT, WHOSE ASSETS RATIO, CONSIDERATION RATIO, PROFITS RATIO AND REVENUE RATIO EXCEEDED 5% DURING THE REPORTING PERIOD.
- 17. DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE ANY SPECIAL TRANSACTION WITH ITS CONNECTED PARTIES INCLUDING DIRECT DONATIONS IN CASH OR ASSETS IN KIND, DIRECT EXEMPTION OR REPAYMENT FOR OTHERS.

18. EXPLANATORY NOTES ON OTHER MAJOR EVENTS THAT MAY HAVE SIGNIFICANT EFFECTS ON VALUATION OR INVESTMENT DECISION BY INVESTORS

✓ Applicable ☐ Not applicable

- (1) The Company convened the 6th meeting of the ninth session of the Board on 19 December 2023 and the first extraordinary general meeting in 2024 on 26 January 2024, which deliberated and approved the Proposal on the Holding Subsidiary's Proposed Application for Quotation on the National Equities Exchange and Quotations, and agreed that the holding subsidiary GP Corp. apply for quotation on the National Equities Exchange and Quotations. GP Corp. submitted the application for this quotation to the NEEQ Co., Ltd. on 11 May 2024, and received the "Acceptance Notice" issued by the National Equities Exchange and Quotations Co., Ltd. ("NEEQ Co., Ltd.") on 17 June 2024. On 29 April 2025, GP Corp. received the Letter of Approval for the Public Transfer and Listing of the Shares of Guangzhou Pharmaceuticals Co., Ltd. on the National Equities Exchange and Quotations System issued by the NEEQ Co., Ltd., which approved the public transfer and listing of GP Corp.'s shares on the trading system of the NEEQ Co., Ltd., with the trading method being call auction trading. On 20 May 2025, the shares of GP Corp. were listed and publicly transferred on the National Equities Exchange and Quotations. For details, please refer to the announcements of the Company dated 19 December 2023, 26 January 2024, 17 June 2024, 29 April 2025 and 19 May 2025.
- (2) 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 five Confirmation Letters for Delivery of Additional Underlying Assets on 28 November 2024, 28 February 2025, 28 May 2025, 28 August 2025 and 28 November 2025. As of 31 December 2025, the book value of the accounts receivable sold by GP Corp. Phase IV Asset-backed Special Scheme amounted to RMB3.493 billion in total, and the total purchase price received was RMB3.451 billion. For details, please refer to the announcement of the Company dated 23 October 2024, 28 November 2024, 28 February 2025, 28 May 2025, 28 August 2025 and 28 November 2025.
- (3) On 26 September 2025, the Board of the Company deliberated and approved the Proposal on the Acquisition of 11.04% Equity Interest in Nanjing Pharmaceutical Co., Ltd. by Guangzhou GP Fund II Equity Investment Partnership (Limited Partnership). GP Fund II, a subsidiary of the Company, proposes to acquire 144,557,431 unrestricted shares (the "Target Shares") in Nanjing Pharmaceutical held by Alliance Healthcare Asia Pacific Limited ("AHAPL") through a negotiated transfer with its internal resources, representing 11.04% of the total share capital of Nanjing Pharmaceutical Co., Ltd. On 17 November 2025, GP Fund II received the relevant approval for the Acquisition from the competent state-owned assets supervision authority. In addition, GP Fund II undertakes that it will not transfer the Target Shares to any third party for 18 months from the date on which the registration of the transfer of the Target Shares is completed in its name (excluding the transfer to other entities controlled by the Company). On 27 February 2026, GP Fund II received the Securities Transfer Registration Confirmation issued by China Securities Depository and Clearing Co., Ltd. ("CSDC"). The registration of the transfer in respect of the Acquisition has been completed, and GP Fund II holds 144,557,431 unrestricted tradable shares in Nanjing Pharmaceutical Co., Ltd., representing 11.04% of the current total share capital of Nanjing Pharmaceutical Co., Ltd. For details, please refer to the announcements of the Company dated 26 September 2025, 17 November 2025 and 27 February 2026.

18. EXPLANATORY NOTES ON OTHER MAJOR EVENTS THAT MAY HAVE SIGNIFICANT EFFECTS ON VALUATION OR INVESTMENT DECISION BY INVESTORS *(Continued)*

- (4) On 27 November 2025, Guang Hua, a subsidiary of the Company, entered into the State-owned Land Use Right Reserve Compensation Agreement with the Tonghe Sub-district Office of the People's Government of Baiyun District, Guangzhou. The land reserve compensation amount for Guang Hua in respect of this land parcel is RMB375,244,134. Upon the land parcel meeting certain conditions including achieving the "clean land" standard, Guang Hua will be entitled to an additional land handover incentive of approximately RMB73,323,768, with the aggregate amount of compensation and incentive being approximately RMB448,567,902. This land reserve is conducive to activating the Company's existing assets and aligns with the Company's long-term development objectives. Guang Hua will account for the compensation payment in accordance with the provisions of the Accounting Standards for Business Enterprises. For details, please refer to the announcement of the Company dated 27 November 2025.
- (5) On 17 December 2025, GP Corp., the holding subsidiary of the Company, entered into the Equity Transfer Agreement in respect of Zhejiang Pharmaceutical Industry Company and the Supplementary Agreement to the Equity Transfer Agreement in respect of Zhejiang Pharmaceutical Industry Company with Zhejiang Hisun Pharmaceutical Co., Ltd. ("Hai Zheng"). GP Corp. acquired the 100% equity interest in Zhejiang Pharmaceutical Industry Company held by Hai Zheng through a public listing process, with the transfer consideration amounting to RMB500.50 million. As at the date of this announcement, GP Corp. has paid the full equity transfer consideration to Hai Zheng in accordance with the terms of the agreements. Zhejiang Pharmaceutical Industry Company has completed the industrial and commercial change registration formalities, the equity transfer has been completed with the delivery and transfer of ownership, GP Corp. holds 100% equity interest in Zhejiang Pharmaceutical Industry Company, and Zhejiang Pharmaceutical Industry Company has been included in the scope of GP Corp.'s consolidated financial statements. For details, please refer to the announcements of the Company dated 17 December 2025 and 3 March 2026.

Changes in Share Capital and Shareholder Information

1. CHANGES IN SHARE CAPITAL

(1) Changes in share capital

(i) Changes in share capital

During the Reporting Period, the Company did not have any change in share capital.

(ii) Explanation of change in share capital

☐ Applicable ☒ Not applicable

(iii) Impact of changes on ordinary shares on financial indicators such as earnings per share and net assets per share in the most recent year and period (if any)

☐ Applicable ☒ Not applicable

(iv) Other disclosures the Company deems necessary or required by securities regulators

☐ Applicable ☒ Not applicable

(2) Changes in restricted shares

☐ Applicable ☒ Not applicable

2. SECURITIES ISSUANCE AND LISTING

(1) Securities issuance during the Reporting Period

☐ Applicable ☒ Not applicable

Notes on the securities issuance during the Reporting Period (for bonds with different interest rates within the duration, please specify respectively)

☐ Applicable ☒ Not applicable

(2) Changes on the total number of ordinary shares and the structure of shareholders and the structure of assets and liabilities of the Company

☐ Applicable ☒ Not applicable

(3) Existing employee stocks

☐ Applicable ☒ Not applicable

Changes in Share Capital and Shareholder Information

3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER

(1) Number of shareholders as at the end of the Reporting Period

As at 31 December 2025, there were 94,754 shareholders in total, of which 94,704 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 50 were holders of overseas listed shares (H shares).

As at 28 February 2026, there were 100,976 shareholders in total, of which 100,924 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 52 were holders of overseas listed shares (H shares).

(2) As at 31 December 2025, the top ten shareholders (or the shareholders not subject to selling restrictions) of the Company are set out as follows

The top ten shareholders of the Company(excluding shares lent through refinancing and securities lending busines)

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 held (share)	Number of shares subject to pledge, mark or lock-up (share)	Nature of Shareholders
Guangzhou Pharmaceutical Holdings Limited	0	732,305,103	45.04	0	0	State-owned legal person
HKSCC Nominees Limited	2,000	219,785,142	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	Others
HongKong Securities Clearing Company Limited	(467,557)	34,743,598	2.14	0	0	Overseas legal
Guangzhou Industrial Investment and Capital Operating Holdings Group Ltd.	(432,800)	16,831,252	1.04	0	0	State-owned legal person
Agricultural Bank of China Limited – CSI 500 Exchange-Traded Open-End Index Securities Investment Fund	10,356,400	10,356,400	0.64	0	0	Others
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	0	8,795,136	0.54	0	0	Others
China Construction Bank Corporation – China Universal CSI Traditional Chinese Medicine Exchange-Traded Open-End Index Securities Investment Fund	1,247,759	4,322,959	0.27	0	0	Others
Basic Pension Insurance Fund Portfolio 901	4,173,065	4,173,065	0.26	0	0	Others

Changes in Share Capital and Shareholder Information

3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER *(Continued)*

(2) As at 31 December 2025, the top ten shareholders (or the shareholders not subject to selling restrictions) of the Company are set out as follows *(Continued)*

The top 10 shareholders of the Company not subject to selling restrictions
(excluding shares lent through refinancing and securities lending business)

Shareholders (full name)	Number of shares without selling restrictions (share)	Class of shares	Number of shares (share)
Guangzhou Pharmaceutical Holdings Limited	732,305,103	Domestic shares denominated in RMB	732,305,103
HKSCC Nominees Limited	219,783,142	H shares	219,783,142
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	67,576,183	Domestic shares denominated in RMB	67,576,183
China Securities Finance Corporation Limited	47,277,962	Domestic shares denominated in RMB	47,277,962
HongKong Securities Clearing Company Limited	34,743,598	Domestic shares denominated in RMB	34,743,598
Guangzhou Industrial Investment and Capital Operation Holding Group Ltd.	16,831,252	Domestic shares denominated in RMB	16,831,252
Agricultural Bank of China Limited – CSI 500 Exchange-Traded Open-End Index Securities Investment Fund	10,356,400	Domestic shares denominated in RMB	10,356,400
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	8,795,136	Domestic shares denominated in RMB	8,795,136
China Construction Bank Corporation – China Universal CSI Traditional Chinese Medicine Exchange-Traded Open-End Index Securities Investment Fund	4,323,959	Domestic shares denominated in RMB	4,323,959
Basic Pension Insurance Fund Portfolio 901	4,173,065	Domestic shares denominated in RMB	4,173,065
Explanation of the repurchase account among the top 10 shareholders	Not applicable		
Explanation of the above-mentioned shareholders' proxy voting rights, entrusted voting rights, and abstained voting rights	Not applicable		
Explanation on the connection or parties 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".		
Explanation on preferred shareholders with voting rights restored and the holding number of shares	Not applicable		

Changes in Share Capital and Shareholder Information

3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER (Continued)

(2) As at 31 December 2025, the top ten shareholders (or the shareholders not subject to selling restrictions) of the Company are set out as follows (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 of the top ten shareholders and the top ten shareholders not subject to selling restrictions compared with last period due to refinancing lending/restitution

☐ 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

(3) Strategic investors or general legal persons who become the top 10 shareholders due to the placement of new shares

☐ Applicable ☒ Not applicable

(4) Shareholders' interests and short positions in the shares and underlying shares of the Company

As at 31 December 2025, the interests and short positions held by the persons (not being the Directors, Supervisors 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 to be recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares held (share)	Capacity	Approximate % of the total issued domestic shares (%)	Approximate % of the total issued H shares (%)	Total long positions as a percentage of the Company's total issued voting shares (approximate %)
Guangzhou Pharmaceutical Holdings Limited	A shares	732,305,103 (long position)	Beneficial owner	About 52.09	–	About 45.04
JPMorgan Chase & Co. (Note 1 and 2)	H shares	18,813,448 (long position)	Beneficial Owners/ Investment Managers/Persons with a Security Interest in Shares/ Authorised Lending Agents	–	About 8.56	About 1.16
		2,885,564 (short position)	Beneficial owner	–	About 1.31	About 0.18
		4,166,958 (shares available for lending)	Authorised Lending Agents	–	About 1.89	About 0.26

Changes in Share Capital and Shareholder Information

3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER *(Continued)*

(4) Shareholders' interests and short positions in the shares and underlying shares of the Company *(Continued)*

Notes:

1. The corporate substantial shareholder notification submitted by JPMorgan Chase & Co. shows that as at 31 December 2025, JPMorgan Chase & Co. held a long position of 18,813,448 H Shares, a short position of 2,885,564 H Shares, and 4,166,958 shares available for lending in the Company's H Shares (as defined in the Securities Ordinance). Such interests include: (i) a long position of 2,885,980 shares and a short position of 2,885,564 shares held in the capacity of a beneficial owner; (ii) a long position of 10,952,000 shares held in the capacity of an investment manager; (iii) a long position of 808,510 shares held in the capacity of a person with a security interest in shares; and (iv) a long position of 4,166,958 shares (shares available for lending) held in the capacity of an authorised lending agent.
 - (1) Interests held by J.P.MORGAN SECURITIES PLC: J.P.MORGAN SECURITIES PLC held a long position of 3,616,490 H Shares and a short position of 2,885,564 H Shares in the Company. J.P.MORGAN SECURITIES PLC is wholly-owned by J.P.MORGAN CAPITAL HOLDINGS LIMITED; J.P.MORGAN CAPITAL HOLDINGS LIMITED is wholly-owned by J.P.Morgan International Finance Limited; J.P.Morgan International Finance Limited is wholly-owned by JPMorgan Chase Bank, National Association; and JPMorgan Chase Bank, National Association is wholly-owned by JPMorgan Chase & Co. Therefore, under the Securities Ordinance, JPMorgan Chase & Co. is deemed to be interested in the shares held by J.P.MORGAN SECURITIES PLC.
 - (2) Interests held by JPMorgan Chase Bank, National Association: JPMorgan Chase Bank, National Association held a long position of 4,166,958 H Shares (shares available for lending) in the Company. JPMorgan Chase Bank, National Association is wholly-owned by JPMorgan Chase & Co. Therefore, under the Securities Ordinance, JPMorgan Chase & Co. is deemed to be interested in such shares.
 - (3) Interests held by the JPMorgan Asset Management Holdings Inc. group: JPMorgan Asset Management (China) Company Limited held a long position of 10,936,000 H Shares in the Company; J.P.Morgan Investment Management Inc. held a long position of 16,000 H Shares in the Company. The aforesaid companies are all wholly-owned by JPMorgan Asset Management Holdings Inc.; JPMorgan Asset Management Holdings Inc. is wholly-owned by JPMorgan Chase Holdings LLC; JPMorgan Chase Holdings LLC is wholly-owned by JPMorgan Chase & Co. Therefore, under the Securities Ordinance, JPMorgan Chase & Co. is deemed to be interested in the aforesaid shares.
 - (4) Interests held by J.P.Morgan Securities LLC: J.P.Morgan Securities LLC held a long position of 78,000 H Shares in the Company. J.P.Morgan Securities LLC is wholly-owned by J.P.Morgan Broker-Dealer Holdings Inc.; J.P.Morgan Broker-Dealer Holdings Inc. is wholly-owned by JPMorgan Chase Holdings LLC; JPMorgan Chase Holdings LLC is wholly-owned by JPMorgan Chase & Co. Therefore, under the Securities Ordinance, JPMorgan Chase & Co. is deemed to be interested in the aforesaid shares.
2. The aforesaid long positions and short positions include a long position of 458,999 non-listed derivative instruments (cash-settled) in respect of the Company's H Shares and a short position of 2,116,000 non-listed derivative instruments (cash-settled) in respect of the Company's H Shares.

Save as disclosed above and so far as the Directors are aware, as at 31 December 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 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 Shareholder Information

4. INFORMATION ON THE COMPANY'S CONTROLLING SHAREHOLDER AND ITS BENEFICIAL OWNER

(1) Controlling shareholder

(i) Legal person

☒ Applicable ☐ Not applicable

Name of shareholder	Guangzhou Pharmaceutical Holdings Limited
Legal representative	Li Xiaojun
Date of establishment	7 August 1996
Business scope	The pharmaceutical manufacturing industry (for specific business projects, please log in to the National Enterprise Credit Information Publicity System for inquiries, website: http://www.gsxt.gov.cn/ . Projects that require legal approval may only commence business activities after obtaining approval from the relevant departments.)
Shareholding information of other domestic and overseas listed companies during the Reporting Period	GPLH and its wholly-owned subsidiary collectively hold 46.049% equity interest in Guangdong Shennongshi Enterprise Management Partnership (Limited Partnership). Guangdong Shennongshi Enterprise Management Partnership (Limited Partnership), in turn, holds 25.3134% equity stake in Kangmei. (code: 600518), a company listed on the SSE.

(ii) Natural person

☐ Applicable ☒ Not applicable

(iii) Special note that there is no controlling shareholder in the Company

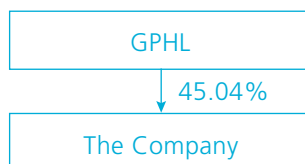
☐ Applicable ☒ Not applicable

(iv) Information of change of controlling shareholder during the Reporting Period

☐ Applicable ☒ Not applicable

(v) A block diagram of the beneficial interest and controlling relationship between the Company and the controlling shareholder

☒ Applicable ☐ Not applicable



Changes in Share Capital and Shareholder Information

4. INFORMATION ON THE COMPANY'S CONTROLLING SHAREHOLDER AND ITS BENEFICIAL OWNER

(2) Beneficial owner

(i) Legal person

☒ Applicable ☐ Not applicable

As at the end of the Reporting Period, the controlling shareholder of the Company was GPLH, and the actual controller was Guangzhou Municipal People's Government.

(ii) Natural person

☐ Applicable ☒ Not applicable

(iii) Special note that there is no actual controller in the Company

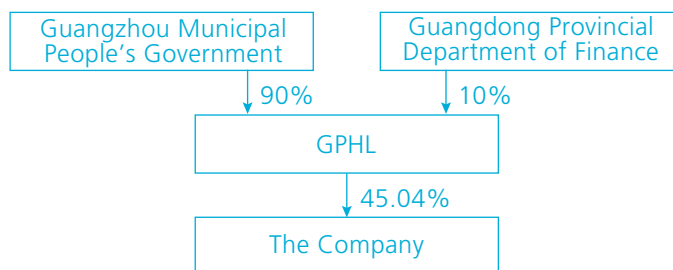
☐ Applicable ☒ Not applicable

(iv) Information of change of actual controller during the Reporting Period

☐ Applicable ☒ Not applicable

(v) A block diagram of the beneficial interests and controlling relationship between the Company and the actual controller

☒ Applicable ☐ Not applicable



(vi) The actual controller controls the Company through trust or other asset management methods

☐ Applicable ☒ Not applicable

(3) Other information of the controlling shareholder and beneficial owner

☐ Applicable ☒ Not applicable

5. CONTROLLING SHAREHOLDERS, OR THE LARGEST SHAREHOLDER AND ITS PERSON ACTING IN CONCERT PLEDGING 80% OR MORE OF THE COMPANY'S TOTAL ISSUED SHARES

☐ Applicable ☒ Not applicable

Changes in Share Capital and Shareholder Information

6. OTHER SHAREHOLDERS HOLDING 10% OR MORE OF THE COMPANY'S TOTAL ISSUED SHARES

As at the end of the Reporting Period and saved as disclosed above, the Company had no other shareholders holding 10% or more of the Company's total issued shares.

7. NEITHER THE COMPANY NOR ANY OF ITS SUBSIDIARIES HAD REPURCHASED, SOLD OR REDEEMED ANY OF THE COMPANY'S SHARES DURING THE REPORTING PERIOD. DURING THE REPORTING PERIOD AND AS OF 31 DECEMBER 2025, THE COMPANY DID NOT HOLD ANY TREASURY SHARES (INCLUDING THOSE HELD OR DEPOSITED WITH THE CENTRAL CLEARING AND SETTLEMENT SYSTEM)

8. CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

Except as disclosed in this report under the sections 'Continuing Connected Transactions' and 'Material Related/Connected Transactions in Joint External Investment' and in the notes to the financial statements neither the Company nor any of its subsidiaries has entered into any other significant contracts with the Company's controlling shareholder or any of its subsidiaries for the year ended 31 December 2025. Furthermore, neither the Company nor any of its subsidiaries has entered into any significant contracts related to the provision of services by the Company's controlling shareholder or any of its subsidiaries to the Company or its subsidiaries for the year ending 31 December 2025.

9. PUBLIC FLOAT

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

10. PRE-EMPTIVE RIGHTS

According to the Articles of Association and the laws of the PRC, there is no pre-emptive right which would oblige the Company to issue new shares to existing shareholders on a pro-rata basis.

11. DESCRIPTION ON RESTRICTIONS ON SHARES

☐ Applicable ☒ Not applicable

12. IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

☐ Applicable ☒ Not applicable

13. DETAILS OF PREFERRED SHARES

☐ Applicable ☒ Not applicable

14. COMPLY WITH LAWS AND REGULATIONS

Although the Company is listed on the HKEx, the Group's primary operations are conducted within Mainland China. Consequently, the principal business operations of the Group are subject to compliance with applicable laws and regulations in both China and Hong Kong. For the fiscal year ending 31 December 2024, and up to the disclosure date of this Report, the Group has not identified any instances of non-compliance with material legal and regulatory requirements affecting its operations.

Relevant Information of Bonds

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

To the Shareholders of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd.,

1. OPINION

We have audited the financial statements of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (hereafter, the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2025, the consolidated and the Company's income statements, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and present fairly the consolidated and the Company's financial position as at 31 December 2025 and the consolidated and the Company's financial performance and cash flows for the year then ended.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with China Code of Ethics for Certified Public Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

3. KEY AUDIT MATTERS *(Continued)*

(1) Revenue recognition

① Matters Description

As stated in the Note “V. (49) Operating Income and Operating Costs” of the financial statements, the Company's 2025 operating income is RMB77,656,109,939.23, of which the main business income is RMB77,412,542,591.33, accounting for 99.69% of the total operating income. Due to the significant amount of main business income and key performance indicators, there is an inherent risk that management may manipulate the timing of revenue recognition in order to achieve specific goals or expectations. Therefore, we consider revenue recognition as a key audit matter.

② How our audit addressed the key audit matter

- (a) Understand and evaluate the design of internal control related to revenue recognition, and test the effectiveness of related internal control;
- (b) Review whether the revenue recognition policy meets the requirements of corporate accounting standards and is consistently applied;
- (c) Select a sample of the income transactions recorded this year, check the invoices, sales contracts, warehouse receipts, and customer receipt records, and evaluate whether the relevant revenue confirmation meets the company's accounting policy for revenue recognition;
- (d) Select a sample of the income transactions recorded this year and execute an independent letter of verification procedure to confirm the authenticity of the income;
- (e) Querying the industrial and commercial registration information of the main customers through public channels to ensure that the main customers are operating normally and the business scope is consistent with the nature of the company's downstream customers;
- (f) Implementation of analysis procedures for operating income, including analysis of annual and monthly income of major products, changes in major customers and sales prices, changes in gross profit margin of major products, and determination of changes in revenue and gross profit margin for the current year;
- (g) For the income transactions recorded before and after the balance sheet date, select a sample, check the delivery order, customer receipt records and other supporting documents to evaluate whether the income is recorded in the appropriate accounting period.

3. KEY AUDIT MATTERS (Continued)

(2) Goodwill impairment test

① Matters Description

On May 31, 2018, the Company acquired a 30% equity interest in Guangzhou Pharmaceutical Co., Ltd. (hereinafter referred to as "GP Corp") forming a goodwill of RMB932 million. As of December 31, 2025, an impairment provision of RMB118 million has been made. Since the goodwill of Guangzhou Pharmaceutical Co., Ltd. has a significant impact on the financial statements, and during the goodwill impairment test, it involves significant judgments on important parameters, such as revenue growth rate, gross profit margin, discount rate, etc., we identify the impairment of goodwill as a key audit matter.

② How our audit addressed the key audit matter

- (a) Understand, evaluate and test the Company's key internal controls related to goodwill impairment testing;
- (b) For the goodwill formed by business combinations not under the same control, understand the completion of the performance forecast of the acquired company;
- (c) Discuss with management the method of goodwill impairment testing, including the asset group or combination of asset groups related to goodwill, the future income forecast of each asset group or combination of asset groups, and the reasonable assumptions of discounted cash flows Judgment and evaluation of the profitability of each asset group or asset group portfolio;
- (d) Evaluate the competence, professional quality and objectivity of external valuation experts engaged by management;
- (e) Discuss with external valuation experts engaged by management to understand whether the key assumptions used in the impairment test are reasonable;
- (f) With the assistance of internal valuation experts, evaluate the rationality of the value types and valuation methods of asset evaluation reports issued by external valuation experts, as well as valuation parameters such as discount rates.
- (g) Checking whether information related to goodwill impairment has been properly reported and disclosed in the financial statements.

4. OTHER INFORMATION

The Management of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as "the Management") is responsible for the other information. The other information comprises the information included in the 2025 annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. MANAGEMENT AND GOVERNANCE'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standard for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

6. AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

6. AUDITOR'S RESPONSIBILITY *(Continued)*

- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain adequate and appropriate audit evidence on the financial information of entities or business activities of the company to express an opinion on it. We are responsible for guiding, supervising and executing group audits. We take full responsibility for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WUYIGE Certified Public Accountants LLP
(Special General Partnership)

Beijing • China

CICPA:
He Xiaojuan

CICPA:
Wu Weiyang

20 March 2026

Consolidated Balance Sheet

31 December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Closing Balance 31 December 2025	Opening Balance 31 December 2024
Current assets:			
Cash at bank and on hand	V.1	14,940,092,971.81	18,273,150,112.58
Financial assets held for trading	V.2	4,000,000.00	
Derivative financial assets			
Notes receivable	V.3	491,345,369.80	553,919,519.41
Accounts receivable	V.4	16,849,441,972.96	15,725,982,661.17
Accounts receivable financing	V.5	3,599,255,106.20	3,175,849,620.31
Advances to suppliers	V.6	970,317,450.32	577,942,385.96
Other receivables	V.7	1,186,185,444.48	993,650,235.33
Including: Interest receivable			
Dividends receivable	V.7	1,500,000.00	1,500,000.00
Inventories	V.8	13,138,250,768.05	12,811,902,453.79
Including: Data Resources			
Contract assets			
Assets held for sales			
Current portion of non-current assets	V.9	4,644,664,557.28	3,783,355,648.62
Other current assets	V.10	5,694,728,482.83	1,866,475,672.20
Total current assets		61,518,282,123.73	57,762,228,309.37
Non-current assets:			
Debt investment	V.11	6,605,607,999.15	8,053,925,346.18
Other debt investment			
Long-term receivables			
Long-term equity investment	V.12	1,584,359,975.87	1,507,259,073.94
Other equity instrument investment	V.13	96,174,005.96	104,180,509.45
Other non-current financial assets	V.14	506,653,262.60	531,000,228.05
Investment properties	V.15	140,377,272.29	145,071,577.99
Fixed assets	V.16	6,731,756,109.45	5,530,013,212.85
Construction in progress	V.17	1,149,620,788.63	1,846,192,932.95
Bearer biological assets	V.18	771,362.10	1,120,772.10
Oil and gas assets			
Right-of-use assets	V.19	482,779,752.98	561,406,325.03
Intangible assets	V.20	3,181,185,613.17	2,828,761,601.53
Including: Data Resources			
Development expenditure	V.2	4,937,826.31	369,934,913.74
Including: Data Resources			
Goodwill	V.21	834,090,912.89	830,854,604.98
Long-term prepaid expenses	V.22	155,617,184.61	188,559,343.16
Deferred tax assets	V.23	1,286,489,802.03	1,210,403,693.47
Other non-current assets	V.24	232,436,018.49	212,699,075.85
Total non-current assets		22,992,857,886.53	23,921,383,211.27
Total Assets		84,511,140,010.26	81,683,611,520.64

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Balance Sheet

31 December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Closing Balance 31 December 2025	Opening Balance 31 December 2024
Current liabilities:			
Short-term borrowings	V.26	9,558,287,637.24	9,122,982,451.32
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	V.27	5,072,326,244.27	4,584,854,358.78
Accounts payable	V.28	12,499,055,570.01	11,734,666,536.69
Advances from customers	V.29	1,468,727.86	4,548,223.86
Contract liabilities	V.30	2,833,240,650.21	5,071,977,258.92
Employee benefits payable	V.31	952,853,661.28	899,113,818.50
Taxes payable	V.32	306,106,564.85	248,911,254.15
Other payables	V.33	5,031,571,987.99	5,074,298,832.26
Including: Interest payable			
Dividends payable	V.33	53,189,827.58	50,492,925.62
Liabilities held for sales			
Current portion of non-current liabilities	V.34	2,211,756,510.39	1,522,617,327.55
Other current liabilities	V.35	658,040,915.23	651,719,293.54
Total current liabilities		39,124,708,469.33	38,915,689,355.57
Non-current liabilities:			
Long-term borrowings	V.36	2,569,307,895.97	2,805,538,605.44
Bonds payable	V.37	604,442,794.52	
Including: Preferred stock			
Perpetual bond			
Lease liabilities	V.38	371,472,631.30	445,715,206.87
Long-term payables	V.39	19,666,964.60	19,666,964.60
Long-term employee benefits payable	V.40	292,293.37	299,678.21
Provisions	V.41	41,733,362.24	44,144,600.58
Deferred income	V.42	1,041,939,804.72	1,001,862,397.10
Deferred tax liabilities	V.23	599,367,382.87	625,557,477.06
Other non-current liabilities	V.43	55,339,749.02	55,501,488.82
Total non-current liabilities		5,303,562,878.61	4,998,286,418.68
Total Liabilities		44,428,271,347.94	43,913,975,774.25

Consolidated Balance Sheet

31 December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Closing Balance 31 December 2025	Opening Balance 31 December 2024
Shareholders' equity:			
Share capital	V.44	1,625,790,949.00	1,625,790,949.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital surplus	V.45	10,323,519,391.33	10,113,721,707.21
Less: Treasury shares			
Other comprehensive income	V.46	(22,597,705.49)	(13,839,663.97)
Special reserve			
Surplus reserve	V.47	2,479,021,218.22	2,363,518,341.03
Undistributed profits	V.48	23,382,314,493.73	21,815,336,535.32
Total equity attributable to shareholders of the parent company		37,788,048,346.79	35,904,527,868.59
Minority interest		2,294,820,315.53	1,865,107,877.80
Total Shareholders' Equity		40,082,868,662.32	37,769,635,746.39
Total Liabilities and Shareholders' Equity		84,511,140,010.26	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 December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
I. Operating income	V.49	77,656,109,939.23	74,992,820,473.56
Including: Operating income	V.49	77,656,109,939.23	74,992,820,473.56
II. Total Operating cost	V.49	74,655,535,927.55	71,598,704,893.72
Including: Operating costs	V.49	65,045,061,403.74	62,472,768,681.69
Taxes and surcharges	V.50	331,937,194.24	296,683,861.44
Selling and distribution expenses	V.51	5,826,805,538.40	5,619,619,395.89
General and administrative expenses	V.52	2,508,860,485.34	2,407,633,812.49
R&D expenses	V.53	661,633,556.21	763,770,055.43
Financial expenses	V.54	281,237,749.62	38,229,086.78
Including: Interest expense	V.54	401,507,404.35	418,151,317.81
Interest income	V.54	141,887,111.93	404,308,070.51
Add: Other income	V.55	257,555,908.31	343,061,715.88
Investment income ("-" for loss)	V.56	468,570,764.62	294,024,359.87
Including: Share of profit or loss of associates and joint ventures ("-" for loss)	V.56	5,935,060.06	(51,617,979.37)
Gains on termination of financial assets measured at amortized cost ("-" for loss)	V.56	(33,424,605.58)	(27,810,365.90)
Gains on hedging of net exposure ("-" for loss)	V.57	(18,696,965.45)	24,654,146.29
Gains from changes in fair value ("-" for loss)	V.58	(118,920,482.74)	(63,298,043.43)
Impairment losses in respect of credit ("-" for loss)	V.59	(68,024,867.38)	(407,283,126.03)
Impairment losses in respect of assets ("-" for loss)	V.60	107,741,285.75	11,119,280.14
Gains on disposal of assets ("-" for loss)		3,628,799,654.79	3,596,393,912.56
III. Operating profit ("-" for loss)		3,628,799,654.79	3,596,393,912.56
Add: Non-operating income	V.61	92,712,780.69	40,304,028.71
Less: Non-operating expenses	V.62	31,586,493.06	29,118,069.51
IV. Total profit ("-" for loss)		3,689,925,942.42	3,607,579,871.76
Less: Income tax expenses	V.63	629,215,625.78	606,848,528.45

Consolidated Income Statement

January to December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
V. Net profit ("-" for net loss)		<u>3,060,710,316.64</u>	<u>3,000,731,343.31</u>
(I) Classified by the continuity of operations			
1. Net profit from continuing operations ("-" for loss)		3,060,710,316.64	3,000,731,343.31
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)		2,983,113,594.80	2,835,496,163.51
2. Minority interest ("-" for loss)		77,596,721.84	165,235,179.80
VI. Other comprehensive income, net of tax		<u>(8,445,769.36)</u>	<u>11,119,449.61</u>
Other comprehensive income, net of tax attributable to the parent company's shareholders		(8,758,041.52)	10,504,805.62
(I) Other comprehensive income that will not be reclassified to profit or loss		(6,805,527.97)	(65,219.59)
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.46	(6,805,527.97)	(65,219.59)
4. Change in fair value of the company's own credit risk			
(II) Other comprehensive income that may be reclassified into profit or loss		(1,952,513.55)	10,570,025.21
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.46	(1,641,611.30)	5,698,984.56
3. The amount of financial assets reclassified into other comprehensive income			
4. Provision for credit loss of other debt investments	V.46	4,769,861.83	458,337.87
5. Cash flow hedge reserve			
6. Difference arising from the translation of foreign currency financial statements	V.46	(5,080,764.08)	4,412,702.78
7. Others			
Other comprehensive income, net of tax attributable to minority shareholders	V.46	312,272.16	614,643.99
VII. Total comprehensive income		<u>3,052,264,547.28</u>	<u>3,011,850,792.92</u>
1. Total comprehensive income attributable to shareholders of the parent company		2,974,355,553.28	2,846,000,969.13
2. Total comprehensive income attributable to minority shareholders		77,908,994.00	165,849,823.79

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Statement of Cash Flow

January to December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
I. Cash flow from operating activities:			
Cash receipts from the sale of goods and the rendering of services		75,000,443,861.09	75,825,632,045.72
Receipts of taxes refunds		16,275,784.96	3,987,561.08
Other cash receipts relating to operating activities	V.64	1,075,555,868.46	992,037,107.97
Subtotal of cash inflow from operating activities		76,092,275,514.51	76,821,656,714.77
Cash payments for goods purchased and services received		63,954,620,313.21	61,848,193,447.46
Cash payments to and on behalf of employees		5,926,785,339.13	5,927,843,767.44
Payments of all types of taxes		2,838,621,621.48	2,732,839,056.33
Other cash payments relating to operating activities	V.64	3,604,709,015.41	2,870,353,845.95
Subtotal of cash outflow from operating activities		76,324,736,289.23	73,379,230,117.18
Net cash flow from operating activities		(232,460,774.72)	3,442,426,597.59
II. Cash flow from investing activities:			
Cash receipts from returns of investments		11,420,228,624.11	1,493,286,528.58
Cash receipts from returns on investments		492,695,199.22	216,093,780.89
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		120,327,840.55	2,360,209.85
Net cash receipts from the disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities	V.64	2,264,051.64	1,111.97
Subtotal of cash inflow from investment activities		12,035,515,715.52	1,711,741,631.29
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		1,239,929,498.65	1,128,144,148.74
Cash payments to acquire investments		14,051,168,758.24	6,545,977,644.96
Net cash payments for acquisitions of subsidiaries and other business units			1,565,411.30
Other cash payments relating to investing activities	V.64	751,784,917.24	
Subtotal of cash outflow from investment activities		16,042,883,174.13	7,675,687,205.00
Net cash flow from investing activities		(4,007,367,458.61)	(5,963,945,573.71)

Consolidated Statement of Cash Flow

January to December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
III. Cash flow from financing activities:			
Cash receipts from investors making investment in the enterprise		609,340,247.35	40,960,000.00
Including: cash receipts from minorities making investment in subsidiaries		609,340,247.35	40,960,000.00
Cash receipts from borrowing		12,085,441,474.49	9,953,937,556.91
Other cash receipts relating to financing activities	V.64	899,799,416.67	
Subtotal of cash inflow from financing activities		13,594,581,138.51	9,994,897,556.91
Cash repayments of amounts borrowed		11,131,411,636.97	8,390,451,069.87
Cash payments for distribution of dividends, profits or interest expenses		1,698,641,852.98	2,323,993,306.31
Including: payments for distribution of dividends or profit to minorities of subsidiaries		51,051,114.85	73,278,074.96
Other cash payments relating to financing activities	V.64	275,174,975.60	286,674,677.71
Subtotal of cash outflow from financing activities		13,105,228,465.55	11,001,119,053.89
Net cash flow from financing activities		489,352,672.96	(1,006,221,496.98)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		3,852,075.65	7,135,641.52
V. Net increase in cash and cash equivalents	V.64	(3,746,623,484.72)	(3,520,604,831.58)
Add: opening balance of cash and cash equivalents		16,302,938,963.14	19,823,543,794.72
VI. Closing balance of cash and cash equivalents		12,556,315,478.42	16,302,938,963.14

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

(All amounts in Renminbi yuan unless otherwise stated)

Legal representative:
Li Xiaojun

Consolidated Statement of Changes in Shareholders' Equity

January to December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Prior period													
	Equity attributable to the Shareholders of Parent Company													
	Other equity instruments					Total Shareholders' Equity								
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Treasury shares	Less:	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits	Subtotal	Minority Equity	Equity
I. Balance at 31 December 2023	1,625,790,949.00				10,105,714,430.90			(24,344,469.59)		2,252,789,227.30	20,999,330,809.10	34,919,280,946.71	1,795,542,960.09	36,677,823,906.80
Add: Changes in accounting policies														
Correction of prior year's errors														
Others														
II. Balance at 1 January 2024	1,625,790,949.00				10,105,714,430.90			(24,344,469.59)		2,252,789,227.30	20,999,330,809.10	34,919,280,946.71	1,795,542,960.09	36,677,823,906.80
III. Increase (decrease) in the current year ("+" for losses)														
(1) Total comprehensive income					8,007,276.31			10,504,805.62		110,729,113.73	855,005,726.72	985,246,921.88	105,564,917.71	1,091,811,839.59
(2) Shareholders' contributions and reduction in capital					8,007,276.31			10,504,805.62			2,855,496,163.51	2,846,000,899.13	165,849,823.79	3,011,850,792.92
1. Capital contribution from owners										(727,523.16)		7,279,753.15	4,469,989.73	11,769,742.88
2. Capital contribution from other equity instruments holders														
3. Share-based payment recognized in shareholders' equity														
4. Others														
(3) Profit distribution					8,007,276.31					(727,523.16)	(1,979,490,457.29)	(1,868,033,800.40)	(63,774,895.81)	(1,931,808,656.21)
1. Appropriation to surplus reserve										111,456,636.89				
2. Profit distribution to shareholders										111,456,636.89	(1,868,033,800.40)			
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 31 December 2024	1,625,790,949.00				10,113,721,707.21			(13,839,663.97)		2,362,518,341.03	21,815,336,535.32	35,904,527,868.59	1,865,107,877.80	37,769,635,746.39

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Balance Sheet

31 December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Closing Balance 31 December 2025	Opening Balance 31 December 2024
Current assets:			
Cash at bank and on hand		3,330,748,532.94	2,694,677,931.38
Financial assets held for trading			
Derivative financial assets			
Notes receivable		169,842,777.44	153,526,881.77
Accounts receivable	XVI.1	295,619,577.77	175,799,269.19
Accounts receivable financing		425,467,991.21	369,436,459.38
Advances to suppliers		10,081,442.30	5,003,212.29
Other receivables	XVI.2	420,592,980.88	357,386,542.48
Including: Interest receivable			
Dividends receivable	XVI.2	173,186,598.38	153,397,700.00
Inventories		423,879,552.18	510,002,612.83
Including: Data Resources			
Contract assets			
Assets held for sales			
Current portion of non-current assets		2,506,133,960.29	3,337,152,153.08
Other current assets		3,140,002.99	17,545,086.19
Total current assets		7,585,506,818.00	7,620,530,148.59
Non-current assets:			
Debt investments		4,108,386,855.68	4,758,944,985.01
Other debt investments			
Long-term receivables			
Long-term equity investments	XVI.3	14,716,542,182.06	13,357,052,102.12
Other equity instrument investments		96,174,005.96	104,180,509.45
Other non-current financial assets		498,275,229.89	516,137,703.94
Investment properties		154,593,898.43	163,077,712.80
Fixed assets		1,297,755,752.09	430,879,308.32
Construction in progress		537,189,728.89	1,228,245,670.10
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		18,524,255.46	23,829,499.60
Intangible assets		1,819,429,519.74	1,841,581,497.29
Including: Data Resources			
Development expenditure		4,937,826.31	4,937,826.31
Including: Data Resources			
Goodwill			
Long-term prepaid expenses		9,270,420.40	6,536,318.79
Deferred tax assets		272,617,693.67	277,734,400.16
Other non-current assets		29,674,821.65	10,498,821.62
Total non-current assets		23,563,372,190.23	22,723,636,355.51
Total Assets		31,148,879,008.23	30,344,166,504.10

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Balance Sheet

31 December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Closing Balance 31 December 2025	Opening Balance 31 December 2024
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		31,702,186.50	
Accounts payable		273,482,516.43	347,208,475.24
Advances from customers		48,174.31	51,338.53
Contract liabilities		175,251,187.89	218,924,652.72
Employee benefits payable		85,224,122.48	83,518,508.18
Taxes payable		42,995,002.46	28,768,906.29
Other payables		8,424,627,763.84	7,339,295,227.86
Including: Interest payable			
Dividends payable		1,727,011.62	1,540,177.73
Liabilities held for sales			
Current portion of non-current liabilities		110,563,438.02	10,142,092.38
Other current liabilities		22,948,376.72	29,370,460.49
Total current liabilities		9,166,842,768.65	8,057,279,661.69
Non-current liabilities:			
Long-term borrowings			97,500,000.00
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Lease liabilities		7,387,244.91	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		57,575,338.89	64,652,145.17
Deferred tax liabilities		72,272,535.76	92,497,612.54
Other non-current liabilities		576,838.48	29,638,261.94
Total non-current liabilities		1,195,284,607.62	1,347,725,695.21
Total Liabilities		10,362,127,376.27	9,405,005,356.90

Balance Sheet

31 December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Closing Balance 31 December 2025	Opening Balance 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		9,819,327,970.93	9,819,327,970.93
Less: Treasury shares			
Other comprehensive income		(28,742,006.53)	(21,936,478.56)
Special reserve			
Surplus reserve		2,107,140,306.79	1,991,637,429.60
Undistributed profits		7,263,234,411.77	7,524,341,276.23
Total Shareholders' Equity		<u>20,786,751,631.96</u>	<u>20,939,161,147.20</u>
Total Liabilities and Shareholders' Equity		<u>31,148,879,008.23</u>	<u>30,344,166,504.10</u>

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Income Statement

January to December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
I. Operating income	XVI.4	2,646,789,444.19	2,984,633,517.37
Less: Operating costs	XVI.4	1,058,765,262.29	1,072,343,402.31
Taxes and surcharges		33,997,844.93	31,836,046.73
Selling and distribution expenses		291,635,815.37	591,782,056.94
General and administrative expenses		431,629,118.82	402,908,735.89
R&D expenses		132,612,530.55	239,904,405.13
Financial expenses		(27,502,056.39)	(83,439,621.42)
Including: Interest expense		3,352,031.00	8,451,562.36
Interest income		31,240,607.81	94,926,210.24
Add: Other income		19,224,202.62	71,686,325.06
Investment income ("-" for loss)	XVI.5	583,700,434.00	753,997,357.05
Including: Share of profit or loss of associates and joint ventures	XVI.5	12,875,158.95	(50,472,643.72)
Gains on termination of financial assets measured at amortized cost ("-" for loss)	XVI.5	(34,694.04)	(478,349.09)
Gains on hedging of net exposure ("-" for loss)		(16,212,474.05)	27,154,704.37
Gains from changes in fair value ("-" for loss)		833,496.00	(380,070.50)
Impairment losses in respect of credit		(28,303,893.01)	(404,521,245.67)
Impairment losses in respect of assets		260.87	166,712.22
Gains on disposal of assets ("-" for loss)		1,284,892,955.05	1,177,402,274.32
II. Operating profit ("-" for loss)		2,491,686.81	8,556,172.36
Add: Non-operating income		6,269,284.66	5,398,679.61
Less: Non-operating expenses		1,281,115,357.20	1,180,559,767.07
III. Total profit ("-" for loss)		126,086,585.27	65,993,398.22
Less: Income tax expenses		1,155,028,771.93	1,114,566,368.85
IV. Net profit ("-" for net loss)		1,155,028,771.93	1,114,566,368.85
1. Net profit from continuing operations ("-" for loss)		1,155,028,771.93	1,114,566,368.85
2. Net profit from discontinued operation ("-" for loss)			

Income Statement

January to December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
V. Other comprehensive income, net of tax		(6,805,527.97)	(65,219.59)
(1) Other comprehensive income that will not be reclassified to profit or loss		(6,805,527.97)	(65,219.59)
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			
4. Change in fair value of the company's own credit risk		(6,805,527.97)	(65,219.59)
(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		<u>1,148,223,243.96</u>	<u>1,114,501,149.26</u>

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Statement of Cash Flow

January to December 2025

(All amounts in Renminbi yuan unless otherwise stated)

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		1,489,115,641.82	1,804,377,723.86
Receipts of taxes refunds			
Other cash receipts relating to operating activities		384,351,326.47	510,968,312.30
Subtotal of cash inflow from operating activities		1,873,466,968.29	2,315,346,036.16
Cash payments for goods purchased and services received		287,226,345.79	225,295,979.82
Cash payments to and on behalf of employees		552,079,071.62	544,451,596.54
Payments of all types of taxes		317,470,202.15	333,290,772.84
Other cash payments relating to operating activities		269,061,945.01	235,246,714.59
Subtotal of cash outflow from operating activities		1,425,837,564.57	1,338,285,063.79
Net cash flow from operating activities		447,629,403.72	977,060,972.37
II. Cash flow from investing activities:			
Cash receipts from returns of investments		3,555,856,271.46	
Cash receipts from returns on investments		1,795,854,488.76	1,732,187,691.55
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		922,682.68	157,969.77
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		1,409.76	254,683,081.41
Subtotal of cash inflow from investment activities		5,352,634,852.66	1,987,028,742.73
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		284,549,288.46	377,858,033.64
Cash payments to acquire investments		3,553,055,072.99	2,562,685,500.45
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		3,879,573,492.55	2,940,543,534.09
Net cash flow from investing activities		1,473,061,360.11	(953,514,791.36)

Statement of Cash Flow

January to December 2025

(All amounts in Renminbi yuan unless otherwise stated)

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		20,000.00	250,020,000.00
Cash payments for distribution of dividends, profits or interest expenses		1,295,834,247.99	1,878,452,569.53
Other cash payments relating to financing activities		14,967,480.80	16,535,868.35
Subtotal of cash outflow from financing activities		1,310,821,728.79	2,145,008,437.88
Net cash flow from financing activities		(1,310,821,728.79)	(2,145,008,437.88)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(10,759.98)	8,773.59
V. Net increase in cash and cash equivalents		609,858,275.06	(2,121,453,483.28)
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		3,299,046,346.44	2,694,677,931.38

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fe

Head of accounting department:
Wu Chuling

(All amounts in Renminbi yuan unless otherwise stated)

Legal representative:
Li Xiaojun

Statement of Changes in Shareholders' Equity

January to December 2025

(All amounts in Renminbi yuan unless otherwise stated)

Item	Other equity instruments					Prior period					
	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)					1.00		(65,219.59)		111,456,636.89	(864,924,068.44)	(753,532,650.14)
(1) Total comprehensive income							(65,219.59)			1,114,566,368.85	1,114,501,149.26
(2) Shareholders' contributions and reduction in capital					1.00						1.00
1. Capital contribution from owners											
2. Capital contribution from other equity instruments holders											
3. Share-based payment recognized in shareholders' equity											
4. Others					1.00						
(3) Profit distribution									111,456,636.89	(1,979,490,437.29)	(1,868,033,800.40)
1. Appropriation to surplus reserve									111,456,636.89	(111,456,636.89)	
2. Profit distribution to shareholders										(1,868,033,800.40)	(1,868,033,800.40)
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 31 December 2024	1,625,790,949.00				9,819,327,970.93		(21,936,478.56)		1,991,637,429.60	7,524,341,276.23	20,939,161,147.20

Legal representative:
Li Xiaojun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Notes to the Financial Statements

(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.

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 GPHL 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.

Notes to the Financial Statements

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

I. GENERAL INFORMATION (Continued)

1. Company overview (Continued)

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 20 March 2026.

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

Notes to the Financial Statements

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
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
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
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 Shaanxi 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 (Guangxi) Pharmaceutical Co., Ltd.	Indirect holding
Jian Min International Co., Ltd.	Indirect holding
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Indirect holding

Notes to the Financial Statements

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
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
Guangyao (Hainan) Medical Technology 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
Guangyao Heilongjiang 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 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

Notes to the Financial Statements

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
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
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

Notes to the Financial Statements

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
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
Guangyao Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	Direct holding
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Indirect holding
Zhejiang Baiyunshan Anglikang 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

Notes to the Financial Statements

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Direct holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park 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
Guangyao (Ya'an) Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Hainan) Medical Technology Co., Ltd.	Indirect holding
Guangyao Jilin Pharmaceutical Co., Ltd.	Indirect holding
Fujian Baiyunshan Cai Shantang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Caizhi Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Guangyao Phase II Fund Equity Investment Partnership (Limited Partnership)	Direct holding
Guangyao Yunshan Molecular Technology (Guangzhou) Co., Ltd.	Direct holding

Notes to the Financial Statements

(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 31 December 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 statement is from 1 January 2025 to 31 December 2025.

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.

Notes to the Financial Statements

(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

(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.

(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

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.

Notes to the Financial Statements

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

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

6. Business Combination *(Continued)*

(1) Business combination under common control *(Continued)*

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.

(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

(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).

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).

Notes to the Financial Statements

(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

(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.

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.

Notes to the Financial Statements

(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)*

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.

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.

Notes to the Financial Statements

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

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

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.

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

(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.

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

(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.

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.

Notes to the Financial Statements

(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)*

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.

(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.

Notes to the Financial Statements

(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 *(Continued)*

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.

(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.

Notes to the Financial Statements

(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 *(Continued)*

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.

(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

(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.

(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.

Notes to the Financial Statements

(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)*

① *The recognition method of provision for impairment (Continued)*

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.

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.

Notes to the Financial Statements

(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)*

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).

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.

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.

Notes to the Financial Statements

(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 *(Continued)*

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:

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

(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

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.

Notes to the Financial Statements

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

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

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) Inventory System

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.

(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.

Notes to the Financial Statements

(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

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.

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

(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.

(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

(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.

(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.

Notes to the Financial Statements

(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

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.

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

(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.

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.

Notes to the Financial Statements

(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 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.

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

(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.

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.

Notes to the Financial Statements

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

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

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.

(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	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".

(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.

Notes to the Financial Statements

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

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

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.

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

(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.

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.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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.

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, Wei Yi 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.

Notes to the Financial Statements

(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

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.

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;
- 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.

Notes to the Financial Statements

(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

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.

Notes to the Financial Statements

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

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

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.

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.

Notes to the Financial Statements

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

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

27. Employee Benefits *(Continued)*

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.

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.

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.

Notes to the Financial Statements

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

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

29. Revenue *(Continued)*

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.

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.

Notes to the Financial Statements

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

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

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.

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.

Notes to the Financial Statements

(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.

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.

Notes to the Financial Statements

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

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

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.

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.

Notes to the Financial Statements

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

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

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

(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.

(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”).

Notes to the Financial Statements

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

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.

(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.

Notes to the Financial Statements

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

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

33. Lease *(Continued)*

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

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.

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".

Notes to the Financial Statements

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

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

35. Changes in Significant Accounting Policies and Accounting Estimates

(1) Changes in Significant Accounting Policies

Nil

(2) Changes in Significant 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.

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.

Notes to the Financial Statements

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

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

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

(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.

(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.

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.

Notes to the Financial Statements

(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)*

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.

(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.

Notes to the Financial Statements

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

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

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

(9) Provisions *(Continued)*

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.

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%
Consumption tax	Taxable income	(2) Services etc.: 6%, 5%, 3%
Urban maintenance and construction tax	Actual payment of turnover tax	10%
Education surcharge	Actual payment of turnover tax	7%
Local education surcharge	Actual payment of turnover tax	3%
Corporate income tax	Taxable profit	2%
Cont.		Please refer the details below.
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., 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.,	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

(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), 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 Zhongyi Pharmaceutical, Chenlijie Pharmaceutical Factory, Guangzhou Hanfang, Jingxiutang Pharmaceutical, Tianxin Pharmaceutical, Pangaoshou Pharmaceutical, Wanglaoji Pharmaceutical, Wanglaoji Great Health, Guangxi Yingkang, Mingxing Pharmaceutical, Guanghua Pharmaceutical, Weiling Pharmaceutical, Xingqun Pharmaceutical are entitled to enjoy the aforementioned VAT incremental deduction policy.

Notes to the Financial Statements

(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	350,863.58	501,913.33
Cash at bank	12,535,560,553.52	16,281,500,959.05
Other currency balance (Note)	2,404,181,554.71	1,991,147,240.20
Total	14,940,092,971.81	18,273,150,112.58
Including: Total amount of cash kept in foreign countries	104,430,640.13	220,637,136.92

Note:

Other monetary funds amounted to RMB2,404,181,554.71 (December 31, 2024: RMB1,991,147,240.20), representing the Group's third-party payment accounts, deposits for investment, letter of credit margin, outstation deposits, frozen account funds, and other items.

As on 31 December 2025, the amount of the Group's cash at bank and on hand with restrictions on ownership was RMB2,383,777,493.39 (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	1,479,556,362.08	1,353,069,844.30
Term deposit, Certificate of deposit (Note)	–	463,152,107.43
Frozen account funds	70,348,261.91	77,266,280.98
Deposit for Letters of credit	67,499,481.14	64,802,197.05
Guarantee deposits	16,014,166.14	8,342,520.80
Housing funds	939,532.26	939,292.05
Pre-delivery investment payment for the equity investment project of Nanjing Pharmaceutical (Note)	748,807,492.58	–
Other	612,197.28	25,299.10
Total	2,383,777,493.39	1,967,597,541.71

Notes: ① As of December 31, 2025, the amounts of time deposits and large-sum certificates of deposit are set out in Note X "Other Current Assets" to these financial statements.

② The supervised funds of Guangzhou Guangyao Phase II Fund Equity Investment Partnership (Limited Partnership) may only be used for the purpose of the transfer price of the underlying shares.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Transactional financial assets

Item	Closing balance	Closing balance of last year
Classification of financial assets that are measured at fair value and whose changes are included in the current profit and loss	4,000,000.00	—
Including: Debt instrument investment (Note)	4,000,000.00	—
Total	4,000,000.00	—

Note: A subsidiary of the Group subscribed for RMB4 million of subordinated asset-backed securities under a special plan in 2024, which were previously presented in other non-current financial assets and mature in June 2026. These securities have been reclassified to trading financial assets as of the end of the current period.

3. Notes Receivable

(1) Category of notes receivable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	364,372,174.36	435,855,637.42
Commercial acceptance notes	131,750,656.40	122,211,336.80
Less: Bad debt reserves	4,777,460.96	4,147,454.81
Total	491,345,369.80	553,919,519.41

(2) No pledged notes receivable at the period end

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. 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

Item	Amount derecognized at the period end	Amount not derecognized at the period end
Bank acceptance notes (Note)	–	150,597,334.56
Commercial acceptance notes (Note)	138,759,670.77	–
Total	138,759,670.77	150,597,334.56

Notes:

- ① Pursuant to the relevant provisions of the Negotiable Instruments Law of the People's Republic of China, the holder shall be entitled to exercise recourse against the Group in the event of payment refusal by the accepting bank ("continuing involvement"). Accordingly, the Group maintains continuing involvement in the aforementioned notes receivable that have been endorsed or discounted but have not yet matured.

Based on the Group's assessment, it is determined that substantially all the risks and rewards incidental to these notes receivable have not been fully transferred. Consequently, the Group has not derecognized such portion of notes receivable, and has recognized notes receivable amounting to RMB150,597,334.56 in its financial statements due to continuing involvement.

- ② The Group considers that it has transferred substantially all the risks and rewards of the above-endorsed or discounted notes receivable, and the fair value of any continuing involvement is not material. The Group has also not recognized any assets or liabilities in its books in respect of such continuing involvement.

Regarding the above-mentioned unexpired discounted commercial acceptance bills with a carrying amount of RMB138,759,670.77, the Group has entered into a non-recourse supplementary agreement with the bank. Accordingly, the Group has transferred substantially all the risks and rewards of these commercial acceptance bills and has no continuing involvement therein.

- ③ The maximum loss of the Group from continuing involvement which has resulted in the above-mentioned trade receivables either endorsed or discounted equals their carrying value amounting RMB150,597,334.56.

- ④ The undiscounted cash flows that the Group may need to pay for the potential repurchase of the endorsed or discounted notes receivable are equal to their carrying amount. The balance of notes receivable as of December 31, 2025, will mature before December 31, 2026.

- ⑤ In 2025, the Group did not have any gains or losses to be recognized in relation to its transfer date. The Group did not have any gains or losses to be recognized from its continuing involvement in the period of the financial assets derecognized and the cumulative gains or losses recognized.

- ⑥ The above bills receivable discounted or endorsed during the year were approximately balanced in their incidence and distribution.

- (4) As on 31 December 2025, the bank acceptance notes endorsed by the Group to other parties but not matured was RMB132,041,484.56 (31 December 2024: RMB202,102,250.93).

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

- (5) As on 31 December 2025 and 31 December 2024, the Group had no trade acceptance bills endorsed to other parties but not yet due.
- (6) As on 31 December 2025, bank acceptance notes discounted by the Group but not matured was RMB18,555,850.00 (31 December 2024: RMB11,005,721.60).
- (7) As on 31 December 2025, commercial acceptance notes discounted by the Group but not matured was RMB138,759,670.77 (31 December 2024: RMB99,567,964.90).
- (8) As on 31 December 2025 and 31 December 2024, the Group had no accounts receivable transferred from notes receivable due to the inability of performance by the drawer.
- (9) Notes receivable disclosed by methods of accruing provision for bad debts

Category	Book balance		Closing 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	496,122,830.76	100.00	4,777,460.96	0.96	491,345,369.80
Including: portfolio 1	131,750,656.40	26.56	4,777,460.96	3.63	126,973,195.44
portfolio 2	364,372,174.36	73.44	-	-	364,372,174.36
Total	496,122,830.76	100.00	4,777,460.96	0.96	491,345,369.80

Cont.

Category	Book balance		Closing balance of last year 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	558,066,974.22	100.00	4,147,454.81	0.74	553,919,519.41

- ① The Group had no notes receivable which are subject to separate provision at the end of the period.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

(9) Notes receivable disclosed by methods of accruing provision for bad debts (Continued)

② portfolio 1: Notes receivable which are subject to provision by aging portfolio

Item	Book balance	Closing balance Provision for bad debts	Expected credit loss (%)
Within 1 year (inclusive)	93,751,164.37	937,511.70	1.00
1 to 2 years	37,799,492.03	3,779,949.26	10.00
2 to 3 years	200,000.00	60,000.00	30.00
Total	131,750,656.40	4,777,460.96	3.63

③ portfolio 2: Notes receivable which are subject to provision by financial asset portfolio with extremely low credit risk

Item	Notes receivable	Closing balance Provision for bad debts	Expected credit loss (%)
Notes receivable with extremely low credit risk	364,372,174.36	—	—
Total	364,372,174.36	—	—

(10) Provision for bad debts.

Item	Closing balance of last year	Provision	Current Movement Return or Recovery	Pay-off or write off	Closing balance
Provision for bad debts of notes receivable	4,147,454.81	630,006.15	—	—	4,777,460.96
Total	4,147,454.81	630,006.15	—	—	4,777,460.96

(11) No Notes receivable actually written off during this year.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. 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 (inclusive)	15,177,680,530.88	14,366,926,508.25
1 to 2 years	1,699,642,028.29	1,447,254,521.49
2 to 3 years	349,973,452.37	246,382,554.97
3 to 4 years	110,744,262.02	95,992,780.94
4 to 5 years	49,299,648.36	37,140,920.37
Over 5 years	267,403,277.45	235,917,479.98
Subtotal	17,654,743,199.37	16,429,614,766.00
Less: Provision for bad debts	805,301,226.41	703,632,104.83
Total	16,849,441,972.96	15,725,982,661.17

(2) Accounts receivable disclosed by method of accruing provision for bad debts

Category	Book balance		Closing balance Provision for bad debts		Book value Amount
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Accounts receivable subject to separate provision	315,355,907.59	1.79	268,749,314.71	85.22	46,606,592.88
Accounts receivable subject to provision by portfolio	17,339,387,291.78	98.21	536,551,911.70	3.09	16,802,835,380.08
Including: portfolio 1	17,339,387,291.78	98.21	536,551,911.70	3.09	16,802,835,380.08
Total	17,654,743,199.37	100.00	805,301,226.41	4.56	16,849,441,972.96

Category	Book balance		Closing balance of last year Provision for bad debts		Book value Amount
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
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

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. 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	52,428,671.04	8,055,208.50	15.36	Amount is expected to be unrecoverable fully.
Customer 3	19,432,662.47	19,432,662.47	100.00	Litigation is involved.
Customer 4	18,611,963.06	18,611,963.06	100.00	Litigation is involved, which has been decided and is in the implementation stage
Customer 5	16,893,295.40	16,893,295.40	100.00	Litigation is involved.
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
Others	27,097,561.60	25,681,516.92	94.77	Amount is expected to be unrecoverable fully.
Total	315,355,907.59	268,749,314.71	-	-

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	15,123,391,249.83	151,235,576.90	1.00	14,321,319,158.51	143,213,000.51	1.00
1 to 2 years	1,697,638,508.13	169,761,450.83	10.00	1,447,069,038.24	144,706,903.90	10.00
2 to 3 years	348,473,488.99	104,542,046.71	30.00	245,686,608.90	73,709,171.21	30.00
3 to 4 years	108,182,322.45	54,091,161.29	50.00	58,061,274.18	29,030,637.14	50.00
4 to 5 years	23,900,231.94	19,120,185.53	80.00	26,774,334.20	21,419,467.34	80.00
Over 5 years	37,801,490.44	37,801,490.44	100.00	24,105,219.45	24,105,219.45	100.00
Total	17,339,387,291.78	536,551,911.70	-	16,123,015,633.48	436,184,399.55	-

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(3) Provision for bad debts accrued, return or recovered or reversed this period

Category	Closing balance of last year	Provision	Current movement Return or recovery	Pay-off or write-off	Other decrease	Closing balance
Provision for bad debts of accounts receivable	703,632,104.83	107,115,828.48	5,029,626.03	458,056.84	(40,975.97)	805,301,226.41
Total	703,632,104.83	107,115,828.48	5,029,626.03	458,056.84	(40,975.97)	805,301,226.41

Including: Significant recovery or return of provision for bad debt in the current period:

Company	Return or recovery	Basis of original provision and its rationality	Reason	Collected by
Customer 1	4,200,000.00	It is expected to be unrecoverable	return based on the litigation outcome	court-ordered payment
Total	4,200,000.00	—	—	—

(4) Accounts receivable written off in the current period:

Item	Amount written off
Accounts receivable written off	458,056.84

Including: Significant written off of accounts receivable in the current period: Nil

(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	277,581,143.52	1.57	5,753,078.88
Customer 2	253,978,456.50	1.44	3,002,924.12
Customer 3	215,045,115.89	1.22	2,150,451.16
Customer 4	184,756,850.93	1.05	1,910,989.03
Customer 5	165,184,380.45	0.94	165,184,380.45
Total	1,096,545,947.29	6.22	178,001,823.64

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Receivables Financing

(1) Financing situation of the receivables

Item	Closing balance	Closing balance of last year
Notes receivable	1,577,963,694.15	1,595,651,821.83
Accounts receivable	2,021,291,412.05	1,580,197,798.48
Total	3,599,255,106.20	3,175,849,620.31

(2) No financing of receivables pledged at the end of the period

(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	Final confirmation amount	Final confirmation amount
Bank acceptance notes	3,565,568,621.71	—
Total	<u>3,565,568,621.71</u>	—

(4) Changes in receivables financing during the current period and changes in fair value

Item	Opening balance	Accrued interest	Fair value changes in the current period	Closing balance	Cost	Cumulative fair value changes	Cumulative loss allowance recognized in other comprehensive income
Notes Receivable	1,595,651,821.83	—	—	1,577,963,694.15	1,577,963,694.15	—	—
Underlying assets of special scheme	<u>1,580,197,798.48</u>	<u>—</u>	<u>(2,407,309.72)</u>	2,021,291,412.05	<u>2,045,913,893.65</u>	<u>(24,622,481.60)</u>	<u>23,740,703.55</u>
Total	<u>3,175,849,620.31</u>	<u>—</u>	<u>(2,407,309.72)</u>	3,599,255,106.20	<u>3,623,877,587.80</u>	<u>(24,622,481.60)</u>	<u>23,740,703.55</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. 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(inclusive)	962,679,799.46	99.21	559,316,246.06	96.78
1 to 2 years	4,447,387.44	0.46	16,757,682.60	2.90
2 to 3 years	1,677,068.02	0.17	543,398.53	0.09
Over 3 years	1,513,195.40	0.16	1,325,058.77	0.23
Total	970,317,450.32	100.00	577,942,385.96	100.00

(2) The top five suppliers by balances are as follows:

Company	Closing balance	Proportion to total closing balance of advances to suppliers (%)
Supplier 1	260,768,480.94	26.87
Supplier 2	250,007,768.20	25.77
Supplier 3	60,000,000.00	6.18
Supplier 4	36,330,000.00	3.74
Supplier 5	20,044,417.95	2.07
Total	627,150,667.09	64.63

7. Other Receivables

Item	Closing balance	Closing balance of last year
Interest receivable	—	—
Dividends receivable	1,500,000.00	1,500,000.00
Other receivables	1,184,685,444.48	992,150,235.33
Total	1,186,185,444.48	993,650,235.33

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(1) Dividends receivable

① Dividends receivable are as follows

Item	Closing balance	Closing balance of last year
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Co., Ltd. (hereinafter referred to as "HWBYS")	1,500,000.00	1,500,000.00
Subtotal	1,500,000.00	1,500,000.00
Less: Provision for bad debts	—	—
Total	1,500,000.00	1,500,000.00

(2) Other receivables

① Other receivables disclosed per aging:

Aging	Closing balance	Closing balance of last year
Within 1 year	1,003,297,826.67	833,179,727.37
1 to 2 years	60,571,767.84	83,951,384.38
2 to 3 years	73,198,365.53	22,659,236.35
3 to 4 years	18,878,682.48	43,559,710.58
4 to 5 years	35,206,972.31	15,285,918.19
Over 5 years	50,649,294.22	40,178,092.82
Subtotal	1,241,802,909.05	1,038,814,069.69
Less: Provision for bad debts	57,117,464.57	46,663,834.36
Total	1,184,685,444.48	992,150,235.33

② Category of other receivables as per nature

Nature	Closing book balance	Closing book balance of last year
Receivables due from external parties	813,722,252.66	714,364,907.96
Margin, deposit and down payment	243,006,821.54	148,751,045.77
Advances to employees	33,238,961.27	18,461,903.70
Receivables due from related parties	14,195,542.91	13,806,761.59
Petty cash	2,156,872.20	621,189.11
Due export tax refund	267,288.56	221,618.04
Others	135,215,169.91	142,586,643.52
Total	1,241,802,909.05	1,038,814,069.69

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(2) Other receivables (Continued)

③ Disclosed by classification of bad debt provision methods

Category	Book balance		Closing balance provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with bad debt provision assessed on an individual basis	41,116,666.36	3.31	40,552,820.55	98.62	563,845.81
Including: Other receivables with significant individual amounts and individually assessed bad debt provision	35,429,164.58	-	34,865,318.77	-	563,845.81
Other receivables with insignificant individual amounts but individually assessed bad debt provision	5,687,501.78	-	5,687,501.78	-	-
Other receivables with bad debt provision assessed based on groups	1,200,686,242.69	96.69	16,564,644.02	1.38	1,184,121,598.67
Including: Group by aging as the credit risk characteristic	719,723,619.94	57.95	16,564,644.02	2.30	703,158,975.92
Group of balances with extremely low credit risk	193,160,550.01	15.55	-	-	193,160,550.01
Related party balances	14,195,542.91	1.16	-	-	14,195,542.91
Deposits, guarantees, and employee advances	273,606,529.83	22.03	-	-	273,606,529.83
Total	1,241,802,909.05	100.00	57,117,464.57	-	1,184,685,444.48

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(2) Other receivables (Continued)

③ Disclosed by classification of bad debt provision methods (Continued)

Category	Book balance		Closing balance of last year		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with bad debt provision assessed on an individual basis	33,447,899.80	3.22	32,884,053.99	98.62	563,845.81
Including: Other receivables with significant individual amounts and individually assessed bad debt provision	28,232,415.44	—	27,668,569.63	—	563,845.81
Other receivables with insignificant individual amounts but individually assessed bad debt provision	5,215,484.36	—	5,215,484.36	—	—
Other receivables with bad debt provision assessed based on groups	1,005,366,169.89	96.78	13,779,780.37	1.38	991,586,389.52
Including: Group by aging as the credit risk characteristic	633,077,655.27	60.93	13,779,780.37	2.18	619,297,874.90
Group of balances with extremely low credit risk	193,384,006.83	18.62	—	—	193,384,006.83
Related party balances	13,565,843.48	1.31	—	—	13,565,843.48
Deposits, guarantees, and employee advances	165,338,664.31	15.92	—	—	165,338,664.31
Total	<u>1,038,814,069.69</u>	<u>100.00</u>	<u>46,663,834.36</u>	<u>—</u>	<u>992,150,235.33</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(2) Other receivables (Continued)

④ Other receivables for which bad debt provisions are made under the general model of expected credit losses

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
Opening balance on 1 Jan 2025 for this period				
Provision at current period	2,784,863.65	–	7,917,147.63	10,702,011.28
Reversal at current period		–	1,492,410.46	1,492,410.46
Reversal of bad debt provision at current period	–	–	–	–
Written off at current period	–	–	39,475.08	39,475.08
Other changes	–	–	(1,283,504.47)	(1,283,504.47)
Ending balance on 31 December 2025	<u>16,564,644.02</u>	<u>–</u>	<u>40,552,820.55</u>	<u>57,117,464.57</u>

⑤ Provision for bad debts

Item	Closing balance of last year	Current movement				Closing balance
		Provision	Return of recovery	Pay-off or write-off	Other decrease	
Provision for bad debts of other receivables	<u>46,663,834.36</u>	<u>10,702,011.28</u>	<u>1,492,410.46</u>	<u>39,475.08</u>	<u>(1,283,504.47)</u>	<u>57,117,464.57</u>
Total	<u>46,663,834.36</u>	<u>10,702,011.28</u>	<u>1,492,410.46</u>	<u>39,475.08</u>	<u>(1,283,504.47)</u>	<u>57,117,464.57</u>

⑥ There is no significant return or recovery of bad debt reserves in the current period.

⑦ Details of other receivables actually written off in the current year.

Item	Write-off Amount
Meishan People's Hospital	20,000.00
Guangzhou Ningjun Property Management Co., Ltd.	14,934.00
China Telecom	3,141.08
Centralized Custody Account for provision, Nanjing Suning Network Technology Co., Ltd.	1,000.00
Guanghang (Quanzhou) Food Co., Ltd.	400.00
Total	<u>39,475.08</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(2) Other receivables (Continued)

⑧ 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
Taizhou Property Rights Exchange Co., Ltd.	Equity acquisition deposit	86,000,000.00	Within 1 year	6.93	-
Shaanxi Taoyunshang Information Technology Co., Ltd.	Performance betting compensation	52,872,680.00	2 to 3 years	4.26	-
Haleon (China) Co., Ltd.	Purchase rebates receivable from suppliers	50,325,961.57	Within 1 year	4.05	503,259.62
Sino-American Tianjin Smithkline and French Lab., Ltd.	Purchase rebates receivable from suppliers	49,001,852.94	Within 1 year	3.95	490,018.53
Haleon (Suzhou) Pharmaceutical Co., Ltd.	Purchase rebates receivable from suppliers	42,280,433.94	Within 1 year	3.40	422,804.34
Total	-	<u>280,480,928.45</u>	-	<u>22.59</u>	<u>1,416,082.49</u>

⑨ The Group had no amount reported as other receivables due to centralized management of funds during the year.

⑩ The Group had no other receivables related to government grants for this year.

⑪ The Group had no other receivables derecognized due to the transfer of financial assets for this year.

⑫ 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 year.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. 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	714,884,481.10	8,637,874.06	706,246,607.04	910,359,255.74	4,157,314.67	906,201,941.07
Turnover materials	158,668,476.17	2,434,885.99	156,233,590.18	158,209,977.62	2,699,488.01	155,510,489.61
Consignment processing material	47,835,984.20	–	47,835,984.20	38,955,351.32	–	38,955,351.32
Work in progress	568,673,358.43	957,711.37	567,715,647.06	712,306,533.72	2,436,408.01	709,870,125.71
Commodity stocks	11,757,526,978.84	97,308,039.27	11,660,218,939.57	11,076,044,276.19	74,679,730.11	11,001,364,546.08
Total	13,247,589,278.74	109,338,510.69	13,138,250,768.05	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	5,479,000.76	–	998,441.37	–	–	8,637,874.06
Commodity stocks	74,679,730.11	63,050,389.81	–	147,469.42	38,091,886.98	2,182,724.25	97,308,039.27
Turnover materials	2,699,488.01	200,872.99	–	465,475.01	–	–	2,434,885.99
Work in progress	2,436,408.01	483,320.20	–	–	1,962,016.84	–	957,711.37
Total	83,972,940.80	69,213,583.76	–	1,611,385.80	40,053,903.82	2,182,724.25	109,338,510.69

(3) In current period end, there is no capitalization of borrowing costs in the inventory.

(4) No amortization of contract performance costs in this year.

(5) No data resources were identified as inventory during the year.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Non-current assets due within one year

Item	Closing balance	Closing balance of last year
Debt investment due within 1 year	4,644,652,557.28	3,783,355,648.62
Asset lease due within 1 year	12,000.00	—
Total	4,644,664,557.28	3,783,355,648.62

The important debt investments are as follows:

Item	Par value	Nominal interest rate	Closing balance Effective rate of interest; true rate of interest	Date due
Certificate of deposit	1,400,000,000.00	3.20%	3.20%	6 Sept 2026
Time deposit	300,000,000.00	3.30%	3.30%	10 Jan 2026
Time deposit	200,000,000.00	3.50%	3.50%	2 June 2026
Time deposit	200,000,000.00	3.50%	3.50%	21 June 2026
Certificate of deposit	200,000,000.00	3.52%	3.52%	20 Feb 2026
Total	2,300,000,000.00	—	—	—

(cont.)

Item	Par value	Nominal interest rate	Closing balance of last year 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

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Other Current Assets

Item	Closing balance	Closing balance of last year
Input VAT to be certified	1,015,529,649.75	715,606,381.30
Certificate of deposit or Time deposit	4,215,865,936.97	662,865,159.60
Value-added tax debit balance outstanding	292,459,497.93	346,536,718.37
Prepaid income tax	134,550,742.15	99,280,764.07
Undisposed assets for whole relocation (Note)	1,498,397.39	1,498,397.39
Others	34,824,258.64	40,688,251.47
Total	5,694,728,482.83	1,866,475,672.20

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.

11. 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	2,263,048,792.81	-	2,263,048,792.81	4,112,572,346.40	-	4,112,572,346.40
Fixed deposit held to maturity	4,342,559,206.34	-	4,342,559,206.34	3,941,352,999.78	-	3,941,352,999.78
Total	6,605,607,999.15	-	6,605,607,999.15	8,053,925,346.18	-	8,053,925,346.18

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term Equity Investment

Investee	Closing balance of last year	Increase	Decrease	Investment gains and losses recognized under equity method	Change in the current period Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
I. Joint ventures											
HWBYS	186,708,238.77	-	-	(7,854,730.16)	-	-	(15,000,000.00)	-	-	163,853,508.61	-
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd.	85,908,094.14	-	-	11,081,804.48	-	-	-	-	-	96,989,898.62	-
Chengdu Hejian	16,818,971.39	-	-	(860,871.51)	-	-	-	-	-	15,958,099.88	-
Subtotal	289,435,304.30	-	-	2,366,202.81	-	-	(15,000,000.00)	-	-	276,801,507.11	-
II. Associates											
Guangzhou Guangyao Industry Investment Equity Investment Partnership (Limited Partnership)	77,398,013.48	-	-	(5,810,910.64)	-	-	-	-	-	71,587,102.84	-
Jinying Fund Management Co., Ltd.	86,581,494.07	-	-	4,930,997.74	-	-	-	-	-	91,512,491.81	-
Guangzhou Baiyunshan Weiji Medical Investment Management Co., Ltd.	2,101,533.45	-	-	26,757.02	-	-	-	-	-	2,128,290.47	-
Yi Xin Tang Pharmaceutical (Group) Co., Ltd. (hereinafter referred to as "Yi Xin Tang")	402,061,558.08	-	-	13,710,420.91	-	-	(15,440,152.00)	-	-	400,331,826.99	385,666,507.83
Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment Development Co., Ltd. (hereinafter referred to as "Baiyunshan Yi Xin Tang")	72,162,179.41	-	-	(4,790,265.12)	-	-	-	-	-	67,371,914.29	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd.	5,992,778.11	-	-	444,428.92	-	-	-	-	-	6,437,207.03	-
Guangzhou Guangyao Jinzang equity investment partnership (limited partnership)	35,466,615.60	-	-	(3,141,145.24)	-	-	-	-	-	32,325,470.36	-
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	-	-	(1,374,860.24)	-	-	-	-	-	36,716,247.64	-
Guangzhou Guangyao Industrial Investment Venture Capital Fund Partnership (Limited Partnership)	156,147,078.81	-	-	(3,568,894.61)	-	-	-	-	-	152,578,184.20	-
Guangzhou Zhongcheng Medical Instruments Industry Development Co., Ltd.	167,988.98	-	-	(6,386.29)	-	-	-	-	-	161,602.69	-
Wobolan Guangyao (Guangzhou) Equity investment partnership (limited partnership)	341,587,945.59	-	-	5,743,056.21	-	-	-	-	-	347,331,001.80	-
Guangzhou Kechuang Zhihui No.3 Venture Capital Partnership (Limited Partnership)	-	100,000,000.00	-	(988,347.54)	-	-	-	-	-	99,011,652.46	-
Guangzhou Yufeng Jianhu Medical Supplies Co., Ltd.	-	1,530,000.00	-	(1,530,000.00)	-	-	-	-	-	-	-
Subtotal	1,217,823,769.64	101,530,000.00	-	3,644,851.12	-	-	(15,440,152.00)	-	-	1,307,558,468.76	385,666,507.83
Total	1,507,259,073.94	101,530,000.00	-	6,011,053.93	-	-	(30,440,152.00)	-	-	1,584,359,975.87	385,666,507.83

Note: Hainan Chenfei, a subsidiary of the Company, together with Sanya Phoenix Health Group Co., Ltd. and Sanya Business District Trade and Technology Co., Ltd., incorporated a joint venture named Sanya Guangyao Phoenix Pharmaceutical Co., Ltd. (hereinafter referred to as "Sanya Phoenix") on November 10, 2025. The Company indirectly holds 49% of the equity interests in Sanya Phoenix. In accordance with the articles of association of Sanya Phoenix, Hainan Chenfei, a subsidiary of the Company, jointly controls Sanya Phoenix with other shareholders. As of December 31, 2025, Hainan Chenfei has not yet made the capital contribution in cash.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Other Equity Instruments investments

(1) Other Equity Instruments investments

Item	Closing balance of last year	Increase	Decrease	Change in the current period		Other	Closing balance
				Gains included in other composite income	Losses included in other composite income		
Sino-Israel Bio-industry Investment Fund	93,454,816.88	-	-	-	8,431,854.49	-	85,022,962.39
South China Center for Innovative Pharmaceuticals Co., Ltd.	10,100,000.00	-	-	400,000.00	-	-	10,500,000.00
Yilin Bio-industry Co., Ltd.	625,692.57	-	-	25,351.00	-	-	651,043.57
Guangzhou Nanxin Pharmaceutical Co., Ltd.	-	-	-	-	-	-	-
Total	104,180,509.45	-	-	425,351.00	8,431,854.49	-	96,174,005.96

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	-	-	(32,045,033.56)	Long-term holdings for strategic purposes
South China Center for Innovative Pharmaceuticals Co., Ltd.	-	500,000.00	-	Long-term holdings for strategic purposes
Yilin Bio-industry Co., Ltd	-	182,861.67	-	Long-term holdings for strategic purposes
Guangzhou Nanxin Pharmaceutical Co., Ltd.	-	-	(7,677,876.51)	Long-term holdings for strategic purposes
Total	-	682,861.67	(39,722,910.07)	-

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Other Non-Current Financial Assets

Item	Closing balance	Closing balance of last year
Financial assets classified at FVTPL for this year	506,653,262.60	531,000,228.05
Including: Debt instrument investment	—	4,000,000.00
Equity instrument investment	506,653,262.60	527,000,228.05
Total	506,653,262.60	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 Wanyite Medical Supplies Co., Ltd. (Note)	202,100,000.00	230,000,000.00
Equity instrument investment	C.Q.Pharmaceutical Holding Co., Ltd	150,495,590.70	139,838,735.40
Total	—	352,595,590.70	369,838,735.40

Note: Guangzhou Baxter Medical Supplies Co., Ltd. changed its name to Guangzhou Wanyite Medical Supplies Co., Ltd. in June 2025.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. 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	4,766,516.76	–	2,958,207.98	7,724,724.74
(1) Purchase	2,346,320.00	–	2,958,207.98	5,304,527.98
(2) Inventory, fixed assets and transferred from working in progress	2,420,196.76	–	–	2,420,196.76
(3) Others	–	–	–	–
3. Decrease	8,130,343.83	–	–	8,130,343.83
(1) Disposal	4,475,589.99	–	–	4,475,589.99
(2) Changes in exchange rates	156,148.33	–	–	156,148.33
(3) transferred into inventory, fixed assets and working in progress	3,498,605.51	–	–	3,498,605.51
4. Closing balance	297,602,009.76	19,867,393.15	26,287,490.98	343,756,893.89
II. Accumulated depreciation and amortization				
1. Opening balance	187,271,428.55	11,819,506.44	–	199,090,934.99
2. Increase	15,708,057.03	343,067.14	–	16,051,124.17
(1) Provision or amortization	13,691,428.13	343,067.14	–	14,034,495.27
(2) Inventory, fixed assets and transferred from working in progress	2,016,628.90	–	–	2,016,628.90
3. Decrease	11,762,437.56	–	–	11,762,437.56
(1) Disposal	4,424,874.09	–	–	4,424,874.09
(2) Changes in exchange rates	90,148.62	–	–	90,148.62
(3) transferred into inventory, fixed assets and working in progress	7,247,414.85	–	–	7,247,414.85
4. Closing balance	191,217,048.02	12,162,573.58	–	203,379,621.60
III. Provision for impairment				
1. Opening balance	–	–	–	–
2. Increase	–	–	–	–
3. Decrease	–	–	–	–
4. Closing balance	–	–	–	–
IV. Book value				
1. Closing balance of book value	106,384,961.74	7,704,819.57	26,287,490.98	140,377,272.29
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 RMB13,691,428.13 from Jan to December 2025 (2024: RMB13,770,886.61). Amortization is RMB343,067.14 from Jan to December 2025 (2024: RMB290,938.59).
- ② All of the investment properties with land use right are located in Mainland China with useful life vary from 20 to 50 years.

16. Fixed Assets

Item	Closing balance	Closing balance of last year
Fixed assets	6,771,216,777.58	5,562,042,542.06
Disposal of fixed assets	–	–
Less: Provision for impairment	39,460,668.13	32,029,329.21
Total	6,731,756,109.45	5,530,013,212.85

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. 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	1,300,129,540.70	489,919,147.13	5,368,903.05	37,010,315.55	40,496,425.27	2,460,906.66	1,875,385,238.36
(1) Purchases	7,970,163.99	104,927,905.04	1,789,982.71	11,395,136.29	28,086,792.74	37,905.72	154,207,886.49
(2) Transfer of construction, use assets, development expenditure, investment real estate	1,277,856,723.16	377,696,701.79	3,188,085.53	24,742,091.15	12,165,091.39	1,353,928.67	1,697,002,621.69
(3) Others	14,302,653.55	7,294,540.30	390,834.81	873,088.11	244,541.14	1,069,072.27	24,174,730.18
3. Decrease	53,202,681.37	112,684,334.65	6,928,652.32	7,819,681.49	19,631,859.89	13,486.51	200,280,696.23
(1) Disposal or scrap	49,338,125.54	94,487,686.36	6,928,652.32	7,630,318.81	19,293,275.28	13,486.51	177,691,544.82
(2) Changes in foreign exchange rate	220,942.72	-	-	-	21,914.26	-	242,856.98
(3) Others	3,643,613.11	18,196,648.29	-	189,362.68	316,670.35	-	22,346,294.43
4. Closing balance	6,471,995,561.14	4,562,138,674.03	134,359,366.10	409,210,619.12	446,538,669.88	75,986,859.59	12,100,229,749.86
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	189,750,249.12	328,281,127.27	8,049,140.73	31,023,835.64	47,075,707.11	4,098,947.68	608,279,007.55
(1) Provision	175,385,235.87	321,940,524.17	7,670,030.96	30,376,363.91	46,825,250.96	4,050,841.13	586,248,247.00
(2) Transfer-in from investment property, right-of-use assets, etc.	8,038,679.65	-	-	-	-	-	8,038,679.65
(3) Others	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	26,152,602.65	84,263,655.67	6,500,096.17	7,306,147.66	18,118,354.96	7,843.83	142,348,700.94
(1) Disposal or scrap	23,991,401.63	83,124,672.67	6,500,096.17	7,177,698.89	18,006,293.44	7,843.83	138,808,006.63
(2) Changes in foreign exchange rate	38,128.98	-	-	-	7,142.82	-	45,271.80
(3) Other	2,123,072.04	1,138,983.00	-	128,448.77	104,918.70	-	3,495,422.51
4. Closing balance	2,108,909,027.92	2,491,376,738.36	83,073,484.39	273,846,569.80	313,525,747.30	58,281,404.51	5,329,012,972.28
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	-	11,699,669.07	-	-	15,246,093.25
(1) Provision	-	-	-	-	-	-	-
(2) Transfer-in from construction in progress	-	-	-	11,699,669.07	-	-	11,699,669.07
(3) Others	3,485,159.42	61,264.76	-	-	-	-	3,546,424.18
3. Decrease	7,381,973.59	427,965.44	-	4,815.30	-	-	7,814,754.33
(1) Disposal or scrap	7,381,973.59	427,965.44	-	4,815.30	-	-	7,814,754.33
4. Closing balance	7,870,415.55	4,175,309.54	-	27,413,443.04	1,500.00	-	39,460,668.13
IV. Book value							
1. Closing balance of book value	4,355,216,117.67	2,066,586,626.13	51,285,881.71	107,950,606.28	133,011,422.58	17,705,455.08	6,731,756,109.45
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 to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Fixed Assets (Continued)

(1) Fixed assets (Continued)

① Fixed assets (Continued)

Notes:

- A The original price of transferring from construction in progress to fixed assets from Jan to Dec 2025 is RMB1,685,877,503.98 (Jan to Dec 2024: RMB1,534,512,347.25).
- B Fixed assets depreciation accrued in Jan to Dec 2025 is RMB600,654,710.80 (Jan to Dec 2024: RMB541,734,213.10), which is comprised of depreciation in operating cost RMB249,627,291.62, depreciation in selling expenses RMB136,314,150.85, depreciation in general and administrative expenses RMB166,163,747.37 and depreciation in R&D expenditure RMB48,549,520.96 (Jan to Dec 2024: RMB200,551,437.38, RMB156,712,838.21, RMB144,664,389.46 and RMB39,805,548.05).

② Temporary idle fixed assets

Item	Original cost	Accumulated depreciation	Provision for impairment	Book value	Note
Buildings	430,613.36	321,760.37	–	108,852.99	/
Machinery and equipment	5,499,227.33	4,846,482.56	41,280.83	611,463.94	/
Total	<u>5,929,840.69</u>	<u>5,168,242.93</u>	<u>41,280.83</u>	<u>720,316.93</u>	/

③ There is no fixed asset leased out under operating lease in this period

④ Fixed assets which do not have a certificate of property right

Item	Amount without Property Ownership Certificate	Reasons for Unsettled Property Ownership Certificate
Buildings	<u>1,802,061,754.41</u>	Processing but necessary procedures were not complete
Total	<u>1,802,061,754.41</u>	–

⑤ As on 31 Dec 2025, the Group pledged the net book value of fixed assets (buildings and structures) of RMB5,216,969.19 and the net book value of investment property of RMB2,559,934.85 to obtain a letter of credit with an investment limit of HKD300,000.00 and a 90-day credit facility with a total limit of HKD100,000,000.00 from Bank of China (Hong Kong) Limited.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Construction in Progress

Item	Closing balance	Closing balance of last year
Construction in progress	1,151,376,588.63	1,859,900,136.40
Less: Provision for impairment	1,755,800.00	13,707,203.45
Total	1,149,620,788.63	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	1,151,376,588.63	1,755,800.00	1,149,620,788.63	1,859,900,136.40	13,707,203.45	1,846,192,932.95
Total	1,151,376,588.63	1,755,800.00	1,149,620,788.63	1,859,900,136.40	13,707,203.45	1,846,192,932.95

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
Baiyunshan Heji public relocation project	699,521,600.00	272,431,562.34	158,986,657.07	-	-	431,418,219.41	75.27	75.27	-	-	-	Self-raised funds/share offering
Baiyun Base Logistics Project, Phase II.Q	615,124,000.00	71,490,609.76	267,469,092.06	-	-	338,959,701.82	55.24	55.24	-	-	-	Self-raised funds
Ming Xing relocation improvement	686,410,000.00	91,647,834.55	20,590,319.77	14,179,793.33	-	98,058,360.99	97.00	97.00	-	-	-	Self-raised funds/share offering
Intelligent three-dimensional warehouse project	102,740,000.00	43,469,408.85	22,882,481.24	-	-	66,351,890.09	69.29	92.00	-	-	-	Self-raised funds
Biotech Island Science and Technology Museum Exhibition Project	28,250,000.00	18,593,762.30	1,950,831.35	-	-	20,544,593.65	79.85	79.85	-	-	-	Self-raised funds
Airport Logistics Project	359,000,000.00	304,775.65	14,851,541.15	-	-	15,156,316.80	4.24	4.24	-	-	-	Self-raised funds
Ming Xing Bai Yun Factory Area Transformation Project	70,000,000.00	40,620,925.56	7,806,380.44	21,500,681.76	15,920,157.78	11,006,466.46	93.90	93.90	-	-	-	Self-raised funds

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Construction in Progress (Continued)

(1) Construction in progress (Continued)

② Changes of significant construction in progress in the current year (Continued)

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
New Factory R & D Workshop project	66,940,000.00	26,050,152.69	2,815,143.78	22,009,663.81	-	6,855,632.66	77.02	77.02	-	-	-	Self-raised funds
Intelligent Traditional Chinese Medicine Decoction System	48,000,000.00	7,445,095.39	7,525,437.85	9,219,819.13	70,513.38	5,680,200.73	85.50	85.50	-	-	-	Self-raised funds
Intelligent workshop technical transformation project (B)	54,000,000.00	37,985,555.93	8,138,124.32	43,183,769.52	-	2,939,910.73	90.55	90.55	-	-	-	Self-raised funds
Lanzhou production base	350,000,000.00	101,150,663.47	99,545,793.76	198,076,037.30	-	2,620,419.93	73.65	98.00	-	-	-	Self-raised funds
Nansha Base Project	750,000,000.00	1,749,562.94	54,980,321.45	56,392,140.81	-	337,743.58	88.63	94.38	-	-	-	Self-raised funds/share offering
Meizhou project II	99,800,000.00	33,028,884.32	45,300,854.40	78,288,628.10	-	41,110.62	84.71	84.71	-	-	-	Self-raised funds
Construction of Bio-island R&D Headquarters	1,099,853,000.00	780,324,048.02	6,439,680.65	786,763,728.67	-	-	84.35	100.00	-	-	-	Self-raised funds/share offering
Total	-	1,526,292,841.77	719,282,659.29	1,229,614,262.43	15,990,671.16	999,970,567.47	-	-	-	-	-	-

Note: A Other decreases in construction in progress for this period mainly relate to amounts transferred of construction in progress to intangible assets, administrative expenses within the Group.

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
Equipment to be installed	1,755,800.00	-	-	1,755,800.00	Production equipment could not be put into operation
Vial production line	11,699,669.07	-	11,699,669.07	-	Equipment idling
Guanghua Wastewater Treatment Plant Expansion Project	251,734.38	-	251,734.38	-	Project suspension
Total	13,707,203.45	-	11,951,403.45	1,755,800.00	

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. 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	349,410.00	349,410.00
(1) Provision	349,410.00	349,410.00
3. Decrease	–	–
4. Closing balance	2,271,165.00	2,271,165.00
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	771,362.10	771,362.10
2. Opening balance of book value	1,120,772.10	1,120,772.10

19. 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	156,547,121.97	–	156,547,121.97
(1) New lease	156,547,121.97	–	156,547,121.97
3. Decrease	280,515,574.33	1,071,317.58	281,586,891.91
(1) Disposal	274,300,618.62	1,071,317.58	275,371,936.20
(2) Other	6,214,955.71	–	6,214,955.71
4. Closing balance	1,049,520,358.01	45,187,107.26	1,094,707,465.27
II. Accumulated depreciation			
1. Opening balance	617,185,318.68	41,155,591.50	658,340,910.18
2. Increase	224,417,317.11	2,825,669.25	227,242,986.36
(1) Provision	224,417,317.11	2,825,669.25	227,242,986.36
3. Decrease	272,588,838.77	1,067,345.48	273,656,184.25
(1) Disposal	269,115,387.27	1,067,345.48	270,182,732.75
(2) Other	3,473,451.50	–	3,473,451.50
4. Closing balance	569,013,797.02	42,913,915.27	611,927,712.29
III. Book value			
1. Closing balance of book value	480,506,560.99	2,273,191.99	482,779,752.98
2. Opening balance of book value	556,303,491.69	5,102,833.34	561,406,325.03

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 67 Lease.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. 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	9,384,957.40	41,700.00	376,714,311.23	1,258,181.30	-	36,547,446.97	423,946,596.90
(1) Purchase	214,557.32	41,700.00	-	366,343.91	-	35,637,544.71	36,260,145.94
(2) Internal R&D	-	-	376,714,311.23	-	-	-	376,714,311.23
(3) Other	9,170,400.08	-	-	891,837.39	-	909,902.26	10,972,139.73
3. Decrease	2,370,105.31	-	181,666.38	92,452.83	-	1,430,838.12	4,075,062.64
(1) Disposal	1,645,130.93	-	-	92,452.83	-	230,838.12	1,968,421.88
(2) Other	724,974.38	-	181,666.38	-	-	1,200,000.00	2,106,640.76
4. Closing balance	1,409,209,757.88	46,765,656.48	441,041,311.53	1,563,705,260.07	127,793,900.00	426,360,092.69	4,014,875,978.65
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	33,876,251.43	1,183,533.12	5,236,548.52	331,820.22	-	28,961,749.33	69,589,902.62
(1) Provision	32,115,970.10	1,183,533.12	4,521,104.63	244,880.47	-	28,886,570.43	66,952,058.75
(2) Other	1,760,281.33	-	715,443.89	86,939.75	-	75,178.90	2,637,843.87
3. Decrease	777,279.09	-	85,786.93	-	-	1,279,313.98	2,142,380.00
(1) Disposal	777,279.09	-	-	-	-	79,313.98	856,593.07
(2) Other	-	-	85,786.93	-	-	1,200,000.00	1,285,786.93
4. Closing balance	340,566,990.63	35,936,430.08	61,572,518.92	33,324,882.38	-	361,252,627.43	832,653,449.44
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	1,068,642,767.25	10,375,883.36	379,468,792.61	1,529,796,804.69	127,793,900.00	65,107,465.26	3,181,185,613.17
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:

- 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 Dec 2025 was RMB69,589,902.62 (Jan to Dec 2024: RMB78,580,051.32), which included in the current profit or loss RMB69,589,902.62.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. 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
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
Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd.	-	3,236,307.91	-	-	-	3,236,307.91
Total	949,605,861.58	3,236,307.91	-	-	-	952,842,169.49

(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

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

- (3) The relevant information of the asset group or the combination of asset groups where goodwill is located

Name	The composition of the portfolio or group of portfolios and the basis	Business Segment and Basis	Consistent with previous years
Pharmaceutical company's including goodwill asset group	All operating non-current assets and goodwill related to pharmaceutical companies and their investment holding pharmaceutical distribution industries, based on the minimum asset portfolio that can generate independent cash flows.	Pharmaceutical Commercial Business Segment, divided according to regulatory requirements, corporate governance, etc.	Yes
Guangzhou Baiyun shan Hospital including goodwill asset group	All operating non-current assets and goodwill related to the medical industry of Guangzhou Baiyun Mountain Hospital, based on the minimum asset that can generate independent cash flow.	Other Business Segments, divided according to regulatory requirements, corporate governance, etc.	Yes
Sangongzai Pharmaceutical including goodwill asset group	All operating non-current assets and all goodwill in the pharmaceutical industry are based on the smallest asset portfolio capable of generating independent cash flows.	Modern Chinese Medicine Business Segment, divided according to regulatory requirements, corporate governance, etc.	Yes
Guangyao Haima including goodwill asset group	All operating non-current assets and goodwill related to the advertising industry of Guangyao Haima, based on the minimum asset combination that can generate independent cash flows.	Other Business Segments, divided according to regulatory regulations, corporate governance and other requirements.	Yes
Guangyao (Ya'an) Pharmaceutical Co., Ltd. including goodwill asset group	Operating assets related fixed assets, intangible assets, long-term prepaid expenses, right-of-use assets, lease liabilities, non-current liabilities within one year, etc.	Pharmaceutical Commercial Business Segment, divided according to regulatory regulations, corporate governance and other requirements.	Yes
Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd.	All operating non-current assets and all goodwill in the pharmaceutical industry are based on the smallest asset portfolio capable of generating independent cash flows.	Modern Chinese Medicine Business Segment, divided according to regulatory requirements, corporate governance, etc.	Not applicable

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

(4) The determination method of the recoverable amount of goodwill.

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

Item	Book value	Recoverable amount	Impairment amount	Forecast period	Key parameters of the forecast period	Basis for the determination of parameters(forecast period)	Key parameters of the stable period	Basis for the determination of parameters(stable period)
Pharmaceutical company	2,556,863,902.53	3,061,469,342.45	-	2026-2030 (followed by a period of stability)	Revenue growth rate 5.99%-5.01%; profit margin 2.18%-2.48%; pretax discount rate 9.46%.	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.	Revenue growth rate 0%; profit margin 2.48%; pretax discount rate 9.46%	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.
Guangzhou Baiyunshan Hospital	115,673,915.03	152,545,984.48	-	2026-2030 (followed by a period of stability)	Revenue growth rate 4.97%-4.97%; profit margin 3.59%-4.40%; pretax discount rate 13.11%.	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.	Revenue growth rate 0%; profit margin 4.4%; pretax discount rate 13.11%	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.
Sangongzai Pharmaceutical	4,664,960.81	5,802,292.00	-	2026-2030 (followed by a period of stability)	Revenue growth rate -7.44%-3.51%; profit margin 0.80%-2.81%; pretax discount rate 8.87%.	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.	Revenue growth rate 0%; profit margin 2.81%; pre-tax discount rate 8.87%	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.
Guangyao Haima	4,017,759.32	26,724,114.00	-	2026-2030(followed by a period of stability)	Revenue growth rate 5.00%; profit margin 0.74%-0.88%; pre-tax discount rate 13.10%.	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.	Revenue growth rate 0%; profit margin 0.88%; pretax discount rate 13.10%	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.
Guangyao (Ya'an) Pharmaceutical Co., Ltd. including goodwill asset group	1,656,958.77	4,987,373.43	-	2026-2030 (followed by a period of stability)	Income growth rate range: 10.00%-30.00%, profit margin 1.37%-2.47% Pre-tax discount rate 9.91%.	Historical experience is consistent with external information sources.	Revenue growth rate 0%; profit margin 2.47%; pretax discount rate 9.91%	Management's forecast data and the level of industry development and other factors
Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd.	17,246,474.05	22,020,000.00	-	2026-2030(followed by a period of stability)	Income growth rate range: 10.00%-7.07%, profit margin 4.28%-9.83% Pre-tax discount rate 10.06%	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.	Revenue growth rate 0%; profit margin 9.83%; pretax discount rate 10.06%	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.
Total	<u>2,700,123,970.51</u>	<u>3,273,549,106.36</u>	-	-	-	-	-	-

(5) Situation of performance commitment and its impact on the impairment test of goodwill.

None.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Long-term prepaid expenses

Item	Closing balance of last year	Increase	Amortization	Other changes	Closing balance
Decoration expenses	144,808,570.99	17,073,690.27	44,307,490.76	–	117,574,770.50
GMP reconstruction expenses	11,660,956.25	4,512,036.68	5,324,362.26	–	10,848,630.67
Computer system expenses	1,003,711.49	484,379.06	593,767.38	–	894,323.17
Others	31,086,104.43	8,973,167.89	10,795,930.76	(2,963,881.29)	26,299,460.27
Total	<u>188,559,343.16</u>	<u>31,043,273.90</u>	<u>61,021,551.16</u>	<u>(2,963,881.29)</u>	<u>155,617,184.61</u>

23. 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	57,849,976.17	385,666,507.83	57,849,976.17
Provision for credit impairment	872,871,746.50	196,208,947.38	751,167,601.92	179,919,791.78
Provision for decline in value of inventories	99,760,922.42	19,385,193.64	76,465,861.33	14,511,366.35
Provision for impairment of construction in progress	1,755,800.00	263,370.00	13,707,203.45	2,056,080.52
Provision for impairment of fixed assets	21,818,790.45	3,844,268.46	14,592,366.35	2,206,006.38
Fixed assets depreciation differences between accounting and tax law	69,961,197.27	16,875,947.37	68,960,589.66	16,725,856.23
Intangible assets depreciation differences between accounting and tax law	7,756,720.63	1,163,508.10	11,125,564.55	1,668,834.68
Other equity instruments investments	39,872,910.07	5,980,936.52	31,441,055.66	4,716,158.35
Other non-current financial assets	5,307,835.55	796,175.33	15,358,084.13	2,303,712.62
Employee benefits payable	139,641,380.61	23,570,931.24	99,635,249.79	16,786,418.47
Other payables	1,862,848,940.09	364,943,944.17	1,627,914,572.86	327,586,493.33
Lease liabilities	504,146,481.25	112,842,389.85	591,113,674.55	136,535,688.43
Provisions	1,061,761,629.77	159,264,244.47	1,062,316,728.20	159,347,509.23
Deductible tax losses	478,434,522.55	109,707,319.56	434,782,546.19	84,620,708.22
Deferred income	706,570,110.35	115,768,848.24	648,084,676.54	101,677,599.42
Impact on total profit arising from elimination	310,584,784.08	73,896,627.57	352,967,696.84	74,731,488.53
Others	143,431,703.58	24,127,173.96	164,604,848.64	27,160,004.76
Total	<u>6,712,191,983.00</u>	<u>1,286,489,802.03</u>	<u>6,349,904,828.49</u>	<u>1,210,403,693.47</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. 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	1,049,194,774.00	262,298,693.50	1,041,878,033.35	260,469,508.34
Right-to-use assets	462,323,272.64	103,919,778.55	555,955,437.40	141,107,729.48
Book value of the appreciated intangible assets and fixed assets in business combination	361,310,935.88	94,029,640.89	419,269,935.37	102,211,549.03
Other non-current financial assets	212,217,724.88	31,832,658.73	195,216,868.16	29,282,530.22
Fixed assets depreciation differences between accounting and tax law	100,270,251.62	14,795,007.14	92,710,213.54	13,906,532.02
Book value of amortization provided for intangible assets appreciation	11,142,280.89	2,020,230.70	8,000,766.40	1,205,046.96
Book value of depreciation provided for fixed assets appreciation	4,783,883.75	1,084,110.54	1,212,888.00	181,933.20
Other equity instruments investments	750,563.86	112,584.58	257,510.67	38,626.60
Others	548,956,669.97	89,274,678.24	509,231,899.03	77,154,021.21
Total	<u>2,750,950,357.49</u>	<u>599,367,382.87</u>	<u>2,823,733,551.92</u>	<u>625,557,477.06</u>

(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	Deductible losses	Deductible temporary difference	Deductible losses
Deductible temporary difference	64,542,032.12		52,491,178.23	
Deductible losses	1,072,504,583.91		841,211,061.02	
Total	<u>1,137,046,616.03</u>		<u>893,702,239.25</u>	

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Deferred Tax Assets and Deferred Tax Liabilities (Continued)

- (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	/
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	231,896,822.99	231,896,822.99	/
2030	320,959,698.07	—	/
Total	1,072,504,583.91	841,211,061.02	/

24. 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
Contract acquisition costs with an amortization period exceeding one year/one normal operating cycle upon initial recognition.	1,912,359.00	—	1,912,359.00	—	—	—
Contract performance costs with an amortization period exceeding one year/one normal operating cycle upon initial recognition.	166.67	—	166.67	—	—	—
Advance payment of project	230,523,492.82	—	230,523,492.82	212,699,075.85	—	212,699,075.85
Total	232,436,018.49	—	232,436,018.49	212,699,075.85	—	212,699,075.85

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. 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	2,383,777,493.39	2,383,777,493.39	Freeze	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
Accounts receivable	-	-	-	-	3,133,548.00	3,133,548.00	Pledge	Pledge to bank
Notes receivable	150,597,334.56	150,597,334.56	Endorsed/ Discounted	Endorse or discounted to the bank	213,107,972.53	213,107,972.53	Endorsed/ Discounted	Endorse or discounted to the bank
Fixed assets	8,032,240.62	5,216,969.19	Credit collateral	Mortgage to bank	8,235,176.49	5,414,988.13	Credit collateral	Mortgage to bank
Investment real estate	6,180,380.85	2,559,934.85	Credit collateral	Mortgage to bank	6,336,529.18	2,731,950.24	Credit collateral	Mortgage to bank
Debt investment	-	-	-	-	50,000,000.00	50,000,000.00	Pledge	Acceptance Bill Deposit
Total	<u>2,548,587,449.42</u>	<u>2,542,151,731.99</u>	-	-	<u>2,248,410,767.91</u>	<u>2,241,986,000.61</u>	-	-

26. Short-term Borrowings

(1) Category of short-term borrowings

Item	Closing balance	Closing balance of last year
Credit borrowings	7,815,211,070.76	7,971,957,445.04
pledge loan	-	2,060,871.62
Bills Discounted	1,743,076,566.48	1,148,964,134.66
Total	<u>9,558,287,637.24</u>	<u>9,122,982,451.32</u>

Note: As on 31 Dec 2025, the weighted average annual interest rate of short-term borrowings is 2.2632% (31 December 2024: 2.6102%).

(2) The Group had no overdue short-term borrowings as on 31 Dec 2025.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Notes Payable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	5,058,726,244.27	4,549,772,836.27
Commercial acceptance notes	13,600,000.00	35,081,522.51
Total	5,072,326,244.27	4,584,854,358.78

Note: As on 31 Dec 2025, amount expected to be matured within a year is RMB5,072,326,244.27 (31 December 2024: RMB4,584,854,358.78).

28. Accounts Payable

(1) The aging of accounts payable is as follows:

Item	Closing balance	Closing balance of last year
Within 1 year(including 1 year)	12,016,531,510.75	11,206,378,453.13
Over 1 year	482,524,059.26	528,288,083.56
Total	12,499,055,570.01	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	23,311,652.75	Payment terms not satisfied
Supplier 2	21,369,413.57	Payment terms not satisfied
Supplier 3	18,520,150.44	Payment terms not satisfied
Supplier 4	17,967,538.14	Payment terms not satisfied
Supplier 5	15,205,522.47	Payment terms not satisfied
Total	96,374,277.37	—

29. Advance payments

(1) Ageing classification

Item	Closing balance	Closing balance of last year
Within 1 year (including 1 year)	1,468,727.86	4,548,223.86
Total	1,468,727.86	4,548,223.86

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Contract liabilities

(1) Contract liabilities are as follows:

Item	Closing balance	Closing balance of last year
Product sales payment received in advance	2,822,785,620.55	5,064,805,503.26
Medical payment received in advance	10,455,029.66	7,171,755.66
Total	<u>2,833,240,650.21</u>	<u>5,071,977,258.92</u>

(2) Contract liabilities disclosed by aging:

Item	Closing balance	Closing balance of last year
Within 1 year (including 1 year)	2,787,953,184.58	5,039,680,570.92
Over 1 year	45,287,465.63	32,296,688.00
Total	<u>2,833,240,650.21</u>	<u>5,071,977,258.92</u>

(3) The Group had no significant contract liabilities with aging over 1 year as on 31 Dec 2025 and 31 December 2024.

31. 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	5,330,374,590.01	5,277,324,941.43	949,680,261.83
Post-employment benefits-set up a deposit plan	1,914,527.55	647,004,223.42	646,858,402.18	2,060,348.79
Termination benefits	568,677.70	19,691,378.23	19,147,005.27	1,113,050.66
Total	<u>899,113,818.50</u>	<u>5,997,070,191.66</u>	<u>5,943,330,348.88</u>	<u>952,853,661.28</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Employee Benefits Payable (Continued)

(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	4,563,217,497.56	4,504,663,579.77	902,595,307.62
Employee welfare	4,137,614.62	152,671,087.91	152,839,820.11	3,968,882.42
Social Insurance premium	93,080.81	192,577,658.72	192,655,509.40	15,230.13
Including: Medical insurance premium	79,544.70	173,417,577.44	173,483,634.83	13,487.31
Industrial injury insurance premium	13,536.11	18,870,243.05	18,882,036.34	1,742.82
Maternity insurance premium	–	289,838.23	289,838.23	–
Housing funds	796,676.84	331,231,208.77	331,307,778.62	720,106.99
Labor-union expenditure and employee education funds	17,666,255.60	76,504,815.45	76,027,468.71	18,143,602.34
Non-monetary welfare	151,242.00	147,114.52	298,356.52	–
Housing allowance	29,432,199.85	11,409,521.18	16,938,521.97	23,903,199.06
Other short-term benefits	312,153.70	2,615,685.90	2,593,906.33	333,933.27
Total	896,630,613.25	5,330,374,590.01	5,277,324,941.43	949,680,261.83

(3) Disclosure of defined contribution plan by categories

Item	Closing balance of last year	Increase	Decrease	Closing balance
Basic pension insurance	261,318.35	479,804,640.31	479,999,425.81	66,532.85
Unemployment insurance premiums	13,309.72	23,111,999.98	23,122,565.34	2,744.36
Enterprise annuity	1,371,923.86	124,815,618.91	124,516,750.98	1,670,791.79
Others	267,975.62	19,271,964.22	19,219,660.05	320,279.79
Total	1,914,527.55	647,004,223.42	646,858,402.18	2,060,348.79

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Employee Benefits Payable (Continued)

(4) Termination benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Compensation for termination of labor relations	568,677.70	19,691,378.23	19,147,005.27	1,113,050.66
Total	<u>568,677.70</u>	<u>19,691,378.23</u>	<u>19,147,005.27</u>	<u>1,113,050.66</u>

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 Dec 2025. There are no overdue employee benefits payable. The balance is expected to be paid and utilized in next half of the year.

32. Tax Payable

Item	Closing balance	Closing balance of last year
Enterprise income tax	170,898,157.26	118,402,755.85
Value-added tax	88,377,039.10	84,190,661.72
Individual income tax	22,170,589.47	21,018,902.89
Stamp duty	11,127,372.72	10,887,032.43
Urban maintenance and construction tax	5,838,667.20	5,582,710.79
Property tax	3,330,367.34	4,207,694.05
Educational surcharge	2,528,273.37	2,416,979.62
Local education surcharge	1,647,844.99	1,573,742.62
Land use tax	126,753.65	54,750.08
Others	61,499.75	576,024.10
Total	<u>306,106,564.85</u>	<u>248,911,254.15</u>

33. Other payables

Item	Closing balance	Closing balance of last year
Interest payable	—	—
Dividends payable	53,189,827.58	50,492,925.62
Other payables	4,978,382,160.41	5,023,805,906.64
Total	<u>5,031,571,987.99</u>	<u>5,074,298,832.26</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Other payables (Continued)

(1) Interest payable

Nil

(2) Dividends payable

Item	Closing balance	Closing balance of last year
Foreign public shares	163,597.14	163,627.25
Domestic public shares	1,563,414.48	3,437,266.60
Minority shareholders	51,462,815.96	46,892,031.77
Total	53,189,827.58	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	1,741,666,951.81	1,660,151,925.86
Sales discounts	1,666,732,209.28	1,806,648,826.15
Accrued expenses	835,959,785.85	857,429,002.32
Margin, deposit, and down payment received	491,998,512.88	523,691,630.70
Accruals for fixed assets	86,955,888.86	49,682,034.39
Current accounts to related parties	24,983,152.82	21,613,882.68
Funds received temporarily from employees	22,820,415.17	11,704,101.85
Epidemic prevention supplies turnover fund	8,590,291.42	28,115,893.84
Others	98,674,952.32	64,768,608.85
Total	4,978,382,160.41	5,023,805,906.64

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Other payables (Continued)

(3) Other payables (Continued)

② Breakdown of accrued expenses

Item	Closing balance	Closing balance of last year
Advertisement and promotion expenses	278,838,889.85	232,588,237.78
Terminal expenses	175,419,067.03	184,153,396.85
Freight expenses	171,539,048.60	218,951,400.51
Conference expenses	25,104,163.73	26,300,713.81
Research and development expenditures	22,301,437.01	40,607,835.25
Travel expenses	22,014,495.98	20,577,649.53
Utilities expenses	15,017,987.73	10,643,206.62
Agency fee	5,200,670.12	5,533,107.84
Rental expenses	3,590,415.31	6,399,306.83
Consulting fee	849,796.79	966,607.83
Trademark fee	50,000.00	676,551.92
Others	116,033,813.70	110,030,987.55
Total	835,959,785.85	857,429,002.32

③ Disclosures of other payables by aging

Item	Closing balance	Closing balance of last year
Within 1 year(including 1 year)	4,444,799,991.93	4,438,077,761.06
Over 1 year	533,582,168.48	585,728,145.58
Total	4,978,382,160.41	5,023,805,906.64

④ Important other payables with an age of more than 1 year

None.

34. Non-current liabilities due within one year

Item	Closing balance	Closing balance of last year
Long-term borrowings due within 1 year (Note V. 36)	2,026,560,387.45	1,332,047,797.30
Lease liabilities due within 1 year (Note V. 38)	185,196,122.94	190,569,530.25
Total	2,211,756,510.39	1,522,617,327.55

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Other Current Liabilities

Item	Closing balance	Closing balance of last year
Pending output VAT	356,262,942.62	651,719,293.54
Super & Short-term Commercial Paper (SCP)	301,777,972.61	—
Total	658,040,915.23	651,719,293.54

36. Long-term Borrowings

(1) Classification of long-term borrowings

Item	Closing balance	Closing balance of last year	Interest rate range
Credit borrowings	4,595,868,283.42	4,137,586,402.74	/
Less: Long-term borrowings due within 1 year (Note V. 34)	2,026,560,387.45	1,332,047,797.30	/
Total	2,569,307,895.97	2,805,538,605.44	/

Notes: ① as on 31 Dec 2025, the average annual rate of long-term borrowings is 2.3440% (as on 31 December 2024: 2.6364%).

② The Group had no overdue long-term borrowings as on 31 Dec 2025.

37. Bonds Payable

Item	Closing balance	Closing balance of last year
The first tranche of medium-term notes (MTN) of Guangzhou Pharmaceutical Co., Ltd. for 2025	604,442,794.52	—
Subtotal	604,442,794.52	—
Less: Bonds payable due within one year	—	—
Total	604,442,794.52	—

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Bonds Payable (Continued)

Changes in bonds payable (excluding preferred shares, perpetual bonds, and other financial instruments classified as financial liabilities)

Bond Name	Book Value	rate (%)	Date of issuance	Term of bonds	Issuance amount
The first tranche of medium-term notes (MTN) of Guangzhou Pharmaceutical Co., Ltd. for 2025	100.00	1.89	2025/8/11	3 years	600,000,000.00
Total	-	-	-	-	600,000,000.00

Bond Name	Opening Balance	Issued during the Period	Interest Accrued at Par Value	Discount	Repaid during the Period	Closing Balance	Default or Not
The first tranche of medium-term notes (MTN) of Guangzhou Pharmaceutical Co., Ltd. for 2025	-	600,000,000.00	4,442,794.52	-	-	604,442,794.52	No
Total	-	600,000,000.00	4,442,794.52	-	-	604,442,794.52	-

38. Lease Liabilities

Item	Closing balance	Closing balance of last year
Lease liabilities	556,668,754.24	636,284,737.12
Less: Amount due within 1 year (Note V. 34)	185,196,122.94	190,569,530.25
Total	371,472,631.30	445,715,206.87

39. Long-term Payables

Item	Closing balance	Closing balance of last year
Long-term payables	19,666,964.60	19,666,964.60
Total	19,666,964.60	19,666,964.60

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Long-term Payables (Continued)

1. Long-term payables

Item	Closing balance	Closing balance of last year
State funds payable	17,393,650.77	17,393,650.77
Department of Finance of Guangxi Zhuang Autonomous Region	2,264,426.47	2,264,426.47
Others	8,887.36	8,887.36
Total	19,666,964.60	19,666,964.60

40. Long-term Employee Benefits Payable

Item	Closing balance	Closing balance of last year
Post-employment benefits – provision for long service bonus	292,293.37	299,678.21
Total	292,293.37	299,678.21

41. Provisions

Item	Closing balance of last year	Increase	Decrease	Closing balance	Cause
Employee benefits for restructuring of Guangyao General Institute	41,816,966.14	–	1,021,238.34	40,795,727.80	Note
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	–	1,390,000.00	437,443.25	The expected loss due to the proceedings
Total	44,144,600.58	–	2,411,238.34	41,733,362.24	–

Note: 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.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Deferred income

Item	Closing balance of last year	Increase	Decrease	Closing balance	reason
Governmental subsidy	1,001,862,397.10	310,284,939.16	270,207,531.54	1,041,939,804.72	Government funding
Total	1,001,862,397.10	310,284,939.16	270,207,531.54	1,041,939,804.72	-

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	126,736,648.15	111,974.64	43,963,511.30	-	13,641,600.00	600,000.00	753,448,016.77	
Including:	-	-	-	-	-	-	-	-	
Technology funds granted by the government	70,363,970.48	34,952,495.00	-	13,402,506.27	-	13,641,600.00	600,000.00	78,872,359.21	Asset related
Compensation for relocation	224,344,511.37	-	72,997.56	-	-	-	-	224,271,513.81	Asset related
Special project funds for environmental protection	1,686,375.41	-	-	243,801.68	-	-	-	1,442,573.73	Asset related
Construction funds for innovation platform and laboratory	25,005,897.90	-	-	4,293,512.09	-	-	-	20,712,385.81	Asset related
Land support funds granted by the government	53,187,639.17	-	-	3,506,942.40	-	-	-	49,680,696.77	Asset related
Support funds for industrial development	236,344,826.66	79,009,153.15	-	16,547,790.99	-	-	-	298,806,188.82	Asset related
Others	72,895,233.57	12,775,000.00	38,977.08	5,968,957.87	-	-	-	79,662,298.62	Asset related
Government grants related to income	318,033,942.54	183,548,291.01	62,515,457.87	137,242,144.77	1,880,947.12	2,613,813.00	(8,838,082.84)	288,491,787.95	
Including:	-	-	-	-	-	-	-	-	
Technology funds granted by the government	103,303,872.98	33,455,893.56	-	42,520,056.71	1,855,512.71	2,300,000.00	(7,500,000.00)	82,584,197.12	Income related
Special fund for innovative enterprises	9,609,141.91	4,860,800.00	-	12,056,759.57	-	-	-	2,413,182.34	Income related
Compensation for relocation	160,000,000.00	62,829,270.87	62,515,457.87	-	-	313,813.00	-	160,000,000.00	Income related
Support funds for industrial development	-	11,303,299.60	-	10,303,299.60	-	-	-	1,000,000.00	Income related
Others	45,120,927.65	71,099,026.98	-	72,362,028.89	25,434.41	-	(1,338,082.84)	42,494,408.49	Income related
Total	1,001,862,397.10	310,284,939.16	62,627,432.51	181,205,656.07	1,880,947.12	16,255,413.00	(8,238,082.84)	1,041,939,804.72	

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. 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	5,114,749.02	5,276,488.82
Total	55,339,749.02	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.

44. Share capital

Item	Closing balance of last year	Changes in the current period(+,-)				Subtotal	Closing balance
		Issuance	Share dividends	Capitalizing of capital reserves	Others		
Ordinary shares denominated in RMB	1,405,890,949.00	-	-	-	-	-	1,405,890,949.00
Overseas-listed shares held by foreign investors	219,900,000.00	-	-	-	-	-	219,900,000.00
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

45. Capital Surplus

Item	Closing balance of last year	Increase	Decrease	Closing balance
1. Share premium	9,056,276,911.69	210,683,113.48	885,429.36	9,266,074,595.81
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	10,113,721,707.21	210,683,113.48	885,429.36	10,323,519,391.33

Notes: ① The Company acquired 17.75% minority equity interest in its subsidiary Guangxi Yingkang during the year. The excess of the book value over the acquisition consideration paid amounting to RMB885,429.36 was deducted from capital surplus.

② The minority shareholder of the subsidiary Guangdong Hanchao Traditional Chinese Medicine Technology Co., Ltd., Jinan University, made an investment in the form of intangible assets during the year, and the appraisal appreciation portion increased additional paid-in capital by RMB13,650.00; Capital contribution from minority shareholders of the subsidiary Guangzhou Hanfang resulted in an increase in additional paid-in capital of RMB210,669,463.48.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Other Comprehensive Income

Item	Closing balance of last year	Current amount before tax	Current period					Closing balance
			Less: profit or loss transferred from other comprehensive income in previous period	Less: retained earnings transferred from other comprehensive income in previous period	Less: Income tax expense	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)	(8,006,503.49)	-	-	(1,200,975.52)	(6,805,527.97)	-	(27,322,961.29)
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)	(8,006,503.49)	-	-	(1,200,975.52)	(6,805,527.97)	-	(28,771,143.10)
II. Other comprehensive income that may be reclassified into profit or loss	6,677,769.35	(493,400.49)	-	-	1,146,840.90	(1,952,513.55)	312,272.16	4,725,255.80
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	(5,080,764.08)	-	-	-	(5,080,764.08)	-	5,360,153.52
Change in fair value of investments in other debt instruments	(13,636,719.40)	(2,407,309.72)	-	-	(601,827.43)	(1,641,611.30)	(163,870.99)	(15,278,330.70)
Provision for credit impairment of other debt investments	9,844,434.58	6,994,673.31	-	-	1,748,668.33	4,769,861.83	476,143.15	14,614,296.41
Total other comprehensive income	(13,839,663.97)	(8,499,903.98)	-	-	(54,134.62)	(8,758,041.52)	312,272.16	(22,597,705.49)

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Surplus Reserve

Item	Closing balance of last year	Increase	Decrease	Closing balance
Statutory surplus reserve	2,244,592,723.54	115,502,877.19	–	2,360,095,600.73
Discretionary surplus reserve	118,925,617.49	–	–	118,925,617.49
Total	<u>2,363,518,341.03</u>	<u>115,502,877.19</u>	<u>–</u>	<u>2,479,021,218.22</u>

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 The Group may withdraw any discretionary surplus reserve after drawing the statutory surplus reserve. Upon approval, discretionary surplus reserve may be used to cover losses of previous years or increase the share capital.

48. 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	2,983,113,594.80	2,835,496,163.51
Less: Appropriation of statutory surplus reserve	115,502,877.19	111,456,636.89
Appropriation of discretionary surplus reserve	–	–
Ordinary share dividends payable	1,300,632,759.20	1,868,033,800.40
Ordinary shares dividends converted to share capital	–	–
Closing balance of undistributed profits	<u>23,382,314,493.73</u>	<u>21,815,336,535.32</u>

Notes:

- ① Pursuant to the 2024 Annual General Meeting held on June 3, 2025, the Company distributed cash dividends to all shareholders at RMB0.40 per share (tax included). Based on 1,625,790,949 issued shares of the Company as at the end of 2024, the total cash dividends amounted to RMB650,316,379.60.
- ② Pursuant to the 28th meeting of the 9th Board of Directors held on August 15, 2025, the Company distributed cash dividends to all shareholders at RMB0.40 per share (tax included). Based on 1,625,790,949 issued shares of the Company as at June 30, 2025, the total cash dividends amounted to RMB650,316,379.60.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. Operating Income and Operating Costs

(1) Operating Income and Operating Costs

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Main businesses	77,412,542,591.33	64,929,820,058.77	74,778,519,498.98	62,389,614,053.88
Other businesses	243,567,347.90	115,241,344.97	214,300,974.58	83,154,627.81
Total	<u>77,656,109,939.23</u>	<u>65,045,061,403.74</u>	<u>74,992,820,473.56</u>	<u>62,472,768,681.69</u>

(2) Disclosure by category

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Modern Chinese Medicine Business	6,775,580,776.17	3,933,930,327.31	7,249,834,977.58	4,067,276,323.79
Chemical Pharmaceutical Technology Business	2,482,045,705.51	1,061,323,583.28	2,588,882,841.43	1,297,360,876.06
Natural Beverage Business	9,672,174,234.96	5,288,135,220.58	9,705,343,095.46	5,520,853,649.45
Pharmaceutical Commercial Business	56,983,479,018.22	53,638,279,193.33	53,650,211,445.08	50,420,088,596.51
Other Businesses	1,499,262,856.47	1,008,151,734.27	1,584,247,139.43	1,084,034,608.07
Total	<u>77,412,542,591.33</u>	<u>64,929,820,058.77</u>	<u>74,778,519,498.98</u>	<u>62,389,614,053.88</u>

(3) Disclosure by primary operating region

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	58,954,276,480.37	50,968,707,640.28	55,585,386,078.28	47,760,688,764.82
Eastern China Area	5,989,486,962.24	4,412,754,007.61	6,237,915,910.47	4,712,118,950.09
Northern China Area	3,114,881,436.38	2,336,222,691.88	3,338,990,004.67	2,464,776,942.72
Northeast Area	2,546,171,932.57	2,263,110,112.95	2,104,630,222.87	1,822,961,117.87
Southwest Area	4,596,515,159.24	3,174,377,876.18	5,235,952,771.00	3,797,812,122.51
Northwest Area	1,916,902,683.83	1,516,117,799.54	2,000,411,558.92	1,577,145,084.54
Hong Kong, Macao and Overseas	294,307,936.70	258,529,930.33	275,232,952.77	254,111,071.33
Total	<u>77,412,542,591.33</u>	<u>64,929,820,058.77</u>	<u>74,778,519,498.98</u>	<u>62,389,614,053.88</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. Operating Income and Operating Costs (Continued)

(4) Other business income and other business cost

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Leases of assets	83,696,976.98	15,722,171.74	79,259,675.58	13,363,052.33
E-commerce platform and store service fee	29,199,931.54	—	10,272,862.82	—
Technical service income	20,435,970.62	5,314,376.30	14,116,551.07	878,949.22
Sales of materials	10,818,517.66	7,176,210.45	6,874,473.09	6,587,701.77
Property management fee	10,793,968.60	8,440,797.10	9,585,679.00	9,156,931.27
Consulting fee	3,892,828.15	17,200.00	8,199,777.49	38,957.83
Trademark fee income	2,701,064.15	—	1,888,229.70	—
Service income	164,437.37	23,153.90	284,776.24	4,470.00
Others	81,863,652.83	78,547,435.48	83,818,949.59	53,124,565.39
Total	243,567,347.90	115,241,344.97	214,300,974.58	83,154,627.81

50. Taxes and Surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	123,014,365.28	109,091,844.85
Stamp duty	57,153,617.77	58,706,545.29
House property tax	54,543,272.13	42,423,042.48
Education surcharge	52,804,995.42	46,812,884.77
Local education surcharge	35,203,219.29	31,210,075.75
Land use tax	7,826,227.76	7,749,256.42
Vehicle and vessel use tax	148,782.58	147,160.50
Environmental Protection tax	107,130.37	226,713.08
Others	1,135,583.64	316,338.30
Total	331,937,194.24	296,683,861.44

Note: Please refer to Note IV. Taxes for basic rates of the above taxes and surcharges.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Selling and distribution expenses

Item	Current period	Prior period
Employee benefits	2,982,836,359.78	2,886,813,989.16
Advertising and promotion fees	1,017,482,623.74	930,476,225.87
Sales and service fees	988,976,577.03	850,841,212.62
Depreciation expenses	245,975,385.39	272,309,486.04
Traveling expenses	150,401,168.25	159,965,751.25
Freight and miscellaneous charges	126,561,274.08	212,475,744.43
Conference expenses	65,088,327.00	65,071,159.91
Office expenses	39,441,886.39	42,019,735.87
Rental expenses	32,112,436.35	28,790,185.40
Others	177,929,500.39	170,855,905.34
Total	5,826,805,538.40	5,619,619,395.89

52. General and administrative expenses

Item	Current period	Prior period
Employee benefits	1,672,792,762.83	1,586,449,785.70
Depreciation expenses	220,689,372.55	208,507,446.58
Amortization	120,355,112.21	137,060,000.91
Office expenses	70,879,249.94	82,627,961.74
Agency fees	38,452,914.39	29,752,661.80
Repairing expenses	36,689,258.76	37,704,464.17
Utilities	35,656,409.16	29,296,188.10
Traveling expenses	25,406,172.86	23,747,384.12
Consulting	24,718,071.36	19,584,309.98
Freight and miscellaneous charges	19,328,070.34	15,144,890.30
Conference expenses	10,105,129.79	9,110,398.01
Rental expenses	5,899,638.19	6,759,382.37
Insurance premium	3,860,285.88	4,438,918.51
Trademark license fees	1,721,947.60	244,616.67
Others	222,306,089.48	217,205,403.53
Total	2,508,860,485.34	2,407,633,812.49

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. Research and development expenditures

Item	Current period	Prior period
Employee benefits	343,024,857.25	344,851,620.77
Trial production expenses	66,592,805.01	72,057,579.55
Raw materials	60,549,191.02	79,630,171.34
Depreciation expenses	49,106,763.69	39,820,788.51
Special research and development	48,221,293.58	139,197,961.35
Clinical trial expenses	16,998,676.27	11,164,870.32
Amortization cost	5,019,937.37	4,920,656.83
Technique research expenses	2,162,503.64	1,023,527.08
Others	69,957,528.38	71,102,879.68
Total	661,633,556.21	763,770,055.43

54. Financial expenses

Item	Current period	Prior period
Interest expenses	401,507,404.35	418,151,317.81
Including: Interest expenses related to lease	26,617,070.49	32,514,818.82
Less: interest revenue	141,887,111.93	404,308,070.51
Exchange gains/(losses)	(3,871,490.72)	3,150,276.44
Service charge of finance institutions	19,913,582.35	18,687,845.67
Others	5,575,365.57	2,547,717.37
Total	281,237,749.62	38,229,086.78

55. Other Income

Item	Current period	Prior period
Government grants	257,555,908.31	343,061,715.88
Total	257,555,908.31	343,061,715.88

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. 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	15,272,798.15	12,792,730.67	–	Asset related
Special project fund for environmental protection	243,801.68	172,801.68	–	Asset related
Construction funds for innovation platform and laboratory	4,293,512.09	2,466,283.16	–	Asset related
Government land support funds	3,510,238.83	3,506,942.40	–	Asset related
Support funds for industrial development	16,547,790.99	16,849,561.46	–	Asset related
Others	5,980,483.85	3,235,328.61	–	Asset related
Subtotal	45,848,625.59	39,023,647.98	–	–
Technology funds granted by the government	42,835,982.98	62,050,780.90	42,835,982.98	Income related
Special fund for innovative enterprises	12,256,759.57	11,348,314.66	12,256,759.57	Income related
Support funds for industrial	14,912,390.89	18,672,237.74	14,912,390.89	Income related
Research project funding for pharmaceutical industrialization	–	1,400,000.00	–	Income related
Additional Deduction for Value-Added Tax	42,784,480.68	79,874,446.09	–	Income related
Others	98,917,668.60	130,692,288.51	98,917,668.60	Income related
Subtotal	211,707,282.72	304,038,067.90	168,922,802.04	–
Total	257,555,908.31	343,061,715.88	168,922,802.04	–

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. Investment Income

Item	Current period	Prior period
Long-term equity investment income under equity method	5,935,060.06	(51,617,979.37)
Investment income from disposal of long-term equity investment	3,346,947.76	—
Investment income from trading financial assets during the holding period	—	654,405.51
Investment income during the holding period of other non-current financial assets	70,556,009.42	115,283,043.39
Interest income from finance products and structured deposits	442,768,578.66	290,248,595.91
Derecognition income of financial assets measured at amortized cost	(33,424,605.58)	(27,810,365.90)
Others	(20,611,225.70)	(32,733,339.67)
Total	468,570,764.62	294,024,359.87

57. Gains from changes in fair value

Sources of gains from change in fair value	Current period	Prior period
Other non-current financial assets	(18,696,965.45)	24,654,146.29
Total	(18,696,965.45)	24,654,146.29

58. Impairment Losses in respect of credit

Item	Current period	Prior period
Loss on bad debts of notes receivable	(630,006.15)	17,287.13
Loss on bad debts of accounts receivable	(102,086,202.46)	(58,811,297.09)
Loss on bad debts of receivables financing	(6,994,673.31)	(672,120.87)
Loss on bad debts of other receivables	(9,209,600.82)	(3,831,912.60)
Total	(118,920,482.74)	(63,298,043.43)

59. Impairment loss in respect of assets

Item	Current period	Prior period
Provision for impairment of long-term equity investment	—	(385,666,507.83)
Loss on decline in value of inventories	(68,024,867.38)	(20,981,145.30)
Others	—	(635,472.90)
Total	(68,024,867.38)	(407,283,126.03)

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. 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	107,741,285.75	11,119,280.14	107,741,285.75
Including: Gains from disposal of fixed assets	105,722,547.05	213,730.27	105,722,547.05
Gains from disposal of intangible assets	–	9,800,993.31	–
Gains from disposal of right-of-use assets	2,018,738.70	1,104,556.56	2,018,738.70
Total	107,741,285.75	11,119,280.14	107,741,285.75

61. 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	62,627,432.51	129,693.04	62,627,432.51
Debt forgiveness	8,097,877.06	15,689,866.95	8,097,877.06
Income from sale of scrap	5,239,603.08	5,283,082.86	5,239,603.08
Penalty income	4,556,601.12	1,616,144.92	4,556,601.12
Compensation income	2,019,121.36	9,309,722.71	2,019,121.36
Proceed from damage and scrapping of non-current assets	1,340,934.33	1,677,635.33	1,340,934.33
Others	8,831,211.23	6,597,882.90	8,831,211.23
Total	92,712,780.69	40,304,028.71	92,712,780.69

(2) Government grant included in non-operating income

Item	Current period	Prior period	Asset related/ income related
Demolition compensation	72,997.56	72,997.56	Asset related
Others	38,977.08	38,977.08	Asset related
Subtotal	111,974.64	111,974.64	–
Demolition compensation	62,515,457.87	–	Income related
Others	–	17,718.40	Income related
Subtotal	62,515,457.87	17,718.40	–
Total	62,627,432.51	129,693.04	–

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Non-operating expenses

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Public welfare donation expenditure	16,416,263.64	14,269,683.05	16,416,263.64
Penalty and overdue fines	5,640,136.86	5,160,321.95	5,640,136.86
Losses on damage and scrapping of non-current assets	5,259,735.69	3,975,889.27	5,259,735.69
Extraordinary losses	26,635.83	1,610.00	26,635.83
Inventory loss	4,003.18	949.38	4,003.18
Others	4,239,717.86	5,709,615.86	4,239,717.86
Total	31,586,493.06	29,118,069.51	31,586,493.06

63. Income Tax Expenses

(1) Income tax expenses details

Item	Current period	Prior period
Current tax expenses	736,319,508.46	669,921,181.15
Deferred tax expenses	(107,103,882.68)	(63,072,652.70)
Total	629,215,625.78	606,848,528.45

(2) Adjustment processes of accounting profit and income tax expenses

Item	Current period
Total profit	3,689,925,942.42
Income tax expenses calculated at statutory/applicable rates	553,488,891.36
Tax effect of different rates applicable to subsidiaries	57,734,386.85
Adjustment effect of income tax of prior period	7,554,773.69
Tax effect of non-taxable income	(17,775,209.95)
Tax effect of costs, expenses and losses not deductible for tax purposes	24,608,069.73
Tax effect of use of deductible loss of previously unrecognized DTA	(5,961,570.46)
Tax effect of deductible temporary differences or deductible loss of unrecognized DTA in the current period	86,005,509.99
Tax effect of R&D expenditure deduction	(76,475,794.72)
Changes in the balance of deferred tax assets/liabilities at the beginning of the year due to adjustments in tax rates	36,569.29
Income tax expenses	629,215,625.78

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. 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	141,887,111.92	404,308,070.51
Government grant	343,850,710.72	267,495,250.97
Other operating income	243,567,347.90	214,300,974.58
Non-operating income	20,584,050.83	14,275,345.88
Others	325,666,647.09	91,657,466.03
Total	1,075,555,868.46	992,037,107.97

② Cash paid to other operating activities

Item	Current period	Prior period
Cash paid for selling and distribution expenses	2,537,667,729.11	1,767,409,064.88
Cash paid for general and administrative expenses	706,351,646.42	818,376,928.44
Financial expenses—bank charges	19,913,582.35	18,687,845.67
Others	340,776,057.53	265,880,006.96
Total	3,604,709,015.41	2,870,353,845.95

(2) Cash for investing activities

① Cash received from Important investing activities

Item	Current period	Prior period
Cash received from large certificates of deposit/Time deposit	11,420,228,624.11	1,493,286,528.58
Cash received from dividends	391,699,037.80	27,835,276.29
Interest received from fixed deposits/ certificates of deposit	100,996,161.42	187,604,099.09
Others	—	654,405.51
Total	11,912,923,823.33	1,709,380,309.47

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Items in the Cash Flow Statement (Continued)

(2) Cash for investing activities (Continued)

② Cash paid to Important investing activities

Item	Current period	Prior period
Deposit time deposit/large deposit certificate	13,865,168,758.24	6,215,532,144.51
Units outside investment	100,000,000.00	156,445,500.45
Investment in Taizhou Property Rights Exchange Co., Ltd.	86,000,000.00	—
Purchase structured deposits	—	170,000,000.00
ABS subordinated assets	—	4,000,000.00
Total	14,051,168,758.24	6,545,977,644.96

③ Cash received from other investing activities

Item	Current period	Prior period
Interest received	1,409.76	1,111.97
Cash and cash equivalents acquired on acquisition of subsidiaries	2,262,641.88	—
Total	2,264,051.64	1,111.97

④ Cash paid to other investing activities

Item	Current period	Prior period
Cash decreased from reduction of subsidiaries in the scope of consolidation	977,424.66	—
Pre-delivery investment for Nanjing Pharmaceutical equity investment project	748,807,492.58	—
Others	2,000,000.00	—
Total	751,784,917.24	—

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Items in the Cash Flow Statement (Continued)

(3) Cash for financing activities

① Cash received from other financing activities

Item	Current period	Prior period
Received ultra-short-term financing bonds	299,979,416.67	—
Bonds Payable	599,820,000.00	—
Total	899,799,416.67	—

② Cash paid to other financing activities

Item	Current period	Prior period
Lease payment	255,925,094.90	257,398,036.59
Minority shareholders' equity payment	19,249,880.70	27,833,332.40
Other	—	1,443,308.72
Total	275,174,975.60	286,674,677.71

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	10,020,867,194.12	6,668,586,584.12	16,243,553,710.32	10,594,882.00	9,558,287,637.24
Dividends payable	50,492,925.62	—	1,347,314,360.91	1,344,617,458.95	—	53,189,827.58
Non-current liabilities due within one year	1,522,617,327.55	—	2,463,394,315.33	1,774,255,132.49	—	2,211,756,510.39
Other current liabilities	651,719,293.54	299,979,416.67	358,061,498.56	—	651,719,293.54	658,040,915.23
Long-term borrowing	2,805,538,605.44	2,064,574,280.37	109,060,765.68	126,294,155.82	2,283,571,599.70	2,569,307,895.97
Lease liabilities	445,715,206.87	—	176,309,112.02	70,728,971.96	179,822,715.63	371,472,631.30
Bonds Payable	—	599,820,000.00	4,622,794.52	—	—	604,442,794.52
Total	14,599,065,810.34	12,985,240,891.16	11,127,349,431.14	19,559,449,429.54	3,125,708,490.87	16,026,498,212.23

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Items in the Cash Flow Statement (Continued)

(4) Cash flows are reported on a net basis

Item	Related facts	The basis for net presentation	Financial impact
Received/paid collection and payment transfer	The Group's subsidiary publicly issued a special asset-backed plan for accounts receivable. According to the agreement, during the term of the special plan, the subsidiary, as the asset servicer, is responsible for collecting the underlying asset recovery payments and transferring the collected payments for each collection period to the designated regulatory account on each fund collection date. The subsidiary transfers accounts receivable to financial institutions through factoring transactions on a public, non-recourse basis. After receiving payments from customers, the subsidiary remits the funds to the financial institutions.	Cash receipts and payments made by the same legal entity on behalf of a special purpose vehicle (SPV) or financial institution shall be presented on a net basis.	The amount of funds collected on behalf of others in 2025 was RMB2,569,366,550.85, and the amount of funds collected and then transferred on behalf of others was RMB2,395,390,137.24. These are presented on a net basis as received funds collected and transferred on behalf of others of RMB191,272,581.74 and as paid funds collected and transferred on behalf of others of RMB17,296,168.13.

(5) Does not involve current cash income and expenditure, but affects the enterprise's financial position or may affect the enterprise's cash flow in the future significant activities and financial impact.

Terms and Conditions of Supplier Financing Arrangements

Supplier Financing Arrangement 1: Accounts Payable Factoring. The subsidiaries of the Group have entered into accounts payable financing arrangements with banks. Under these arrangements, the subsidiaries apply to the banks to make direct payments to suppliers on the due date of the accounts payable. The subsidiaries then repay the banks when the agreed financing term expires. Upon the bank making the payment to the supplier, the subsidiary derecognizes the relevant accounts payable and recognizes a liability to the bank.

Supplier Financing Arrangement 2: Accounts Payable Supply Chain Factoring

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Items in the Cash Flow Statement (Continued)

- (5) Does not involve current cash income and expenditure, but affects the enterprise's financial position or may affect the enterprise's cash flow in the future significant activities and financial impact. (Continued)

The subsidiaries of the Group have engaged in supply chain factoring business with Yiqiyunlian (Beijing) Financial Information Services Co., Ltd. Within the credit limit, the subsidiaries issue "Cloud Credits" (digital certificates of accounts receivable claims) to suppliers via the electronic service platform of Yiqiyunlian. Upon receiving these certificates, suppliers may choose to finance them for immediate cash or hold them until maturity for redemption. The subsidiaries are responsible for making unconditional and full repayment to Yiqiyunlian (Beijing) Financial Information Services Co., Ltd. upon maturity. After issuing the aforementioned digital certificates, the subsidiaries derecognize the accounts payable to suppliers and recognize other payables to the Yiqiyunlian platform..

Information relating to financial liabilities under supplier financing arrangements:

Item	Current period	Prior period
Short-term borrowings	3,447,011,725.23	3,450,397,694.11
Including: Amounts received by suppliers from financing providers	3,447,011,725.23	3,450,397,694.11
Other payables	288,127,038.82	417,590,030.94
Including: Amounts received by suppliers from financing providers	<u>288,127,038.82</u>	<u>417,590,030.94</u>

The payment period for comparable accounts payable not under supplier financing arrangements is 30 to 90 days. Under supplier financing arrangements, the Company makes payments to financing providers within 180 to 365 days after the financing providers settle the relevant amounts to suppliers.

For the year ended 31 December 2025, there were no effects from business combinations or exchange rate changes in the movements of the above-mentioned financial liabilities of the Group's subsidiaries.

For the year ended 31 December 2025, the derecognition of accounts payable and simultaneous recognition of short-term borrowings and other payables arising from supplier financing arrangements in the movements of the above-mentioned financial liabilities of the Group's subsidiaries amounted to RMB6,289,348,272.06 and RMB311,938,893.78, respectively.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Supplementary Information of Cash Flow Statement

(1) Supplementary information of cash flow statement

① Reconciliation from net profit to cash flows from operating activities

Item	Current period	Prior period
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	3,060,710,316.64	3,000,731,343.31
Add: Provision for assets impairment	68,024,867.38	407,283,126.03
Impairment loss in respect of credit	118,920,482.74	63,298,043.43
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	600,632,152.27	556,145,448.30
Depreciation of right-of-use assets	227,242,986.36	240,517,174.97
Amortization of intangible assets	66,952,058.75	78,580,051.32
Amortization of long-term prepaid expenses	61,021,551.16	60,955,121.95
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" refers to income)	(107,741,285.75)	(11,119,280.14)
Losses on scrapping of fixed assets ("-" refers to income)	3,918,801.36	2,298,253.94
Loss on changes in fair value ("-" refers to income)	18,696,965.45	(24,654,146.29)
Financial expenses ("-" refers to income)	401,507,404.35	418,151,317.81
Investment losses ("-" refers to income)	(435,146,159.04)	(321,834,725.77)
Decrease in deferred tax assets ("-" refers to income)	76,086,108.56	(46,855,397.94)
Increase in deferred tax liabilities ("-" refers to income)	(26,190,094.19)	(13,971,441.98)
Decrease in inventories ("-" refers to income)	(351,713,884.15)	(1,313,884,193.18)
Decrease of operating receivables ("-" refers to income)	(2,541,630,433.52)	(255,912,991.95)
Increase of operating payables ("-" refers to income)	(1,473,752,613.09)	602,698,893.78
Others ("-" refers to income)	-	-
Net cash flow from operating activities	(232,460,774.72)	3,442,426,597.59

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Supplementary Information of Cash Flow Statement (Continued)

(1) Supplementary information of cash flow statement (Continued)

① Reconciliation from net profit to cash flows from operating activities (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	12,556,315,478.42	16,302,938,963.14
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	(3,746,623,484.72)	(3,520,604,831.58)

(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

(4) Breakdown of cash and cash equivalents

Item	Current period	Prior period
I. Cash	12,556,315,478.42	16,302,938,963.14
Including: Cash on hand	350,863.58	501,913.33
Bank deposits that are readily available for payment	12,535,560,553.52	16,281,500,959.05
Other cash that are readily available for payment	20,404,061.32	20,936,090.76
II. Cash equivalents		
Including: Debt investment maturing within three months	-	-
III. Closing balance of cash and cash equivalents	12,556,315,478.42	16,302,938,963.14
Including: Cash and cash equivalents in the parent or subsidiaries with restriction in use	-	-

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Supplementary Information of Cash Flow Statement (Continued)

(5) Monetary funds not classified of cash and cash equivalents

Item	Current period	Prior period	Reason
Accrued interest	—	2,613,607.73	Accrued interest
A Fixed deposits	—	463,152,107.43	Not readily available for payment
Other deposits	<u>2,383,777,493.39</u>	<u>1,504,445,434.28</u>	Not readily available for payment
Total	<u>2,383,777,493.39</u>	<u>1,970,211,149.44</u>	—

66. Foreign Currency Funds Items

Item	Closing Balance of Foreign Currency	Exchange rate	Closing balance of RMB in equivalent
Cash at bank and on hand			217,681,114.73
Including: USD	28,676,593.38	7.0288	201,562,039.55
HKD	17,081,946.19	0.9032	15,428,755.44
Euro	36,252.75	8.2355	298,559.52
AUD	83,545.09	4.6892	391,759.64
JPY	13.00	0.0448	0.58
Accounts receivable			11,864,973.57
Including: USD	5,148.00	7.0288	36,184.26
HKD	13,096,243.78	0.9032	11,828,789.31
Other Accounts receivable			2,081,968.63
Including: USD	202,279.73	7.0288	1,421,783.77
HKD	730,923.65	0.9032	660,184.86
Short-term borrowings			42,411,115.56
Including: HKD	46,955,465.51	0.9032	42,411,115.56
Accounts payable			218,810,792.95
Including: USD	10,687,797.72	7.0288	75,122,392.61
HKD	159,084,608.77	0.9032	143,688,400.34
Other receivables			2,707,726.12
Including: HKD	2,997,858.90	0.9032	2,707,726.12
Short-term borrowings			42,411,115.56
Including: HKD	46,955,465.51	0.9032	42,411,115.56

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

67. 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	46,475,683.80
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)	1,595,494.72
Revenue from the resale of right-of-use assets	484,542.98
Total cash outflows related to lessee	<u>278,228,510.33</u>

(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	83,663,348.66	—
Income from rental of machinery. and equipment	7,079.65	—
Income from rental of transportation equipment	<u>26,548.67</u>	—
Total	<u>83,696,976.98</u>	—

② Financial Leasing

Nil.

(3) Confirm profit and loss of financial lease sales as manufacturer or distributor

Nil

Notes to the Financial Statements

(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	349,825,122.86	337,696,611.28
Testing and trial production expenses	68,131,879.96	63,912,545.19
Raw materials	66,249,225.22	91,185,148.42
Depreciation expenses	51,682,374.34	43,258,950.62
Specialized research and development expenses	50,567,338.85	164,433,131.16
Clinical trial expenses	18,774,860.75	13,596,699.01
Amortization expenses	6,274,985.19	4,947,037.87
Technological research expenses	2,292,597.98	1,074,418.44
Others	80,975,902.68	108,302,364.96
Total	694,774,287.83	828,406,906.95
Including: Expense of research and development expenditures	661,633,556.21	763,770,055.43
Capitalized research and development expenditures	33,140,731.62	64,636,851.52

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	33,140,731.62	-	376,714,311.23	-	21,423,507.82	-
Innovation project	4,937,826.31	-	-	-	-	-	4,937,826.31
Total	369,934,913.74	33,140,731.62	-	376,714,311.23	-	21,423,507.82	4,937,826.31

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	2025.12	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

(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

Acquisition cost

Cash	49,500,000.00
Total Acquisition Cost	49,500,000.00
Less: Acquired Recognizable Net Asset Fair Value Shared	46,263,692.09
Goodwill/Merger Costs Less Than Acquired Recognizable Net Asset Fair Value Share	<u>3,236,307.91</u>

**Fujian Baiyunshan
Caishantang
Pharmaceutical
Co., Ltd.**

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

(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>

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.

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

Notes to the Financial Statements

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

VII. CHANGE IN THE SCOPE OF CONSOLIDATION *(Continued)*

5. Other reasons for changes in the scope of consolidation

Compared to the previous year, during the current period, the consolidated Group experienced an increase of 4 new subsidiaries due to other reasons and a decrease of 5 subsidiaries. The reasons for these changes are as follows:

- (1) In February 2025, Wanglaoji Pharmaceutical Co., Ltd., a subsidiary controlled by the Company, acquired Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd. The registered capital of the latter is RMB53.397 million, of which the capital contribution subscribed by Wanglaoji Pharmaceutical accounts for 67% of the registered capital.
- (2) In May 2025, Caizhilin Pharmaceutical Co., Ltd., a subsidiary of the Company, established Guangzhou Caizhi Pharmaceutical Co., Ltd. with a registered capital of 50 million, of which the capital contribution subscribed by Caizhilin Pharmaceutical accounts for 51% of the registered capital.
- (3) In May 2025, Guangzhou Baiyunshan Yihu Health Technology Co., Ltd., a controlled subsidiary of the Company, transferred the equity it held in Guangzhou Yufeng Jianhu Medical Supplies Co., Ltd. to an external party, and the investee is no longer included in the scope of consolidation.
- (4) In July 2025, the Company established Guangzhou Guangyao Phase II Fund Equity Investment Partnership (Limited Partnership), with a registered capital of RMB1,500 million, of which the capital contribution subscribed by the Company accounts for 99.9% of the registered capital.
- (5) In September 2025, the Company established Guangyao Yunshan Molecular Technology (Guangzhou) Co., Ltd., with a registered capital of RMB500 million and the capital contribution subscribed by the Company accounts for 100% of the registered capital.
- (6) In September 2025, Guangyao Baiyunshan Macau Co., Ltd., a subsidiary of the Company, deregistered its subsidiary Guangyao Baiyunshan (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd.
- (7) In October 2025, Guangyao Baiyunshan Hong Kong Co., Ltd., a subsidiary of the Company, deregistered its subsidiary Guangyao Baiyunshan Macau Co., Ltd.
- (8) In October 2025, Tibet Linzhi Guangyao Development Co., Ltd., a subsidiary of the Company, was deregistered.
- (9) In December 2025, Guangzhou Baiyunshan Huacheng Technology Co., Ltd., a subsidiary of the Company, was deregistered.

Notes to the Financial Statements

(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	336,249.94	75.11	1.58	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
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

Notes to the Financial Statements

(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	
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
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. (Note ③)	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

Notes to the Financial Statements

(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) Pharmaceutical Co., Ltd.	Haikou	Haikou	Limited liability company	Pharmaceutical Wholesale	80,000.00	–	90.92	Business combination not under common control
Guangyao Shaanxi 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 (Guangxi) Pharmaceutical Co., Ltd.	Nanning	Nanning	Limited liability company	Pharmaceutical Retail and Distribution	50,000.00	–	90.92	Business combination not under common control

Notes to the Financial Statements

(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 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
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

Notes to the Financial Statements

(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 (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 (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
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
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 (Hainan) Medical Technology Co., Ltd.	Haikou	Haikou	Limited liability company	Pharmaceutical Distribution	20,000.00	–	90.92	Establishment or Investment
Guangyao Jilin Pharmaceutical Co., Ltd.	Changchun	Changchun	Limited liability company	Pharmaceutical Distribution	50,000.00	–	46.37	Establishment or Investment
Cai Zhi Lin	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	292,738.88	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

Notes to the Financial Statements

(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	
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Limited liability company	Pharmaceutical manufacturing	100,000.00	–	100.00	Establishment or Investment
Gansu Guangyao Baiyunshan Chinese Medicine Technology Co., Ltd.	Dingxi	Dingxi	Limited liability company	Pharmaceutical trading	168,429.00	–	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	–	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	245,250.00	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 (Note ②)	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	120,535.91	15.16	34.84	Business combination not under common control
WLJ Great Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	1,000,000.00	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	100,000.00	–	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
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

Notes to the Financial Statements

(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	
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
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

Notes to the Financial Statements

(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	
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	HKD132,500.00	100.00	–	Business combination under common control
Guangyao Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	819,552.60	100.00	–	Establishment or Investment
Zhejiang Baiyunshan Anglikang 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	763,582.60	–	100.00	Establishment or Investment
Guangyao Haima	Guangzhou	Guangzhou	Limited liability company	Advertising	20,000.00	100.00	–	Business combination not under common control
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

Notes to the Financial Statements

(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 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 Guangyao Fund Equity Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Partnership (Limited Partnership)	Commercial services	1,000,000.00	99.90	–	Establishment or Investment
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
Fujian Baiyunshan Caishantang Pharmaceutical Co., Ltd.	Longyan	Longyan	Limited liability company	Pharmaceutical manufacturing	53,397.00	–	64.38	Business combination not under common control
Guangzhou Caizhi Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	50,000.00	–	51.00	Establishment or Investment
Guangzhou Guangyao Phase II Fund Equity Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Partnership (Limited Partnership)	Leasing and commercial services	1,500,000.00	99.90	–	Establishment or Investment
Guangyao Yunshan Molecular Technology (Guangzhou) Co., Ltd	Guangzhou	Guangzhou	Limited liability company	Science research and Technical Service Industry	500,000.00	100.00	–	Establishment or Investment

Notes to the Financial Statements

(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)

Notes:

- A. 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.
- B. 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.
- C. As of the date of this financial report, Guangzhou Jian Min Pharmaceutical Chain Co., Ltd. is undergoing changes in its business registration.

(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%	59,245,765.76	–	880,499,907.93

(3) Primary financial information of significant non-wholly owned subsidiaries

Subsidiary	Closing balance				
	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities
GP Corp.	35,691,149,375.89	2,305,653,710.12	37,996,803,086.01	26,453,968,547.45	29,749,243,248.27

Subsidiary	Closing balance of last year				
	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities
GP Corp.	32,029,037,385.13	2,300,563,246.80	34,329,600,631.93	23,727,063,864.75	26,684,890,960.07

Subsidiary	Current period			
	Operating income	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	58,168,636,893.30	599,409,643.18	602,850,165.87	67,714,355.86

Notes to the Financial Statements

(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	Previous period		Operating cash flows
		Net profit	Total comprehensive income	
GP Corp.	54,604,704,163.96	559,376,673.45	566,148,639.87	377,605,906.30

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	276,801,507.11	289,435,304.30
Calculated by rate of interests held:		
– Net profit	13,941,811.15	(50,861,198.65)
– Other comprehensive income		–
– Total comprehensive income	13,941,811.15	(50,861,198.65)
Associates:		
Total book balance of investments	1,307,558,468.76	1,603,490,277.47
Calculated by rate of interests held:		
– Net profit	4,972,187.21	(6,561,527.63)
– Other comprehensive income	–	–
– Total comprehensive income	4,972,187.21	(6,561,527.63)

(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

(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	126,736,648.15	111,974.64	43,963,511.30	(13,041,600.00)	753,448,016.77	Related to Assets
Deferred Income	318,033,942.54	183,548,291.01	62,515,457.87	137,242,144.77	(13,332,842.96)	288,491,787.95	Related to Income
Total	<u>1,001,862,397.10</u>	<u>310,284,939.16</u>	<u>62,627,432.51</u>	<u>181,205,656.07</u>	<u>(26,374,442.96)</u>	<u>1,041,939,804.72</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	44,087,011.92	39,135,622.62
Related to Income	276,096,328.90	305,542,238.18
Total	<u>320,183,340.82</u>	<u>344,677,860.80</u>

Notes to the Financial Statements

(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 31 December 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	217,681,114.73	222,439,638.01
Accounts receivable	11,864,973.57	—
Other receivables	2,081,968.63	1,442,279.04
Total financial assets in foreign currency	231,628,056.93	223,881,917.05
Short-term borrowings	42,411,115.56	30,775,730.59
Accounts payable	218,810,792.95	126,486,964.48
Other payables	2,707,726.12	332,799.10
Total financial liabilities in foreign currency	263,929,634.63	157,595,494.17

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 31 December 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 RMB2,422,618.33 (As on 31 December 2024: approximately RMB4,971,481.72).

Notes to the Financial Statements

(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)*

② Interest rate risk

As on 31 December 2025, the Group's long-term interest-bearing debt balance was RMB2,567,680,206.83. If the annual interest rate decreased by 50 basis points and other factors remained unchanged, the Group's net profit will decrease by RMB7,154,269.35 (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	158,361,158.67	150,444,544.81
Total	158,361,158.67	150,444,544.81

As on 31 December 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 RMB13,450,846.46 (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.

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.

Notes to the Financial Statements

(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

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.

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				No fixed maturity date	Total
	Within 1 year	1-2 years	2-5 years	Over 5 years		
Financial liabilities:						
Short-term borrowings	9,616,824,975.12	-	-	-	-	9,616,824,975.12
Notes payable	5,072,326,244.27	-	-	-	-	5,072,326,244.27
Accounts payable	12,499,055,570.01	-	-	-	-	12,499,055,570.01
Other payables	5,031,571,987.99	-	-	-	-	5,031,571,987.99
Current portion of non-current liabilities	2,231,155,804.36	-	-	-	-	2,231,155,804.36
Long-term borrowings	61,021,590.56	985,689,185.53	1,615,193,633.83	38,507,250.00	-	2,700,411,659.92
Lease liability	-	140,450,134.66	178,087,594.46	96,711,998.36	-	415,249,727.48
Long-term payables	-	-	-	19,666,964.60	-	19,666,964.60
Bonds payables	11,497,500.00	11,497,500.00	606,993,000.00	-	-	629,988,000.00
Subtotal	<u>34,523,453,672.31</u>	<u>1,137,636,820.19</u>	<u>2,400,274,228.29</u>	<u>154,886,212.96</u>	-	<u>38,216,250,933.75</u>

(cont.)

Item	Closing balance of last year				No fixed maturity date	Total
	Within 1 year	1-2 years	2-5 years	Over 5 years		
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>35,587,958,522.78</u>

Notes to the Financial Statements

(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 (Note)	Accounts Receivable	1,947,429,124.04	Yes	Without recourse
Endorsement	Receivables Financing	2,449,034,463.75	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	1,114,597,480.34	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	138,759,670.77	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	1,083,165,470.76	Yes	Without recourse
Endorsement	Notes Receivable	132,041,484.56	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	18,555,850.00	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>6,883,583,544.22</u>	-	-

Note: During 2024, a subsidiary of the Group transferred certain accounts receivable, which it legally owned, as underlying assets to the Phase IV Accounts Receivable Asset-Backed Special Scheme (hereinafter referred to as the "Scheme"), established by Xingzheng Securities Asset Management Co., Ltd. The Scheme is scheduled to mature in June 2026. The Group's subsidiary does not have control over the Scheme. As the subsidiary has transferred its contractual rights to receive the cash flows from the accounts receivable and has substantially transferred almost all risks and rewards incidental to the ownership of these accounts receivable, the Group has derecognized the entire balance of these accounts receivable. During the period from the establishment of the Scheme to the end of the revolving period, the Scheme has the right to revolving purchase new eligible accounts receivable from the Group's subsidiary that meet the qualification criteria.

Notes to the Financial Statements

(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
Accounts Receivables Asset Securitization	Sale	1,947,429,124.04	(20,611,225.70)
Notes receivable	Discounting	138,759,670.77	(1,086,370.96)
Receivables Financing	Endorsement	2,449,034,463.75	—
Receivables Financing	Discounting	1,114,597,480.34	(11,070,739.31)
Accounts Receivable Factoring	Factoring\sale\buyout	1,083,165,470.76	(16,036,064.08)

(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	132,041,484.56	132,041,484.56
Notes receivable	Discounting	18,555,850.00	18,555,850.00

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 date (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.

Notes to the Financial Statements

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

XI. DISCLOSURE OF FAIR VALUE *(Continued)*

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	–	4,000,000.00	–	4,000,000.00
B. Receivable financing	–	–	3,599,255,106.20	3,599,255,106.20
C. Other equity instrument investments	–	–	96,174,005.96	96,174,005.96
D. Other non-current financial assets	158,361,158.67	–	348,292,103.93	506,653,262.60
1. Financial assets measured at FVTPL	158,361,158.67	–	348,292,103.93	506,653,262.60
(1) Debt instrument investments	–	–	–	–
(2) Equity instrument investments	158,361,158.67	–	348,292,103.93	506,653,262.60
Total assets continuously measured at fair value	<u>158,361,158.67</u>	<u>4,000,000.00</u>	<u>4,043,721,216.09</u>	<u>4,206,082,374.76</u>

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.

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.

Notes to the Financial Statements

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

XI. DISCLOSURE OF FAIR VALUE (Continued)

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	3,599,255,106.20	Discounted Cash Flow Method	Expected Discount Rate (0%-1.13%)	Lower discount rate leads to higher fair value
Other Equity Instrument Investments	85,674,005.96	Based on Share of Invested Entity's Net Assets	Value of Net Assets (Totaling RMB349,938,997.14)	Higher net assets result in higher fair value
	10,500,000.00	Analytical Method Based on Invested Entity's Financial Statements	Incremental Value of Long-term Equity Investment in Invested Entity (RMB2,459,325.17)	Higher incremental value of long-term equity investment leads to higher fair value
Other Non-current Financial Assets	146,192,103.93	Value of Related Investments' Net Assets	Value of Net Assets (Totaling RMB830,228,141.21)	Higher net assets result in higher fair value
	202,100,000.00	Discounted Cash Flow Method	Forecasted Growth Rate (Detailed Forecast Period Growth Rate of 0%, Perpetual Growth Rate of 0%), Dividend Rate (12.50%-27.90%), Discount Rate (12.15%)	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.

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	Recognized in profit or loss	Total amount of profit or loss for the period Recognized in other comprehensive income	Purchase, issue, sale and settle Increase in the period	Decrease in the period	Closing balance
(1) Financial assets held for trading	-	-	-	-	-	-	-	-
(2) Receivable financing	3,175,849,620.31	-	-	(5,469,141.64)	(881,778.05)	3,605,606,025.89	3,175,849,620.31	3,599,255,106.20
(3) Other equity instrument investments	104,180,509.45	-	-	-	(8,006,503.49)	-	-	96,174,005.96
(4) Other non-current financial assets	376,555,683.24	-	-	-	(28,263,579.31)	-	-	348,292,103.93
Including: Financial assets measured at FVTPL	376,555,683.24	-	-	-	(28,263,579.31)	-	-	348,292,103.93
① Equity instrument investments	376,555,683.24	-	-	-	(28,263,579.31)	-	-	348,292,103.93
② Others	-	-	-	-	-	-	-	-
Total	3,656,585,813.00	-	-	(5,469,141.64)	(37,151,860.85)	3,605,606,025.89	3,175,849,620.31	4,043,721,216.09

Notes to the Financial Statements

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

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
Guangzhou Yufeng Jianhu Medical Products Co., Ltd.	Associates

Notes to the Financial Statements

(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
Guangyao Group (Macau) 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 GP Capital Private Equity Fund Management Co., Ltd. (hereinafter referred to as "GP Capital")	Controlled by the same parent company
Guangzhou Pharmaceutical Glass Co., Ltd.	Controlled by the same parent company
Guangzhou University Biomedical Technology Transfer and Commercialization Center	Controlled by the same parent company
Guangzhou Baiyunshan Xihe Health Pharmaceutical	Controlled by the same parent company
Kang Mei Pharmaceutical	Joint venture of the parent company

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:							
Baxter Qiao Guang	Purchase of goods	Medicinal material or medicine	Market price	112,916,132.24	0.17	121,222,224.27	0.19
HWBYS	Purchase of goods	Medicinal material or medicine	Market price	78,307,389.55	0.12	140,427,633.89	0.22
Kang Mei Pharmaceutical	Purchase of goods	Medicinal material or medicine	Market price	64,404,159.48	0.10	91,330,270.43	0.14
Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	6,884,657.64	0.01	16,326,528.63	0.03
Hua Cheng	Purchase of goods	Medicinal material or medicine	Market price	4,683,195.24	0.01	5,353,953.97	0.01
Guangzhou Yufeng Jianhu	Purchase of goods	Medicinal material or medicine	Market price	1,039,086.89	0.00	–	–
Baiyunshan Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	791,021.67	0.00	3,930,833.23	0.01
Chengdu Hejian	Purchase of goods	Medicinal material or medicine	Market price	228,937.23	0.00	299,707.62	0.00
Subtotal	–	–	–	269,254,579.94	0.41	378,891,152.04	0.59

Notes to the Financial Statements

(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)
Baiyunshan Yi Xin Tang	Purchase of goods	Other goods	Market price	1,344,904.25	0.00	-	-
Guangzhou Yufeng Jianhu	Purchase of goods	Other goods	Market price	377,133.69	0.00	-	-
HWBYS	Purchase of goods	Other goods	Market price	23,450.00	0.00	515,655.52	0.00
Bencao Craft Brewery Company	Purchase of goods	Other goods	Market price	8,849.56	0.00	114,490.39	0.00
Subtotal	-	-	-	1,754,337.50	0.00	630,145.91	0.00
HWBYS	Acceptance of service	Publicity fee	Market price	20,081,561.04	1.97	29,630,634.71	3.18
Yi Xin Tang	Acceptance of service	Publicity fee	Market price	4,174,807.28	0.41	1,092,353.56	0.12
Baiyunshan Yi Xin Tang	Acceptance of service	Publicity fee	Market price	143,237.75	0.01	47,826.41	0.01
Guangzhou Yufeng Jianhu	Purchase of goods	Publicity fee	Market price	68,000.00	0.01	-	-
Hua Cheng	Acceptance of service	Publicity fee	Market price	50,070.00	0.00	108,026.00	0.01
Kang Mei Pharmaceutical	Acceptance of service	Publicity fee	Market price	33,301.89	0.00	38,018.87	0.00
Subtotal	-	-	-	24,550,977.96	2.40	30,916,859.55	3.32
HWBYS	Acceptance of service	Consigned processing	Market price	19,546,803.54	9.60	24,109,576.46	12.87
Guangyao Group (Macau) International Development Industry Co., Ltd.	Acceptance of service	Consigned processing	Market price	246,463.00	0.12	-	-
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Acceptance of service	Consigned processing	Market price	-	-	273,169.81	0.15
Subtotal	-	-	-	19,793,266.54	9.72	24,382,746.27	13.02
GP Capital	Acceptance of service	Fund services	Market price	8,445,808.72	0.83	5,474,119.67	0.59
Subtotal	-	-	-	8,445,808.72	0.83	5,474,119.67	0.59
Total	-	-	-	323,798,970.66	-	440,295,023.44	-
Sales of good, Rendering of services:							
Kang Mei Pharmaceutical	Sales of good	Medicinal material or medicine	Market price	249,319,567.96	0.32	284,267,507.57	0.38
Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	184,748,702.28	0.24	151,163,383.91	0.20
Baiyunshan Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	171,389,473.36	0.22	107,436,593.05	0.14
Hua Cheng	Sales of good	Medicinal material or medicine	Market price	90,764,236.11	0.12	101,706,991.20	0.14
Chengdu Hejian	Sales of good	Medicinal material or medicine	Market price	56,335,312.39	0.07	32,609,989.23	0.04
HWBYS	Sales of good	Medicinal material or medicine	Market price	33,889,665.72	0.04	134,004,373.93	0.18

Notes to the Financial Statements

(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)
Guangzhou University Biomedical Technology Transfer and Commercialization Center	Sales of good	Medicinal material or medicine	Market price	3,051,797.35	0.00	-	-
Baxter Qiao Guang	Sales of good	Medicinal material or medicine	Market price	860,530.95	0.00	1,174,991.15	0.00
Guangzhou Yufeng	Sales of good	Medicinal material or medicine	Market price	120,573.46	0.00	-	-
Guangyao Group (Macau) International Development Industry Co., Ltd.	Sales of good	Medicinal material or medicine	Market price	107,976.96	0.00	-	-
Subtotal	-	-	-	790,587,836.54	1.01	812,363,830.04	1.08
Kang Mei Pharmaceutical	Sales of good	Other	Market price	501,036.19	0.00	1,318,142.23	0.00
Hua Cheng	Sales of good	Other	Market price	401,637.57	0.00	129,044.23	0.00
HWBYS	Sales of good	Other	Market price	189,263.94	0.00	1,056,454.84	0.00
GPHL	Sales of good	Other	Market price	37,746.01	0.00	336,106.20	0.00
Baiyunshan Yi Xin Tang	Sales of good	Other	Market price	28,256.89	0.00	(420,810.62)	(0.00)
Guangyao Group (Macau) International Development Industry Co., Ltd.	Sales of good	Other	Market price	-	-	258,731.01	0.00
Bencao Craft Brewery Company	Sales of good	Other	Market price	-	-	94,930.73	0.00
Baxter Qiao Guang	Sales of good	Other	Market price	-	-	16,690.92	0.00
Subtotal	-	-	-	1,157,940.60	0.00	2,789,289.54	0.00
HWBYS	Rendering of services	Advertising agency service	Market price	20,589,787.73	39.95	35,466,200.53	57.26
Hua Cheng	Rendering of services	Advertising agency service	Market price	7,317,638.68	14.20	9,390,518.65	15.16
GPHL	Rendering of services	Advertising agency service	Market price	182,035.37	0.35	377,948.87	0.61
Guangzhou Baiyunshan Xihe Health Pharmaceutical	Rendering of services	Advertising agency service	Market price	15,250.10	0.03	-	-
GP Capital	Rendering of services	Advertising agency service	Market price	581.12	0.00	290.56	0.00
Baxter Qiao Guang	Rendering of services	Advertising agency service	Market price	(9,433.96)	(0.02)	9,433.96	0.02
Kang Mei Pharmaceutical	Rendering of services	Advertising agency service	Market price	-	-	239,622.64	0.39
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Advertising agency service	Market price	-	-	215,849.06	0.35
Subtotal	-	-	-	28,095,859.04	54.51	45,699,864.27	73.79

Notes to the Financial Statements

(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	28,703,502.25	14.10	13,481,841.15	7.19
HWBYS	Rendering of services	Consigned processing	Market price	8,667,567.09	4.26	13,126,266.19	7.01
Subtotal	-	-	-	37,371,069.34	18.36	26,608,107.34	14.20
Hua Cheng	Collecting trademark fee	Right to use trademark	Market price	399,540.52	14.79	743,905.72	39.40
HWBYS	Collecting trademark fee	Right to use trademark	Market price	138,891.58	5.14	343,375.70	18.19
Subtotal	-	-	-	538,432.10	19.93	1,087,281.42	57.59
HWBYS	Rendering of services	Research and development services	Market price	1,048,748.11	4.70	1,630,497.17	5.47
Subtotal	-	-	-	1,048,748.11	4.70	1,630,497.17	5.47
Baxter Qiao Guang	Rendering of services	Other	Market price	5,104,207.88	0.50	3,618,312.65	0.39
Chengdu Hejian	Rendering of services	Other	Market price	1,127,741.88	0.11	741,964.04	0.08
Kang Mei Pharmaceutical	Rendering of services	Other	Market price	792,154.36	0.08	677,339.61	0.07
Hua Cheng	Rendering of services	Other	Market price	203,018.87	0.02	434,046.14	0.05
HWBYS	Rendering of services	Other	Market price	168,043.97	0.02	584,824.69	0.06
Baiyunshan Yi Xin Tang	Rendering of services	Other	Market price	11,655.26	0.00	73,361.99	0.01
Yi Xin Tang	Rendering of services	Other	Market price	6,603.77	0.00	82,791.80	0.01
Bencao Craft Brewery Company	Rendering of services	Other	Market price	6,492.00	0.00	5,372,500.00	0.58
Guangyao Group (Macau) International Development Industry Co., Ltd.	Rendering of services	Other	Market price	-	-	366,673.55	0.04
GPHL	Rendering of services	Other	Market price	-	-	53,829.60	0.01
Southern Anti-Tumor Company	Rendering of services	Other	Market price	-	-	25,216.27	0.00
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Other	Market price	-	-	11,778.95	0.00
Subtotal	-	-	-	7,419,917.99	0.73	12,042,639.29	1.30
Total	-	-	-	866,219,803.72	-	902,221,509.07	-

(2) The Group had no associated trusteeship/Entrusted management for the current year.

Notes to the Financial Statements

(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

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	408,825.69	427,590.83
Other companies under the same parent company	Venue for working	236,278.90	218,939.46
Joint Venture	Warehouse, Plant	3,897,202.05	3,820,661.03
Associates	Office building	229,576.27	223,536.16

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	6,026,199.16	6,128,353.57	3,125,900.10	4,550,919.39
Joint Venture	Venue for working, Warehouse, shops	–	–	4,010,115.57	5,998,936.56
Associates	Venue for working, Warehouse, shops	–	–	12,000.00	6,000.00

(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
162,251.58	291,791.10	1,489,852.03	–
106,232.81	159,615.10	3,903,882.78	–
1,108.31	1,070.24	–	–

Notes to the Financial Statements

(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 RMB6,205,350.00 from Jan to December 2025 (from Jan to December 2024: RMB6,625,162.00). The Group's key management personnel of current year include 13 persons, such as directors, general manager, vice general manager, secretary to the Board and finance director (Jan to December 2024: 13 persons). Among them, 5 received their salaries from the Company (Jan to December 2024: 6 persons).

- (8) Other related party transactions

① License Agreement

The Company shall receive a total of RMB138,891.58 (from Jan to December 2024: RMB343,375.70) for the use of the "Wang Lao Ji" series of trademark licenses from Guangzhou HWBYS Great Health from Jan to December 2025.

The Company should receive license fee of "Bai Yun Shan" amounted to RMB399,540.52 from Hua Cheng from Jan to December 2025 (from Jan to December 2024: RMB743,905.72).

Notes to the Financial Statements

(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
Notes receivable:				
Kang Mei	6,249,145.00	-	-	-
Yi Xin Tang	-	-	139,352.18	-
Total	6,249,145.00	-	139,352.18	-
Receivables Financing:				
Kang Mei	66,729,783.50	-	50,600,816.50	-
Yi Xin Tang	7,251,376.00	-	8,322,642.63	-
HWBYS	-	-	4,122,671.08	-
Baiyunshan Yi Xin Tang	-	-	49,900.15	-
Total	73,981,159.50	-	63,096,030.36	-
Accounts receivable:				
Baiyunshan Yi Xin Tang	71,915,386.31	726,344.99	40,479,609.04	404,796.11
Yi Xin Tang	52,993,323.46	583,398.79	42,302,565.91	442,865.25
Kang Mei	51,014,373.11	681,888.39	34,720,694.10	354,892.94
HWBYS	49,995,426.01	631,856.35	72,113,611.41	721,136.10
Hua Cheng	25,709,705.39	257,097.06	36,818,310.46	368,183.11
Chengdu Hejian	10,513,044.58	105,130.44	10,188,692.99	101,886.93
Guangzhou University Biomedical Technology Transfer and Commercialization Center	3,448,531.00	34,485.31	-	-
Guangzhou Yufeng	1,834,192.98	876,684.74	-	-
Baxter Qiao Guang	752,753.46	7,527.53	136,984.82	1,369.85
Guangyao Group (Macau) International Development Industry Co., Ltd.	184,588.36	1,845.88	2,403.00	24.03
GPHL	4,700.00	1,410.00	4,700.00	470.00
Total	268,366,024.66	3,907,669.48	236,767,571.73	2,395,624.32

Notes to the Financial Statements

(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:				
GP Capital	7,107,325.37	–	5,116,328.73	–
Hua Cheng	986,494.00	–	130,993.27	–
Guangzhou Yufeng	601,702.73	–	–	–
HWBYS	314,583.39	–	4,095,873.07	–
GPHL	276,233.43	–	–	–
Kang Mei	23,500.00	–	24,597.84	–
Yi Xin Tang	–	–	17.72	–
Total	9,309,838.92	–	9,367,810.63	–
Dividends receivable:				
HWBYS	1,500,000.00	–	1,500,000.00	–
Total	1,500,000.00	–	1,500,000.00	–
Other receivables:				
HWBYS	12,798,094.65	–	12,635,093.23	–
Kang Mei	552,730.19	–	–	–
Hua Cheng	531,486.80	–	632,364.73	–
Guangzhou Yufeng	518,527.10	–	–	–
Baxter Qiao Guang	239,174.16	–	495,272.69	–
Chengdu Hejian	229,952.73	–	34,210.94	–
Guangyao Group (Macau) International Development Industry Co., Ltd.	99,085.88	–	5,720.00	–
Baiyunshan Yi Xin Tang	91,517.38	–	–	–
GPHL	4,100.00	–	4,100.00	–
Total	15,064,668.89	–	13,806,761.59	–

Notes to the Financial Statements

(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:		
HWBYS	12,760,964.05	28,755,882.40
Kang Mei	3,796,004.88	12,742,591.92
Hua Cheng	104,341.08	514,000.00
Total	16,661,310.01	42,012,474.32
Accounts payable:		
Kang Mei	61,756,790.45	80,083,134.55
Baxter Qiao Guang	35,001,116.95	14,734,945.84
HWBYS	28,718,788.97	16,781,146.81
Guangzhou Yufeng	2,196,299.91	—
Yi Xin Tang	1,859,975.24	7,871,914.41
Guangyao Capital	604,807.43	—
Baiyunshan Yi Xin Tang	137,181.27	462,309.32
Chengdu Hejian	7,920.00	218,020.79
Guangyao Baiyunshan Bencao Craft Beer Company	—	31,936.92
Hua Cheng	51.42	51.42
Total	130,282,931.64	120,183,460.06
Contract liabilities:		
Kang Mei	33,609,190.06	53,358,482.70
Hua Cheng	556,100.92	5,185.84
HWBYS	552,030.81	643,623.73
Guangyao Group (Macau) International Development Industry Co., Ltd.	121,946.90	—
Yi Xin Tang	2,526.00	5,127.27
Baiyunshan Yi Xin Tang	57.35	138,033.48
Guangzhou Dufen Health Industry Co., Ltd.	—	32,898.27
Total	34,841,852.04	54,183,351.29

Notes to the Financial Statements

(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	39,121,759.35	17,114,999.62
GPHL	19,753,307.89	19,721,453.71
Baxter Qiao Guang	864,445.68	855,600.00
Kang Mei	623,661.44	50,000.00
Yi Xin Tang	419,377.39	99,360.00
Chengdu Hejian	203,369.57	167,170.33
Guangzhou Yufeng	137,717.88	—
Baiyunshan Culture Industry	80,280.00	—
Hua Cheng	—	53,074.20
Total	61,203,919.20	38,061,657.86
Other current liabilities:		
Kang Mei	4,367,252.13	6,916,456.73
Guangyao Group (Macau) International Development Industry Co., Ltd.	15,853.10	—
Yi Xin Tang	274.84	613.01
Baiyunshan Yi Xin Tang	—	17,936.89
HWBYS	—	11,907.08
Hua Cheng	—	674.16
Total	4,383,380.07	6,947,587.87
Other non-current liabilities:		
HWBYS	71,764.00	71,764.00
Kang Mei	1,838.70	20,042.11
Yi Xin Tang	53.53	53.53
Baiyunshan Yi Xin Tang	7.45	7.45
Guangzhou Dufen Health Industry Co., Ltd.	—	18,554.34
Total	73,663.68	110,421.43

Notes to the Financial Statements

(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	2,025,046,032.22	1,388,171,452.75
Total	2,025,046,032.22	1,388,171,452.75

(2) As on 31 December 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	2,789,667,047.21	4,047,678,863.67
Commitments on external investments	—	—
Total	2,789,667,047.21	4,047,678,863.67

② *Fulfillment of commitments for the prior year*

The Group has fulfilled the capital expenditures and operating lease commitments as on 31 December 2025.

Notes to the Financial Statements

(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.

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.

Notes to the Financial Statements

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

XIII. COMMITMENTS OR CONTINGENCY *(Continued)*

2. Contingencies *(Continued)*

(2) Please refer to Note XV 11 (1) for contingencies related to litigation.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. 2025 Profit Distribution Plan

On March 20, 2026, the 33rd meeting of the 9th Session of the Board of Directors of the Company approved the following profit distribution resolution: Based on the total share capital of 1,625,790,949 shares as of the end of 2025, a cash dividend of RMB0.45 per share (inclusive of tax) is proposed to be distributed, amounting to a total cash dividend of RMB731,605,927.05 (inclusive of tax). The remaining undistributed profit will be carried forward to the next distribution. There will be no capitalization of capital reserve for the current year.

2. Acquisition of 100% Equity Interest in Zhejiang Pharmaceutical Industry Co., Ltd. by the Group's Subsidiary

On December 10, 2025, the Company's controlled subsidiary, Pharmaceutical Company, received a "Notice of Property Rights Transaction Signing" from the Taizhou Property Rights Exchange Co., Ltd., confirming it as the transferee for the 100% equity transfer project of Zhejiang Pharmaceutical Industry Co., Ltd. ("Zhejiang Pharma"). On December 17, 2025, the Company's controlled subsidiary, Pharmaceutical Company, signed the "Equity Transaction Contract" and its "Supplementary Agreement" with Zhejiang Haizheng Pharmaceutical Co., Ltd. As of the date of this report, the acquisition has been completed, and the relevant industrial and commercial registration changes for Zhejiang Pharma have been finalized. Upon completion, the Company's controlled subsidiary, Pharmaceutical Company, holds 100% of the equity interest in Zhejiang Pharma.

3. Acquisition of 11.04% Shares in Nanjing Pharmaceutical Group Co., Ltd. by Guangzhou Guangyao Phase II Fund

On September 26, 2025, the Company held the 29th meeting of the 9th Board of Directors and approved the proposal for its subsidiary, Guangzhou Guangyao Phase II Fund Equity Investment Partnership (Limited Partnership) ("Phase II Fund"), to acquire an 11.04% stake in Nanjing Pharmaceutical Group Co., Ltd. (formerly Nanjing Pharmaceutical Co., Ltd., renamed to Nanjing Pharmaceutical Group Co., Ltd., hereinafter referred to as "Nanjing Pharma"). The Phase II Fund intends to acquire 144,557,431 non-restricted shares ("Target Shares") held by Alliance Healthcare Asia Pacific Limited through a protocol transfer, representing 11.04% of the total share capital of Nanjing Pharma ("Transaction").

On November 17, 2025, the Phase II Fund received relevant approvals from its state-owned assets supervisory authority. Additionally, the Phase II Fund has committed not to transfer the Target Shares to any party other than other entities controlled by the Company within 18 months from the date of transfer registration. On February 27, 2026, China Securities Depository and Clearing Corporation Limited issued a "Confirmation of Securities Transfer Registration." The transfer registration for this transaction was completed on February 26, 2026. Following the completion of the transfer registration, the Phase II Fund holds 144,557,431 unlimited circulating shares in Nanjing Pharma, representing 11.04% of its current total share capital.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS

1. Prior Period Accounting Errors

Nil

2. Debt restructuring

Nil.

3. Asset replacement

Nil.

4. Annuity plan

Nil.

5. Termination of operations

Nil.

6. Information of Segments

(1) Recognition Basis and Accounting Policies for Reporting Segments

In alignment with the Group's strategic management deployment and the expansion of its business segments, the Group is currently engaged in the industrial chain layout and the establishment of internal organizational structures across the following sectors: "Modern Chinese Medicine," "Chemical Pharmaceutical Technology," "Natural Beverages," "Pharmaceutical Commerce," and other business segments. In accordance with regulatory requirements and internal management practices, the Group has designated these five areas as its reportable operating segments. The details of each segment are as follows:

- Modern Chinese Medicine Segment: Research and development, manufacturing, and sales of proprietary Chinese medicines and natural medicines;
- Chemical Pharmaceutical Technology Segment: Research and development, manufacturing, and sales of chemical drugs, chemical active pharmaceutical ingredients (APIs), and chemical intermediates;
- Natural Beverages Segment: Research and development, production, and sales of health-oriented products;
- Pharmaceutical Commerce Segment: Wholesale, retail, and import/export of Western medicines, Chinese medicines, and medical devices;
- Other Segments: Primarily including biotechnology innovation, consumer health, and medical services..

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(1) Recognition Basis and Accounting Policies for Reporting Segments (Continued)

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..

(2) Reporting financial Information of Segments

① The segment information for the 12 months ended 31 December 2025 and as of 31 December 2025 is as follows:

Item	Modern Chinese Medicine	Chemical Pharmaceutical Technology	Natural Beverages	Pharmaceutical Commerce	Other	Offset between segments	Total
External revenue	5,895,548,640.67	3,479,858,587.72	9,679,180,969.25	57,078,259,273.18	1,523,262,468.41	-	77,656,109,939.23
Inter-segment revenue	1,627,442,636.69	285,975,656.62	52,669,719.66	1,090,377,620.12	4,954,630,320.75	(8,011,095,953.84)	-
Interest income	(15,621,753.20)	(7,869,741.49)	(48,074,237.25)	(31,737,835.39)	(38,583,544.59)	-	(141,887,111.92)
Interest expenses	19,387,296.58	3,215,793.39	10,497,356.21	366,368,241.89	4,097,142.23	(2,058,425.95)	401,507,404.35
Income from investments in associates and joint ventures	-	-	-	(860,871.51)	9,308,613.08	(2,512,681.51)	5,935,060.06
Impairment losses in respect of credit	7,270,884.23	(251,496.18)	(55,225.71)	(104,271,975.92)	(3,557,114.22)	(18,055,554.94)	(118,920,482.74)
Impairment losses in respect of assets	(17,993,510.36)	(34,702,527.96)	(306,844.79)	(13,243,310.56)	(1,778,673.71)	-	(68,024,867.38)
Depreciation and amortization expenses	237,184,051.19	137,615,176.61	85,225,631.37	356,844,131.30	139,689,185.92	(709,427.85)	955,848,748.54
Total profit	448,452,036.47	614,706,616.47	1,478,624,638.19	800,162,275.66	654,302,693.49	(306,322,317.86)	3,689,925,942.42
Total assets	11,768,493,399.91	7,956,791,780.53	19,278,167,767.14	37,996,803,086.01	34,444,848,733.40	(26,933,964,756.73)	84,511,140,010.26
Total liabilities	6,205,202,101.11	4,434,816,787.56	6,740,319,699.12	29,749,243,248.27	10,279,322,304.89	(12,980,632,793.01)	44,428,271,347.94
Long-term equity investment in associates and joint ventures	65,476.18	-	-	15,957,809.61	1,568,336,690.08	-	1,584,359,975.87
Increase in other non-current assets excluding long-term equity investment	287,592,157.44	97,377,783.40	263,195,530.25	453,170,048.50	356,569,855.30	-	1,457,905,374.89

Notes to the Financial Statements

(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

- ② The segment information for the 12 months ended 31 December 2024 and as of 31 December 2024 is as follows:

Item	Modern Chinese Medicine	Chemical Pharmaceutical Technology	Natural Beverages	Pharmaceutical Commerce	Other	Offset between segments	Total
External revenue	6,236,974,860.58	3,703,635,936.57	9,716,845,886.25	53,729,829,286.62	1,605,534,503.54	–	74,992,820,473.56
Inter-segment revenue	1,805,362,498.04	304,437,246.57	30,581,191.40	874,874,877.34	5,423,476,645.64	(8,438,732,458.99)	–
Interest income	(38,730,385.76)	(57,716,320.27)	(191,778,198.73)	(47,691,497.62)	(68,391,668.13)	–	(404,308,070.51)
Interest expenses	22,112,184.09	3,734,246.88	9,517,471.12	380,403,824.40	8,801,482.28	(6,417,890.96)	418,151,317.81
Income from investments in associates and joint ventures	(63,818.64)	–	(9,792.87)	81,490.81	(45,953,923.69)	(5,671,934.98)	(51,617,979.37)
Impairment losses in respect of credit	(2,230,227.87)	(958,501.37)	(424.31)	(56,625,332.53)	(795,366.27)	(2,688,191.08)	(63,298,043.43)
Impairment losses in respect of assets	(3,322,596.51)	(21,477,375.97)	(566,729.06)	5,848,017.64	(387,764,442.13)	–	(407,283,126.03)
Depreciation and amortization expenses	206,719,330.04	118,209,278.33	87,045,918.45	396,652,539.87	128,272,211.03	(701,481.18)	936,197,796.54
Total profit	891,261,541.15	777,017,791.28	1,657,498,678.76	771,588,907.29	526,973,322.81	(1,016,760,369.53)	3,607,579,871.76
Total assets	10,906,927,194.66	8,239,399,596.04	19,817,784,188.82	34,329,600,631.93	18,319,147,833.55	(9,929,247,924.36)	81,683,611,520.64
Total liabilities	5,620,532,896.33	4,923,021,797.66	8,514,492,707.24	26,684,890,960.07	9,504,000,597.23	(11,332,963,184.28)	43,913,975,774.25
Long-term equity investment in associates and joint ventures	427,991.05	–	–	16,818,681.12	1,490,012,401.77	–	1,507,259,073.94
Increase in other non-current assets excluding long-term equity investment	357,269,286.21	197,294,007.53	103,228,070.17	225,784,910.83	556,507,552.90	–	1,440,083,827.64

Notes to the Financial Statements

(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

- 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	77,361,802,002.53	74,717,587,520.79
Other countries/regions	294,307,936.70	275,232,952.77
Total	77,656,109,939.23	74,992,820,473.56

(cont.)

Item	Closing balance	Closing balance of last year
Total non-current assets:		
PRC	14,485,659,663.92	14,008,601,389.74
Other countries/regions	12,273,152.87	13,272,044.38
Total	14,497,932,816.79	14,021,873,434.12

7. Remuneration of Auditors

Item	Closing balance	Closing balance of last year
Remuneration of Auditors	3,469,999.99	3,273,584.90
Total	3,469,999.99	3,273,584.90

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Remuneration of directors, supervisors and employees

Remuneration of each director for the year ended 31 December 2025 is as below:

Name	Position	Remuneration of directors	Salary and subsidy	Pension	Bonus	Sign-on bonus	Severance package	Others	Total
Directors									
Li Xiaojun	Chairman	-	-	-	-	-	-	-	-
Chen Jiehui	Vice-Chairman	-	-	-	-	-	-	-	-
Cheng Ning	Vice-Chairman	-	-	-	-	-	-	-	-
Chen Hongjin	Executive Director	-	-	-	-	-	-	-	-
Tang Heping	Executive Director	-	-	-	-	-	-	-	-
Li Hong	Executive Director, GM	-	488,534.00	140,544.00	685,388.00	-	-	-	1,314,466.00
Yang Jun (Note ①)	Vice-Chairman	-	-	-	-	-	-	-	-
Wu Changhai (Note ②)	Executive Director	-	-	-	-	-	-	-	-
Liu Juyan (Note ③)	Executive Director	-	-	-	-	-	-	-	-
Chen Yajin	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Huang Min	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Huang Longde	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Sun Baoqing	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00

Notes:

- ① Mr. Yang Jun has served as the Vice Chairman of the Company from June 2020 to June 2025.
- ② Mr. Wu Changhai served as a Director of the Company from June 2010 to February 2025.
- ③ Ms. Liu Juyan served as a Director of the Company from January 2014 to January 2025.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Remuneration of directors, supervisors and employees (Continued)

Remuneration of each director and supervisor for the year ended 31 December 2024 is as below:

Name	Position	Remuneration of directors	Salary and subsidy	Pension	Bonus	Sign-on bonus	Severance package	Others	Total
Directors									
Li Xiaojun	Chairman	-	-	-	-	-	-	-	-
Li Chuyuan	Former Chairman	-	-	-	-	-	-	-	-
Yang Jun	Vice-Chairman	-	-	-	-	-	-	-	-
Cheng Ning	Vice-Chairman	-	-	-	-	-	-	-	-
Liu Juyan	Former Executive Director	-	-	-	-	-	-	-	-
Wu Changhai	Former Executive Director	-	443,920.00	116,137.00	784,001.00	-	-	-	1,344,058.00
Zhang Chunbo	Former Executive Director	-	264,019.00	66,369.00	186,240.00	-	-	-	516,628.00
Li Hong	Executive Director, GM	-	560,499.00	134,137.00	642,592.00	-	-	-	1,337,228.00
Huang Longde	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Sun Baoqing	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Chen Yajin	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Huang Min	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00

Except for the remuneration of the directors disclosed above, the Chairman, Mr. Li Xiajun; Vice Chairman, Mr. Chen Jiehui; Mr. Cheng Ning; Yang Jun; Executive Directors, Mr. Chen Hongjin; Tang Heping; Mr. Wu Changhai and Ms. Liu Juyan received remuneration from the Company's controlling shareholder in the amounts of RMB974,709.00, RMB1,368,774.00, RMB1,383,174.00, RMB1,008,322.00, RMB805,232.00, RMB1,366,741.00, RMB634,161.00 and RMB404,490.00 respectively (For 2024: the former Chairman, Mr. Li Chuyuan; Vice Chairman, Mr. Yang Jun; Vice Chairman, Mr. Cheng Ning; former Executive Directors, Ms. Liu Juyan, Mr. Wu Changhai, and Mr. Zhang Chunbo received remuneration from the Company's controlling shareholder in the amounts of RMB513,616.00, RMB1,474,102.00, RMB1,368,665.00, RMB1,202,941.00, RMB1,344,058.00, and RMB516,628.00, respectively), a portion of this remuneration was compensation for services provided to the Group. However, the directors believe it is difficult to allocate these amounts between services provided to the Group and those provided to the Company's controlling shareholder and jointly controlled entities. Therefore, the remuneration has not been apportioned.

As at 31 December 2025, no directors have given up or agreed to give up any arrangements of remuneration (2024: Nil).

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

9. Top five of remuneration

Top five of remuneration of the Group for the year ended 31 December 2025 includes 3 directors (2024: includes 2 directors).

The total amount of remuneration paid to the other 2 persons (2024: 2 persons) this year is listed as follows:

Item	The year ended 31 December 2025	The year ended 31 December 2024
Salary and subsidies	901,390.00	971,174.00
Pension	239,108.00	141,605.00
Bonus	1,873,227.00	2,860,939.00
Others	45,829.00	390.00
Total	3,059,554.00	3,974,108.00

Scope of remuneration	Numbers of person	
	The year ended 31 December 2025	The year ended 31 December 2024
RMB0 – 1,000,000	–	–
RMB1,000,000 – 1,500,000	1	–
RMB1,500,000 – 2,000,000	1	1
Over RMB2,000,000	–	1

10. Other significant transactions and matters that impact investor decisions

Nil.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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.

The main content of the court decision The retrial judgment was as follows:
 1. The second-instance judgment and item (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 Da'en 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

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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 28 April 2025, Following procedures including cross-examination 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 RMB73,763.30 thousand 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

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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 RMB41,563.00 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 26 June 2025, the bank accounts under the name of Subsidiary G were frozen up to a limit of RMB41,563.00 thousand, with the actual amount frozen being RMB41,563.00 thousand. The case was heard on 8 August 2025 and is pending judgment.
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 RMB41,563.00 thousand 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

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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 RMB14,369.70 thousand 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 RMB14,939.30 thousand issued by Jimei.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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	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, Subsidiary G 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.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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.

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.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

11. 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. On July 11, 2025, Sub-subsidiary P informed Subsidiary G that as of July 10, 2025, Hebei Enpu had frozen funds of RMB3.45 million belonging to Sub-subsidiary P. The case was heard as scheduled on August 27, 2025. On December 2, 2025, a Civil Mediation Statement issued by the Intermediate People's Court of Shijiazhuang City was received. Under the court's mediation, the parties voluntarily reached an agreement.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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 parties voluntarily reached the following agreement in the second instance judgment:

1. Within three working days from the date of signing this mediation agreement, Hebei Enpu Pharmaceutical Logistics Co., Ltd. shall apply to the court of first instance for the lifting of the freezing order. After the court of first instance lifts the freezing order, Sub-subsidiary P shall make a one-time payment of RMB500,000 to Hebei Enpu Pharmaceutical Logistics Co., Ltd. within five working days. If Sub-subsidiary P fails to fulfill the payment obligation in accordance with the agreement, Hebei Enpu Pharmaceutical Logistics Co., Ltd. shall have the right to apply for compulsory enforcement in accordance with the content of the first instance judgment;
2. The first instance litigation fee of RMB33,700, property preservation fee of RMB5,000, and counterclaim litigation fee of RMB4,400 shall be borne by Hebei Enpu Pharmaceutical Logistics Co., Ltd. in the amount of RMB21,600 and by Sub-subsidiary P in the amount of RMB21,600. The second instance litigation fee, calculated at half rate, amounts to RMB4,400, which shall be borne by Hebei Enpu Pharmaceutical Logistics Co., Ltd. in the amount of RMB2,200 and by Sub-subsidiary P in the amount of RMB2,200;
3. Both parties shall not pursue any other claims against each other.

The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary P, as the defendant, shall pay RMB500,000 to Hebei Enpu Pharmaceutical Logistics Co., Ltd. and bear a portion of the case acceptance fees pursuant to the mediation agreement.

The impact on the Company's operation and finance	As of the reporting date, the case has been concluded and will not have a material adverse effect on the Company's production and operations, financial condition, or future development.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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.
The main content of the court decision	First-instance judgment: The Jinniu District People's Court of Chengdu City did not support the plaintiff's claims. Second Instance Judgment: On December 9, 2025, the court rejected the appeal and upheld the original judgment. The second instance case acceptance fee of RMB41,795 shall be borne by Sichuan Guojing Xinlian Supply Chain Management Co., Ltd. This judgment is final.
The legal responsibilities for the Company or its subsidiaries	Defendant Subsidiary U shall not bear any legal liability.
The impact on the Company's operation and finance	As of the reporting date, the case has been concluded.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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 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. Following the first and second instance proceedings, the court rendered a final judgment on January 17, 2024, upholding the original judgment and granting the claims of Subsidiary G. Zhongshan Pharmaceutical applied for a retrial, but the application was rejected by the Guangdong Provincial Higher People's Court on June 25, 2025. As of the date of this financial report, Subsidiary G has applied for the continuation of the freezing order on the aforementioned equity interests and initiated the auction process; the case is currently under enforcement.

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. On June 27, 2025, the High People's Court ruled to reject Zhongshan Pharmaceutical's application for retrial.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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 legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay the 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.

- (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.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

11. 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 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.

On February 20, 2025, Subsidiary G applied to the court for the transfer of the execution funds to its account. 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 12, 2026, a court notice was received that the freezing order had been extended until January 8, 2027.

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.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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 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 the Company or its 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.

- (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.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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 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.

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 RMB13.2933 million. 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. On November 20, 2025, the creditor verification statement from the administrator of Feite was received. The verification result confirmed the claim amount at RMB14,006,500, which is higher than the RMB13,958,100 recognized by the administrator of Caishen.

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

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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.
The main content of the court decision	In the first-instance judgment, the court rejected all Subsidiary G's claims. The second instance judgment upheld the original verdict and dismissed the appeal. Upon retrial, the High People's Court ruled to reject the application for retrial.
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

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

11. 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.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

11. 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. 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 case is currently under enforcement. As of December 31, 2025, a total of RMB4.2 million has been recovered through execution.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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)

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 the Company or its 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%.

- (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.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

11. 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 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.

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.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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 Shaanxi 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: Shaanxi 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 Shaanxi 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. In 2025, Gansu Zhongyou Health Pharmaceutical Co., Ltd. paid a total of RMB20,000 to Sub-subsidiary P in settlement of claims. On December 3, 2025, Gansu Zhongyou Health Management Group Co., Ltd. and 30 other debtors issued a notice suspending the implementation of the "Installment Repayment Plan for the First Phase of Claims to be Settled by Gansu Zhongyou Health Management Group and 30 Other Companies".

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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 Shaanxi 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 Shaanxi 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 Shaanxi 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.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

11. 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 Shaanxi Kangjian Pharmaceutical Chain Co., Ltd. and its branches

Litigant Plaintiff: Sub-subsidiary P (its parent company is Subsidiary G)

Defendant: Shaanxi 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 Shaanxi 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 RMB6.7834 million. 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.

The hearing was held on September 17, 2025. On October 13, 2025, the first instance civil judgment was received. On October 27, 2025, Sub-subsidiary P filed an appeal with the Xi'an Intermediate People's Court, and the court has accepted the case.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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

Shaanxi Kangjian Case:
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 0.02% per day starting from January 25, 2022.

Kangchao Case:

First Instance Judgment: Dismissed all claims filed by Sub-subsidiary P.

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

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

11. 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: Shaanxi 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 Shaanxi 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. On October 11, 2025, an application was filed with the court to extend the freezing order.

Notes to the Financial Statements

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

11. 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

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

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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 on August 5, the court has accepted the application.

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

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

11. 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 RMB7,534.80 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 RMB2,854.90 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 RMB2,550.00 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.
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

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

11. 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.

2. No other significant matters

Notes to the Financial Statements

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

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	298,378,684.21	177,283,226.66
1 to 2 years	—	320,972.00
2 to 3 years	320,972.00	—
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	303,213,227.65	182,117,770.10
Less: Provision for bad debts	7,593,649.88	6,318,500.91
Total book value of accounts receivable	295,619,577.77	175,799,269.19

(2) Accounts receivable disclosed by category

Category	Book balance		Closing balance Provision for bad debts Expected credit loss ratio (%)		Book Value Amount
	Amount	Proportion (%)	Amount	loss ratio (%)	
Accounts receivable subject to separate provision	2,615,454.16	0.86	2,615,454.16	100.00	—
Accounts receivable subject to provision by portfolio	300,597,773.49	99.14	4,978,195.72	1.66	295,619,577.77
Including: portfolio 1	300,597,773.49	99.14	4,978,195.72	1.66	295,619,577.77
Total	303,213,227.65	100.00	7,593,649.88	2.50	295,619,577.77

(Cont.)

Category	Book balance		Closing balance of last year Provision for bad debts Expected credit loss ratio (%)		Book Value Amount
	Amount	Proportion (%)	Amount	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

(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>	<u>—</u>	

② Accounts receivable subject to provision by portfolio

Portfolio 1

Aging	Book balance	Closing balance		Closing balance of last year		
		Provision for bad debts	Expected credit loss ratio (%)	Book balance	Provision for bad debts	Expected credit loss ratio (%)
Within 1 year	298,378,684.21	2,983,786.84	1.00	177,283,226.66	1,772,832.27	1.00
1 to 2 years	—	—	—	320,972.00	32,097.20	10.00
2 to 3 years	320,972.00	96,291.60	30.00	—	—	—
3 to 4 years	—	—	—	—	—	—
4 to 5 years	—	—	—	—	—	—
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>300,597,773.49</u>	<u>4,978,195.72</u>	<u>—</u>	<u>179,502,315.94</u>	<u>3,703,046.75</u>	<u>—</u>

Notes to the Financial Statements

(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	Provision	Current change amount Recovered or reversed	Resold or written-off	Closing balance
Provision for accounts receivable bad debts	6,318,500.91	1,275,148.97	-	-	7,593,649.88
Total	6,318,500.91	1,275,148.97	-	-	7,593,649.88

(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	221,586,168.19	73.08	2,215,861.68
Customer 2	18,931,815.00	6.24	189,318.15
Customer 3	12,882,354.00	4.25	128,823.54
Customer 4	13,823,424.60	4.56	138,234.24
Customer 5	6,528,657.50	2.15	65,286.58
Total	273,752,419.29	90.28	2,737,524.19

(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.

Notes to the Financial Statements

(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

Item	Closing balance	Closing balance of last year
Dividends receivable	173,186,598.38	153,397,700.00
Other receivables	247,406,382.50	203,988,842.48
Total	420,592,980.88	357,386,542.48

(1) Dividends receivable

① Dividends receivable are as follows:

Item	Closing balance	Closing balance of last year
Tian Xin	91,729,503.70	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	173,186,598.38	153,397,700.00

② The Group has no significant dividends receivable with aging over one year for the period.

(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	171,345,158.03	67.02	121,063,145.70	56.82
1 to 2 years	8,195,358.69	3.21	5,694,393.20	2.67
2 to 3 years	6,168,720.38	2.41	3,545,526.40	1.66
3 to 4 years	4,865,539.94	1.90	2,677,706.64	1.26
4 to 5 years	1,595,801.64	0.62	621,110.16	0.29
Over 5 years	63,489,115.49	24.83	79,463,014.56	37.30
Subtotal	255,659,694.17	100.00	213,064,896.66	100.00
Less: provision	8,253,311.67	-	9,076,054.18	-
Total	247,406,382.50	-	203,988,842.48	-

Notes to the Financial Statements

(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)

② Category of other receivables as per nature

Nature	Closing balance	Closing balance of last year
Receivables due from related parties	216,428,608.08	174,847,350.49
Deposit, rent, advances to employees	3,459,984.86	2,892,104.14
Others	35,771,101.23	35,325,442.03
Total	255,659,694.17	213,064,896.66

③ Disclosure by category of bad debt provision methods

Category	Book balance		Closing balance provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with bad debt provision assessed on an individual basis	7,567,328.42	2.96	7,567,328.42	100.00	-
Including: Other receivables with significant individual amounts and individually assessed bad debt provision	4,518,130.48	-	4,518,130.48	-	-
Other receivables with insignificant individual amounts but individually assessed bad debt provision	3,049,197.94	-	3,049,197.94	-	-
Other receivables with bad debt provision assessed based on groups	248,092,365.75	97.04	685,983.25	0.28	247,406,382.50
Including: Group by aging as the credit risk characteristic	6,319,570.84	-	685,983.25	-	5,633,587.59
Group of balances with extremely low credit risk	21,957,871.97	-	-	-	21,957,871.97
Related party balances	216,428,608.08	-	-	-	216,428,608.08
Deposits, guarantees, and employee advances	3,386,314.86	-	-	-	3,386,314.86
Total	255,659,694.17	100.00	8,253,311.67	-	247,406,382.50

Notes to the Financial Statements

(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 Disclosure by category of bad debt provision methods (Continued)

Category	Book balance		Closing balance of last year provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with bad debt provision assessed on an individual basis	7,567,328.42	3.55	7,567,328.42	100.00	-
Including: Other receivables with significant individual amounts and individually assessed bad debt provision	4,518,130.48	-	4,518,130.48	-	-
Other receivables with insignificant individual amounts but individually assessed bad debt provision	3,049,197.94	-	3,049,197.94	-	-
Other receivables with bad debt provision assessed based on groups	205,497,568.24	96.45	1,508,725.76	0.73	203,988,842.48
Including: Group by aging as the credit risk characteristic	8,796,926.57	-	1,508,725.76	-	7,288,200.81
Group of balances with extremely low credit risk	18,961,186.04	-	-	-	18,961,186.04
Related party balances	174,847,351.49	-	-	-	174,847,351.49
Deposits, guarantees, and employee advances	2,892,104.14	-	-	-	2,892,104.14
Total	213,064,896.66	100.00	9,076,054.18	-	203,988,842.48

④ Other receivables with bad debt provision accrued under the general model for expected credit losses

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	(822,742.51)	-	-	(822,742.51)
Recovery at current period	-	-	1,285,902.46	1,285,902.46
Pay-off at current period	-	-	-	-
Write-off at current period	-	-	-	-
Other changes	-	-	(1,285,902.46)	(1,285,902.46)
Balance on 2025.12.31	1,861,589.16	-	6,391,722.51	8,253,311.67

Notes to the Financial Statements

(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)

⑤ Provision for accrual, return or recovery of provision for bad debts of the current period

Category	Closing balance of last year	Provision	Current change amount			Closing balance
			Recovered or reversed	Pay-off or written-off	Other changes	
Provision for bad debts of other receivables	9,076,054.18	(822,742.51)	1,285,902.46	—	(1,285,902.46)	8,253,311.67
Total	9,076,054.18	(822,742.51)	1,285,902.46	—	(1,285,902.46)	8,253,311.67

⑥ There is no other receivables written off for this period.

⑦ 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
Baiyunshan Weiling Pharmaceutical Co., Ltd.	Receivables due from related parties	127,535,262.26	Within 1 year, 5 years above	49.88	—
Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd.	Receivables due from related parties	55,651,684.12	Within 1 year	21.77	—
Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd.	Receivables due from related parties	10,647,094.95	Within 1 year, 1 to 2 years, 2 to 3 years, 3 to 4 years	4.16	—
Guangzhou WLJ Great Health Industry Co., Ltd.	Receivables due from related parties	6,868,513.42	Within 1 year	2.69	—
Guangzhou Chinghai Investment Management Co., Ltd.	Receivables from external parties	4,573,644.00	Within 1 year, 1 to 2 years	1.79	—
Total	—	205,276,198.75	—	80.29	—

⑧ There is no receivables related to government grants for the current period.

⑨ There is no other receivables that had been derecognized due to transfer of financial asset for the current period.

⑩ There is no assets or liabilities arising from the transfer of and the continuing involvement of other receivables for the current period.

Notes to the Financial Statements

(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

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	14,025,364,814.24	171,000,000.00	13,854,364,814.24	12,648,309,741.25	171,000,000.00	12,477,309,741.25
Investment in joint ventures and associates	1,247,843,875.65	385,666,507.83	862,177,367.82	1,265,408,868.70	385,666,507.83	879,742,360.87
Total	15,273,208,689.89	556,666,507.83	14,716,542,182.06	13,913,718,609.95	556,666,507.83	13,357,052,102.12

(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	-	1,000,000.00	323,320,391.34	-	-
Chen Li Ji	142,310,800.00	-	2,000,000.00	140,310,800.00	-	-
Guangzhou Han Fang	200,517,109.58	8,806,092.29	-	209,323,201.87	-	55,000,000.00
Guangzhou Qi Xing						
Pharmaceutical Factory Co., Ltd.	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	55,500,000.00	-	280,614,900.00	-	69,000,000.00
Guangzhou Bai Di	195,795,812.38	150,000,000.00	-	345,795,812.38	-	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	-	-
Guangyao Baiyunshan Hong Kong Company	140,500,756.87	-	-	140,500,756.87	-	-

Notes to the Financial Statements

(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
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	100,000,000.00	1,150,000.00	241,850,000.00	-	-
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	100,000,000.00	-	500,000,000.00	-	-
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	-	-
Guangzhou Guangyao Phase II Fund Equity Investment Partnership (Limited partnership)	-	759,240,000.00	-	759,240,000.00	-	-
Total	12,477,309,741.25	1,382,205,072.99	5,150,000.00	13,854,364,814.24	-	171,000,000.00

Notes to the Financial Statements

(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	The current period			Declaration of the payment of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
				Investment gains or losses recognized under equity method	Adjustment to other comprehensive income	Changes in other equity					
I. Joint ventures											
HWBYS	183,191,397.08	-	-	(6,454,169.37)	-	-	(15,000,000.00)	-	-	161,737,227.71	-
Baxter Qiao Guang	85,904,632.50	-	-	8,075,249.82	-	-	-	-	-	93,979,882.32	-
Subtotal	269,096,029.58	-	-	1,621,080.45	-	-	(15,000,000.00)	-	-	255,717,110.03	-
II. Associates											
Golden Eagle Asset Management Co., Ltd.	86,581,494.07	-	-	4,930,997.74	-	-	-	-	-	91,512,491.81	-
Guangzhou Baiyunshan Weiji Medical Investment Management Co., Ltd.	2,101,533.45	-	-	26,757.02	-	-	-	-	-	2,128,290.47	-
Yi Xin Tang	402,061,558.08	-	-	13,710,420.91	-	-	(15,440,152.00)	-	-	400,331,826.99	385,666,507.83
Baiyunshan Yi Xin Tang	72,162,179.41	-	-	(4,790,265.12)	-	-	-	-	-	67,371,914.29	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd.	5,992,778.11	-	-	444,428.92	-	-	-	-	-	6,437,207.03	-
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	6,280,172.57	-	-	72,884.27	-	-	-	-	-	6,353,056.84	-
Guangzhou Guangyao Jinzang equity investment partnership (limited partnership)	35,466,615.60	-	-	(3,141,145.24)	-	-	-	-	-	32,325,470.36	-
Subtotal	610,646,331.29	-	-	11,254,078.50	-	-	(15,440,152.00)	-	-	606,460,257.79	385,666,507.83
Total	879,742,360.87	-	-	12,875,158.95	-	-	(30,440,152.00)	-	-	862,177,367.82	385,666,507.83

4. Operating Income and Operating Costs

(1) Operating Income and Operating Costs

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Main businesses	2,312,077,719.02	1,026,456,237.03	2,648,971,810.47	1,040,230,120.17
Other businesses	334,711,725.17	32,309,025.26	335,661,706.90	32,113,282.14
Total	2,646,789,444.19	1,058,765,262.29	2,984,633,517.37	1,072,343,402.31

Notes to the Financial Statements

(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 (Continued)

(2) Category by business

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Modern Chinese Medicine	685,560,530.03	346,769,612.05	680,300,190.19	370,069,446.11
Chemical Pharmaceutical Technology	1,626,517,188.99	679,686,624.98	1,968,671,620.28	670,160,674.06
Total	2,312,077,719.02	1,026,456,237.03	2,648,971,810.47	1,040,230,120.17

(3) Category by major operating region

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	1,858,293,783.23	740,374,229.70	2,212,262,860.22	778,895,018.29
Eastern China Area	133,704,576.15	101,832,909.56	133,885,610.95	95,677,015.16
Northern China Area	73,346,252.30	58,742,688.46	64,026,623.30	45,420,008.82
Northeast Area	16,160,553.67	9,995,737.47	14,843,307.28	9,365,832.31
Southwest Area	201,858,581.15	94,315,603.19	198,860,521.99	92,978,335.15
Northwest Area	28,713,972.52	21,195,068.65	25,092,886.73	17,893,910.44
Total	2,312,077,719.02	1,026,456,237.03	2,648,971,810.47	1,040,230,120.17

5. Investment income

Item	Current period	Prior period
Investment Income from long-term equity investments under cost method	287,501,318.25	492,708,740.41
Investment Income from long-term equity investments under equity method	12,875,158.95	(50,472,643.72)
Investment Income from disposal of long-term equity investments	(143,728.54)	—
Investment income from the holding other non- current financial assets	70,153,145.95	115,004,633.92
Interest income from financial products and structured deposits	213,349,233.43	197,234,975.53
Derecognition income of financial assets measured at amortized cost	(34,694.04)	(478,349.09)
Total	583,700,434.00	753,997,357.05

Notes to the Financial Statements

(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.	107,169,432.15
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.	229,272,540.70
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.	425,097,852.73
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.	6,522,036.49
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.	2,417,656.48
22. Other gains and losses that meet the definition of non-recurring profit or loss.	—
Less: Amount of income tax influence	(135,618,073.43)
Amount of minority equity impact (after income tax)	(15,057,095.03)
Total	<u>619,804,350.09</u>

Notes to the Financial Statements

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

XVII. SUPPLEMENTARY INFORMATION (Continued)

2. Return on Equity and Earnings Per Share

Profits for the current period	Weighted Average Return on Equity (%)		Earnings Per Share			
			Basic EPS		Diluted EPS	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Net profit attributable to the ordinary shareholders of the Company	8.09	7.99	1.835	1.744	1.835	1.744
Net profit attributable to the ordinary shareholders after deducting the non-recurring profit or loss	6.41	6.64	1.454	1.449	1.454	1.449

Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd
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