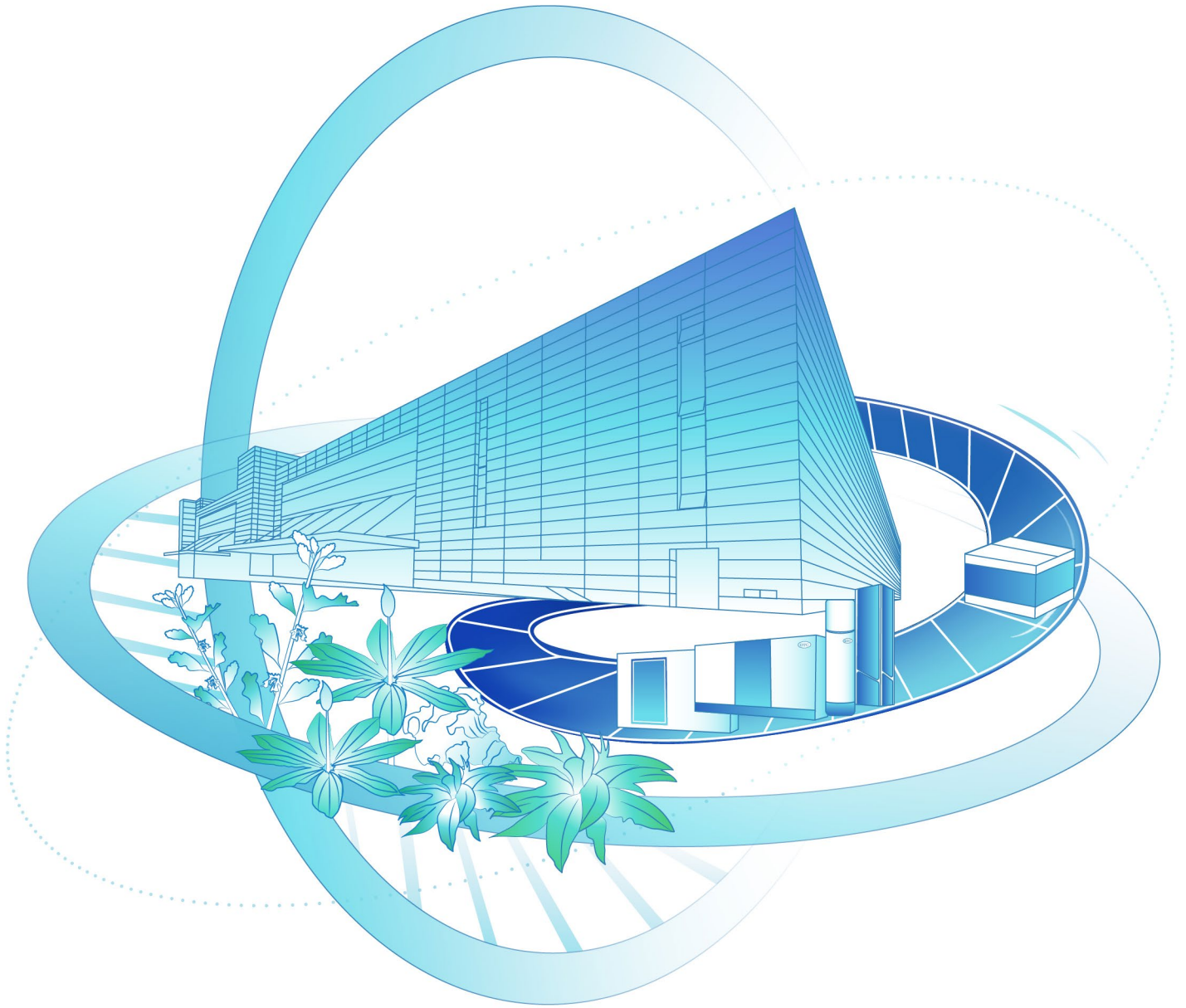




云南白药
YUNNAN BAIYAO



2025 Sustainability Report

YUNNAN BAIYAO GROUP CO., LTD.

CONTENTS

ABOUT THIS REPORT	01
MESSAGE FROM THE CHAIRMAN	03
About Yunnan Baiyao	05
Materiality Analysis	07
Sustainability Management	11

Topic 1

Lighthouse Factory: The World's First Benchmark for Intelligent Manufacturing of TCM Health Products	19
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Topic 2

Reshaping the "Frontline Workshop": Innovating New Mechanisms to Engage and Support Farmers	25
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Governance as Foundation: Strategic Leadership and Sound Operations

Guiding with Party building	33
Board Oversight and Effectiveness	35
Risk and Compliance Management	37
Business Ethics and Integrity Building	41



Innovation Empowerment: Product Excellence and Industry Collaboration

Full Lifecycle Quality Management	45
R&D and Innovation	49
Customer Relationship Management	57
Medical Accessibility	59
Supply Chain Management	60



Green Transformation: Environmental Management and Ecological Protection

Addressing Climate Change	65
Ecological Conservation and Biodiversity	71
Environmental Compliance Management	77
Resource Recycling and Efficient Utilization	87



People-Oriented: Employee Development and Workplace Development

Protecting Employees' Rights and Interests	97
Talent Cultivation and Development	99
Employee Welfare and Incentives	104
Occupational Health and Safety	107



Social Contribution: Creating Shared Value and Promoting Harmonious Development

Serving the Rural Revitalization Strategy	111
Community Collaboration	112
Public Welfare and Charity	113
Industry Leadership and Industrial Synergy	113

Appendix	116
Feedback Form	123



ABOUT THIS REPORT

This report marks the second sustainability report issued by Yunnan Baiyao Group Co., Ltd. We have previously published corporate social responsibility (CSR)/ESG reports for 18 consecutive years. It gives stakeholders information on Yunnan Baiyao's social responsibility practices and performance in the areas of management, environment, society, and public

welfare in accordance with the principles of standardization, transparency, objectivity, and comprehensiveness.

Reference Standards

This report is prepared in accordance with *Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange—Sustainability Report (For Trial Implementation)* and other reporting standards.

Report Scope

The report covers Yunnan Baiyao Group Co., Ltd, as well as its subsidiaries and branches.

Report Period

The report covers the period from January 1, 2025 to December 31, 2025, and serves as the annual report.

Data Sources

Unless otherwise specified, the financial data in this report comes from the annual financial data of Yunnan Baiyao Group Co., Ltd and its subsidiaries. Other data is sourced from internal statistics and manual compilation. Unless otherwise specified, the currency type and amount mentioned in this report are denominated in RMB.

Report Reliability Assurance

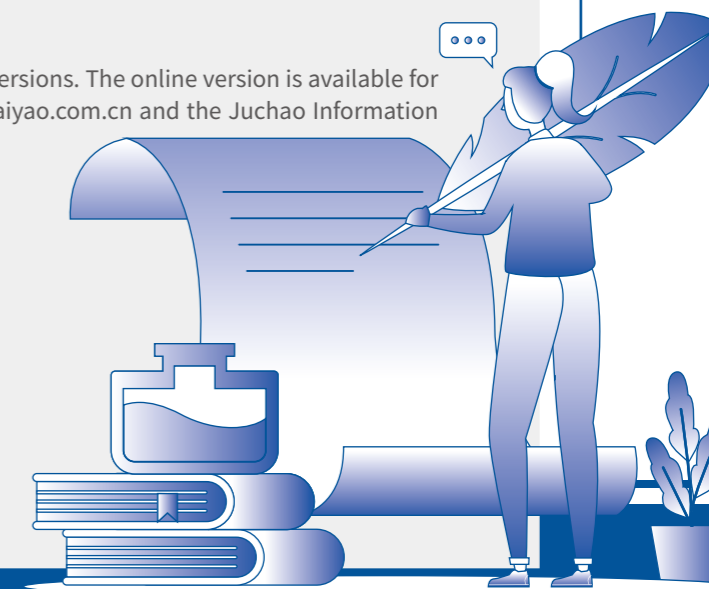
This report was put together by Yunnan Baiyao Group Co., Ltd's Social Responsibility Management Team and was considered and approved by the Company's Board of Directors (the "Board"). The Board of Directors and all the directors guarantee that this report contains no false records, misleading statements, or significant omissions, and they accept individual and joint responsibility for its truthfulness, accuracy, and completeness.

Statement Explanation

For the sake of simplicity and readability, "Yunnan Baiyao Group Co., Ltd." is referred to as "Yunnan Baiyao," "Baiyao," "the Company" or "we" in this report.

Report Format

This report is available in both printed and online versions. The online version is available for viewing and can be downloaded at www.yunnanbaiyao.com.cn and the Juchao Information website (www.cninfo.com.cn).



MESSAGE FROM THE CHAIRMAN



Zhang Wenxue
 Party Committee Secretary and
 Chairman of Yunnan Baiyao Group

When winds surge and clouds gather, it is time to row hard and strive to be first. The year 2025 marks a pivotal milestone for Yunnan Baiyao as we iterate our "3+2" strategy for the 15th Five-Year Plan period and advance toward becoming a hundred-billion-level modern pharmaceutical industry group. Over the past year, Yunnan Baiyao has maintained firm confidence, confronted challenges head-on, and focused on strategic planning and development while strengthening Party building to ensure implementation. We have continued to refine and optimize our principal businesses, leveraging our proven management capabilities to navigate the uncertainties of the external market. We have consistently upheld our founding mission of "to guard life and health." Aligned with Yunnan Province's "3815" strategic development goals, we have advanced governance enhancement through Party building, driven industrial transformation through innovation, practiced sustainable development through green initiatives, and demonstrated corporate commitment through social responsibility. In this spirit of honoring tradition while embracing change, we are accelerating the journey of the century-old Baiyao to elevate from "outstanding" to "excellence."

Governance as the cornerstone, we build a solid base for development. Under the guidance of Party building, Yunnan Baiyao has systematically optimized its governance structure, establishing a robust institutional foundation for strategy execution and high-quality development. We have clearly defined the roles of each governance body: the Committee of the Communist Party of China ("Party Committee") sets the direction, manages the overall situation, and ensures implementation;" the Board of Directors "formulates strategy, makes decisions, and prevents risks;" and the management team "plans operations, drives execution, and strengthens management." Over the past year, we have consistently integrated Party building with corporate governance, refined our three-tier ESG governance architecture spanning "decision-making, management, and execution," and earned recognition as a 2025 Best Practice Case of Internal Control among Listed Companies. Grounded in our operational realities and responsive to industry attributes and social concerns, we established material issue lists of sustainability with targeted improvement plans, embedding social responsibility and sustainable development principles throughout our production and operations. Through these efforts, we are progressively building a comprehensive sustainability governance system and cultivating a win-win sustainability model that creates shared value for all stakeholders.

Green as our foundation, we fulfill our ecological responsibilities. We have embedded green concepts into our corporate strategy, building a robust foundation for green development across our entire value chain. This year, we intensified efforts in pollution prevention, energy conservation, emission reduction, low-carbon transformation, and environmental protection, driving high-quality growth through greater resource efficiency. Benchmarking against Industry 4.0 standards, we established an end-to-end green production system. The Yunnan Baiyao Intelligent Factory was named a "World's Lighthouse Factory in Manufacturing Industries" by the World Economic Forum (WEF), the first "lighthouse factory" in Yunnan Province and the first "lighthouse factory" globally in the TCM health products sector. This achievement provides a replicable and implementable transformation model for high-quality development across the TCM industry. Through green-intelligent manufacturing spanning our entire production chain, we are not only empowering local ethnic brands to compete on the world stage, but also advancing the TCM health products sector and the manufacturing upgrade of Yunnan Province.

Responsibility as our core, we share the fruits of development. As the "chain leader" driving high-quality development of Yunnan's TCM materials industry, we remain firmly rooted in our "pharmaceutical" foundation, while advancing the deep integration of primary, secondary, and tertiary industries. We will strengthen and elevate our competitive position in the sector, catalyze the clustered growth of Yunnan's biomedical industry, and contribute to the modernization of Yunnan's industrial system. We export our green development expertise to the industry, sharing mature practices from our intelligent factory in carbon governance, green production, and full-chain traceability. Through the "Digital Intelligence of Yunnan TCM" platform, Yunnan Baiyao will lead and expand the construction of standardized cultivation demonstration bases across Yunnan Province, covering more regions and varieties. By establishing and implementing standards, we will promote our operational models and digital platform management practices, engaging more farmers in standardized cultivation and collectively advancing the sustainable development of the TCM materials industry. While pursuing high-quality development, Yunnan Baiyao has consistently fostered the mutual growth of employees and the enterprise, establishing a skill-oriented compensation system that incentivizes technological innovation and enhances the sense of fulfillment among professional, technical, and skilled personnel. During the reporting period, employee compensation achieved double-digit growth overall.

The journey ahead is long, and only through perseverance can we succeed. As we stand at the starting point of the 15th Five-Year Plan in 2026, Yunnan Baiyao will deeply embrace the concept of sustainable development and remain guided by our strategy, breaking new ground in R&D innovation, elevating green development, and intensifying industrial synergy. We will advance hand in hand with all stakeholders, staying true to our original aspiration of inheriting and innovating TCM, courageously shouldering the mission of industrial upgrading in this new era. Together, we will strive to build a modern pharmaceutical industry group that leads domestically and ranks among the world's best, contributing even greater Baiyao strength to Healthy China and the high-quality development of Yunnan!



About Yunnan Baiyao

Company Profile

Yunnan Baiyao was first founded in 1902. As a China time-honored brand, the Company is dedicated to its corporate mission of "to guard life and health." Centered on its four principal businesses, i.e. pharmaceuticals, TCM resources, health products and pharmaceutical business, the Company extended its presence in diverse fields, including natural medicines, health products and medical equipment. The Company has multiple leading core products in niche market, with its brand value constantly ranking among the top in the industry. Looking forward, the Company will adhere to its development principle of "strengthening principal businesses, stabilizing growth, and ensuring sustainability," be committed to becoming a leading brand in the healthcare sector, and drive this century-old brand to step forward to the world's first-class modern healthcare industry group.

Business Presence

Yunnan Baiyao formulated four strategic positions based on the Company's overall strategic objectives, which were divided into four segments.



Honors and Awards

Ranked 69th in the Kantar BrandZ Top 100 Most Valuable Chinese Brands in 2025
Brand Finance

Top 50 of 2025 Global Pharmaceutical Enterprises
Pharm Exec in USA

2025 First Session of the Best Practice Case of Internal Control among Chinese Listed Companies
China Association for Public Companies (CAPCO)

Advanced Intelligent Factory of Yunnan Province 2025
Department of Industry and Information Technology of Yunnan Province

Best Practice in Management Accounting Award at CGMA Annual Awards 2025
The Chartered Institute of Management Accountants (CIMA)

Best Practice Case for Sustainable Development
China Association for Public Companies (CAPCO)

Brand Finance Top 33rd Most Valuable Global Pharmaceutical Brands in 2025
Brand Finance

Among the first batch of High-Level Quality Management Ability Enterprises"
Ministry of Industry and Information Technology

Best Practice Case of the Board of Directors among Listed Companies
China Association for Public Companies (CAPCO)

Yunnan Baiyao Intelligent Factory was certificated as "World's Lighthouse Factory in Manufacturing Industries"
World Economic Forum (WEF)

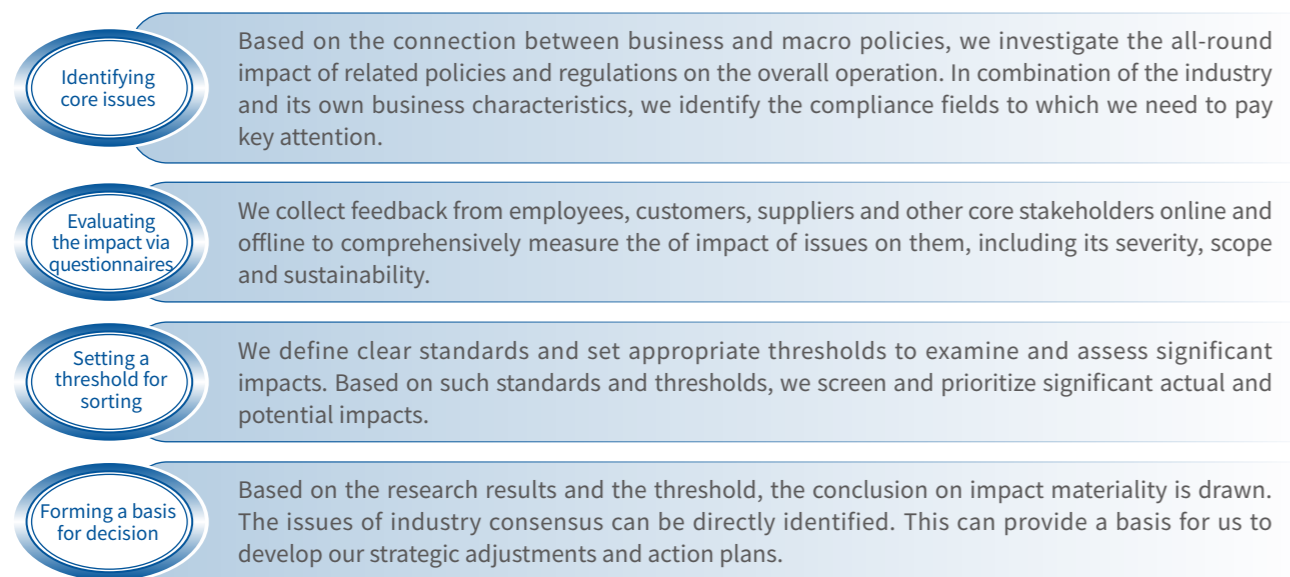
Manufacturing-oriented 5A-level Supply Chain Service Enterprise
China Federation of Logistics & Purchasing (CFLP)

Materiality Analysis

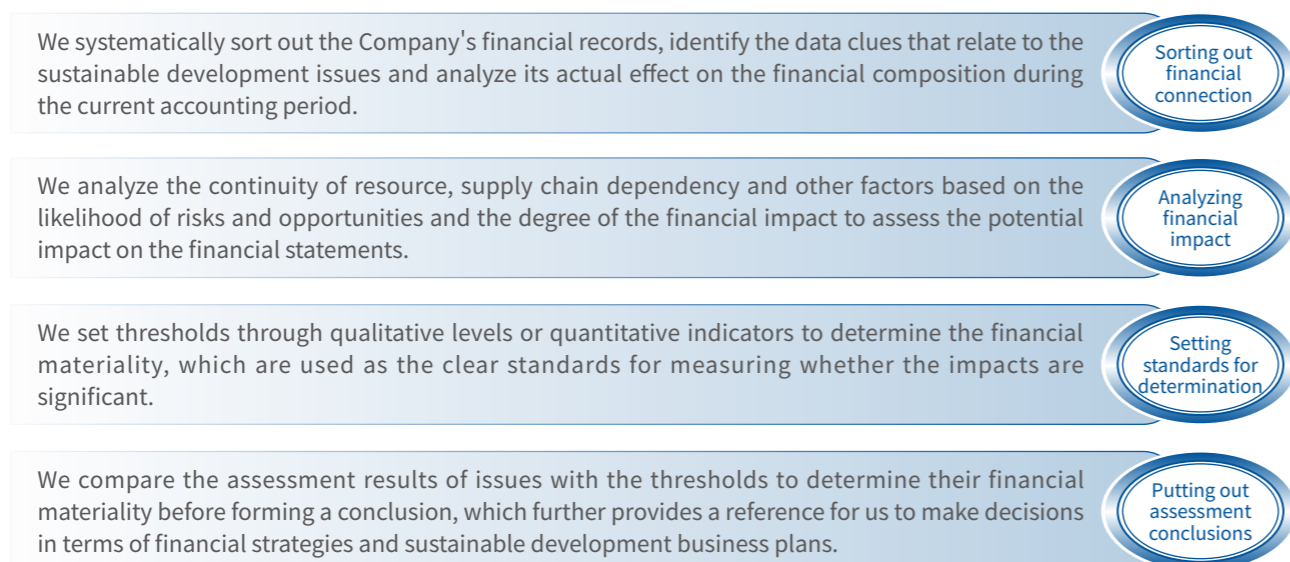
We have continuously refined our sustainable development issue management process, systematically executing our "identify-research-analyze" methodology. Adhering strictly to the dual materiality principle, we comprehensively identify internal and external concerns and widely gather stakeholder input through scientifically designed questionnaires and other channels. Through comprehensive analysis and evaluation, we pinpoint material issues that significantly impact both the Company and our stakeholders. This approach guides our sustainable development practices and information disclosure, enabling us to more effectively respond to stakeholder expectations.

Process to Evaluate the Dual Materiality

Impact Materiality



Financial Materiality



Communications with Stakeholders

In terms of sustainable development, Yunnan Baiyao consistently values stakeholder voices, listening to and addressing their concerns through diverse communication channels and systems. The Company maintains close engagement with internal and external stakeholders via online interactive platforms, official media, email, shareholders' meetings, investor hotlines, and other avenues, and continuously promotes two-way information flow and effective conveyance of feedback, thus enabling the Company to respond promptly to stakeholder needs and remain committed to building an open, transparent, and mutually beneficial sustainable development ecosystem.

Mechanism for Communication with Stakeholders

Stakeholders	Key Topics	Communication Channels
Shareholders and investor institutions	<ul style="list-style-type: none"> Standardized operation Information disclosure Risk control Reasonable return on investment 	<ul style="list-style-type: none"> Information disclosure On-site communication and report at shareholders' meetings On-site, phone, email, interactive platform and other forms of research Cash dividend
Customers and consumers	<ul style="list-style-type: none"> Consumer rights protection Guarantee of product quality and safety Customer privacy protection Intellectual property protection 	<ul style="list-style-type: none"> Customer satisfaction survey Product recall system Integrated customer service system Product service and quality assurance
Business partners	<ul style="list-style-type: none"> Integrity in business Supply chain sustainability Timely communication 	<ul style="list-style-type: none"> Standardized management and implementation of contracts and agreements Regular conferences and networking events Strict implementation of the bidding system Collaboration in social responsibility
Employees	<ul style="list-style-type: none"> Good working environment Welfare and benefits Career development 	<ul style="list-style-type: none"> Workers' congress Training, lectures, salons and other communication activities Thematic networking activities Employee satisfaction questionnaires
Governmental departments / Regulators	<ul style="list-style-type: none"> Compliance with laws and regulations Compliance operation Paying taxes in accordance with the law Joint development 	<ul style="list-style-type: none"> Information disclosure Fulfilling all obligations in accordance with laws and regulations Association activities and communications
Media and community public	<ul style="list-style-type: none"> Financial performance Enterprise management Information disclosure 	<ul style="list-style-type: none"> Press releases and publications Media interviews
Communities and NGO	<ul style="list-style-type: none"> Community relations Inclusive healthcare 	<ul style="list-style-type: none"> Volunteer services Community activities Public welfare donations

Conclusion on Materiality Analysis

Issues of both financial and impact materiality	Innovation driven	
	Energy utilization	
	Safety and quality of products and services	
	Employee	
	Pollutant discharge	
	Ecosystem and biodiversity protection	
Issues of impact materiality but without financial materiality	Data security and customer privacy protection	Environment compliance management
	Addressing climate change	Circular economy
	Supply chain safety	Communication with stakeholders
	Social contribution	Anti-unfair competition
	Rural revitalization	Anti-commercial bribery and anti-corruption
	Waste disposal	Technology ethics
	Due diligence	
	Water resource utilization	
	Equal treatment for small and medium-sized enterprises	

Dual Materiality Analysis Matrix
2025 Sustainability Dual Materiality Matrix of Yunnan Baiyao



Identification of Material Issues

Environmental	Social	Governance
Addressing climate change	Rural revitalization	Due diligence
Pollutant discharge	Social contribution	Communication with stakeholders
Waste disposal	Innovation driven	Anti-commercial bribery and anti-corruption
Ecosystem and biodiversity protection	Technology ethics	Anti-unfair competition
Environment compliance management	Supply chain safety	
Energy utilization	Equal treatment for small and medium-sized enterprises	
Water resource utilization	Safety and quality of products and services	
Circular economy	Data security and customer privacy protection	
	Employee	

Sustainability Management

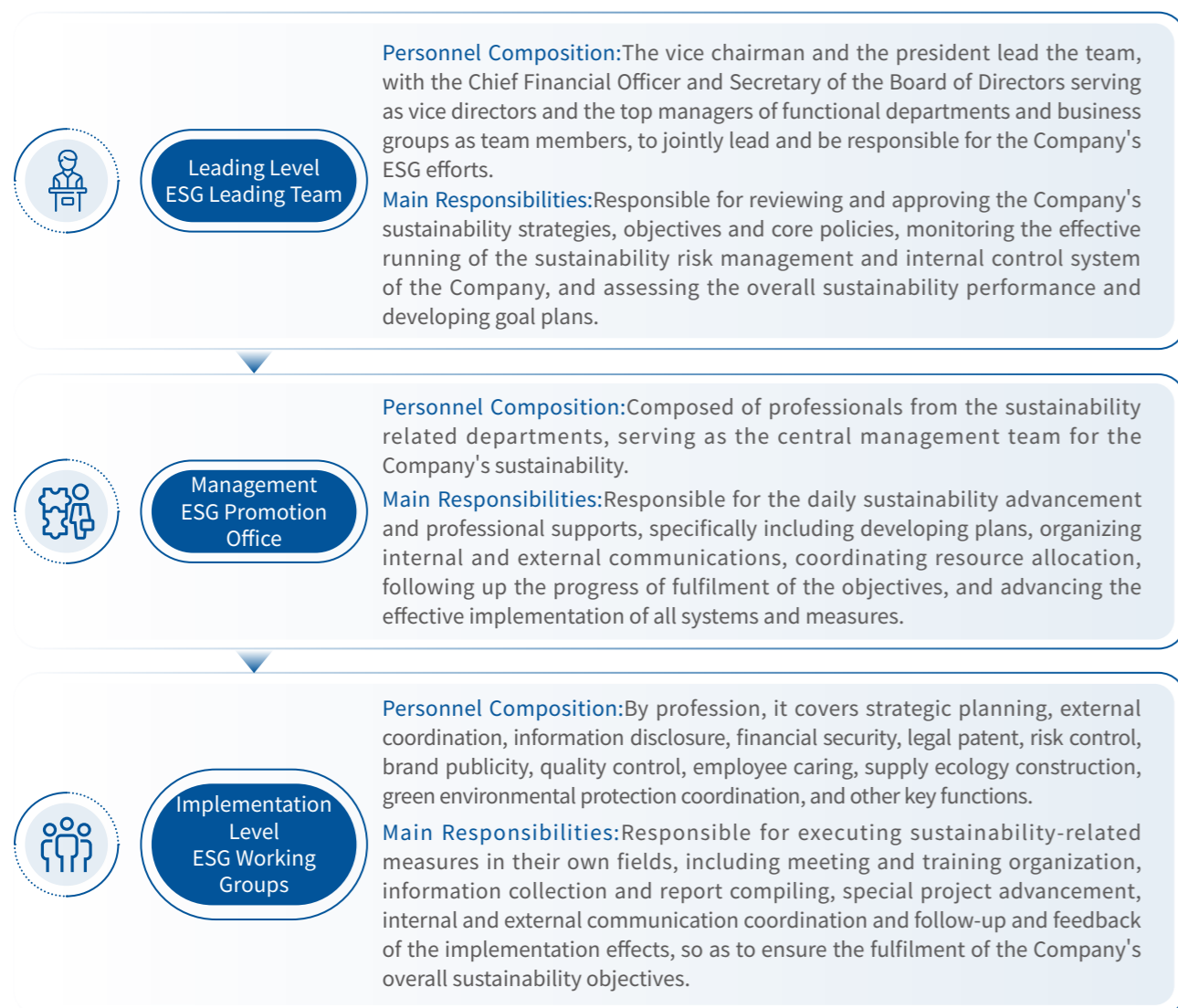
Yunnan Baiyao has built a systematical sustainability management structure. By virtue of its defined three-tier governance structure, the Company integrates its sustainability concept into its corporate strategy and daily operation. We integrate our sustainability requirements into our ability system construction, and via a perfect risk management and goal decomposition mechanism, we ensure to steadily advance and effectively implement our long-term strategies.

Governance

Sustainability Management System

Yunnan Baiyao continues to optimize its sustainability management and control system with a three-tier structure of "decision - management - implementation," and systematically organizes to advance the implementation of its sustainability strategies. This system clarifies the duties and responsibilities of all tiers and the mechanisms for their co-work, which ensures the orderly advancement and closed-loop of related work.

Sustainability Management Structure



Sustainability Training

To constantly improve its sustainability governance, Yunnan Baiyao actively responded to external trends, and carried out special training systematically in 2025. Focusing on core issues such as sustainability policy trends, climate change response, and governance system development, the Company organized four specialized training sessions throughout the year. Covering key personnel at all levels, these sessions effectively deepened understanding of sustainability and enhanced practical capabilities, providing a solid foundation for the systematic advancement and long-term implementation of the Company's sustainability efforts.

Strategies

Yunnan Baiyao has deeply embedded sustainability into its new "15th Five-Year Plan" strategic framework. Grounded in stakeholder feedback and industry trend insights, the Company leverages dual materiality assessments to identify substantive issues, ensuring scientifically informed strategic decision-making. We embrace a "dual-wheel drive" model that balances intensive growth with extensive expansion, integrating environmental, social, and governance requirements into business operations and capability building through our closed-loop strategic management cycle of "planning, decoding, monitoring, review, and performance." This approach ensures that as we pursue steady growth, we fulfill our mission of safeguarding life and health while continuously fortifying the resilience essential for long-term development.

Assessment of Risks of Dual Materiality Issues

Risk Category	Definition of Sustainability Risks	Related Impacts	Plan, Strategy and Method
Biodiversity Risk	<ul style="list-style-type: none"> The collection and cultivation of TCM materials disturbs ecosystems and may lead to less biodiversity; Being highly reliant on some wild medicinal material resources may lead to excessive collection and unsustainable utilization risks; Due to insufficient ecology protection measures taken, production and operation activities may generate an impact on the surrounding environment. 	<ul style="list-style-type: none"> Key ingredient supply is not stable or its quality fluctuates, which may affect the product quality and production continuity; The Company may face the compliance risks and potential punishments brought by stricter ecological environment regulation; It may trigger ecological damage related discussions, thus, impacting the Company brand image and social responsibility evaluation. 	<ul style="list-style-type: none"> We will plan to advance selection of improved seeds and standardized cultivation of medicinal materials, to less rely on the wild resources; We will strength the supply chain ecology management and clarify the environmental protection responsibilities of the suppliers and their access standards; We will improve the ecological protection and restoration mechanism and advance the implementation of the biodiversity protection measures.
Excessive Pollutant Discharge Risk	<ul style="list-style-type: none"> Inadequate disposal of waste water, waste gas and solid waste during the production process may lead to excessive discharge risks; Unstable running of pollution governance facilities may have an impact on continuous standard emissions; Imperfect environment management and monitoring mechanism may lead to inadequate compliant implementation risks. 	<ul style="list-style-type: none"> The Company may face punishments by environmental protection regulators and is required to rectify, which may increase the operation cost and compliance pressure; It may generate unfavorable impacts on the surrounding environments, thus, triggering ecological and social risks; It may trigger negative discussions about the environment, which will damage the Company brand image and social responsibility evaluation. 	<ul style="list-style-type: none"> We will strengthen the management and control of the whole pollutant discharge processes and improve our capabilities to dispose the waste water, waste gas and solid wastes; We will enhance the running and maintenance of the environmental protection facilities to ensure stable and standard emissions; We will improve our environmental management and monitoring system, to improve our compliance management level.

Risk Category	Definition of Sustainability Risks	Related Impacts	Plan, Strategy and Method
Insufficient Energy Utilization Efficiency	<ul style="list-style-type: none"> Insufficiently optimized energy utilization structure, with much room for improvement of clean energy proportion; Refined energy management level is not high, which may lead to low energy utilization efficiency; Inadequate implementation of energy saving and consumption reduction measures may lead to waste of energy resources. 	<ul style="list-style-type: none"> Low energy utilization efficiency may increase the production costs, thus, impacting the Company operation efficiency; The Company may face compliance pressure and constraints brought by the stricter energy conservation and emission reduction policies; It may improve the carbon emission level, thus, impacting the Company's green transformation and sustainability performance. 	<ul style="list-style-type: none"> We will optimize our energy structure and increase clean energy utilization ratio step by step; We will enhance refined energy management and increase energy efficiency level and utilization efficiency; We will drive the transformation of energy conservation technologies and improve our management, to reduce output energy consumption per unit.
Employee's Occupational Health Risk	<ul style="list-style-type: none"> Production line automation features insufficient coverage, with some processes featuring high-risk and high labor intensity still rely on labor. This may cause musculoskeletal disease and occupational strain in a long term; Employee health promotion and stress management system has not been perfect, with a mechanism to identify and support work-related psychological risk to be improved. 	<ul style="list-style-type: none"> The occurrence of employee work injury and occupational disease may increase, which may directly lead to increase in the medical and compensation costs and loss of work hours; It may have an impact on the employee's morale, retention rate, employer brand attractiveness, thus, increasing the recruiting and training costs. 	<ul style="list-style-type: none"> We will actively introduce interlocking devices, alarm devices, detection devices, and other safety facilities, to effectively reduce the accident risk hazards at the production sites; We will offer three more examination items in our employee annual free physical examination package, to allow the employees to pay more attention to and better maintain their own health.
Quality Risk of the Entire Industry Chain	<ul style="list-style-type: none"> If not 100% upstream suppliers of TCM materials, excipients, etc. are subject to quality audit and process control, there may lead to raw material quality fluctuation risk; There have been blind spots in term of monitoring the quality assurance capabilities in the down streams such as logistics distribution (specially temperature-controlling products). 	<ul style="list-style-type: none"> Defects of ingredients or production processes may lead to unqualified product batches, thus, triggering customer complaints, returns and failure of sampling inspection by market supervisors; Any quality and safety events may trigger product recall, compensation, severe damage of brand reputation, and decline in market shares. 	<ul style="list-style-type: none"> We will constantly enhance our quality risk management and dynamically monitor any changes, biases and other potential risk events in all operation links; We will constantly drive the construction of quality culture, systematically carry out quality awareness training, and help employees deeply understand the major significance of quality to the Company development.
Technology R&D Transformation Risk	<ul style="list-style-type: none"> There have been biases between the cutting-edge technology research direction and the actual market demands, clinical value or production feasibility, which led to failure of effective transformation of research resource investments into competitive products; Internal R&D pipeline management mechanisms are not agile enough, with insufficient decision to promptly terminate or change the purposes of the failed projects, which may cause the resource accumulation and opportunity cost increase. 	<ul style="list-style-type: none"> Return on R&D investments may be lower than expectations, which may impact the Company's profitability and the confidence of the shareholders in the Company; The Company may face long-term risks of aging of the current product life cycles and growth fatigues due to lagging behind of innovation in key technologies. 	<ul style="list-style-type: none"> We will regularly carry out dynamic assessment and priority ranking of the R&D projects based on the market potential, clinical demands and transformation feasibility. We will constantly strengthen the integration of the basic research with the innovation capabilities, actively introduce cutting-edge technologies, construct high-level R&D platform systems, and fully improve R&D efficiency and core competitiveness.

In addition, based on the Company's business and industry characteristics, we conducted systematic assessments of relevant emerging risks and developed targeted response strategies in 2025 to enhance our forward-looking risk management capabilities and establish a foundation for identifying and controlling potential challenges.

Assessment of Emerging Risks

Risk Category	Definition of Sustainability Risks	Related Impacts	Plan, Strategy and Method
Digitalization Risks	<ul style="list-style-type: none"> Disconnection of digital technology application with the business demands leads to low input-output efficiency; There may be data leakage, algorithm bias and other security and ethics risks; AI-assisted diagnosis may cause patients' incorrect medication use. 	<ul style="list-style-type: none"> Technology investment returns may fall short of expectations, which may increase operation costs; The Company may face data compliance, algorithmic fairness and other legal and reputation risks; It may lead to patients' incorrect medication use, which may affect the medication use effect and brand reputation. 	<ul style="list-style-type: none"> We need strengthen synergy effect between top-level design and business, to ensure accurate and effective technology application; We need to perfect the data security and AI governance system, and establish its use standards and ethics guidelines; We need to strengthen internal and external communications, clarify the assisted position and limitation of AI tools.
Transformation Risks	<ul style="list-style-type: none"> Remote healthcare, personalized treatment, among other new models, constitutes an impact on current service processes, resource allocation and personnel capabilities. 	<ul style="list-style-type: none"> Traditional business model and organization capabilities may cause the Company to fail to adapt to the market change, thus, losing the development opportunities; The skills and cognitions of healthcare professionals lag, which may affect the landing efficiency of the new technologies. 	<ul style="list-style-type: none"> We need to actively extend our presence into emerging business fields, to accelerate innovative technology R&D and application; We need to systematically upgrade our organization capabilities and carry out personnel training, to improve our capabilities to adapt to and control new models.
Climate Change Risk	<ul style="list-style-type: none"> Climate change may impact the environment of the medicinal material producing areas, which may lead to unstable supply and lower quality of key medicinal material ingredients; Frequent extreme climates disrupt logistics and transportation; Temperature and humidity fluctuations over time increase the difficulty and cost of warehouse management. 	<ul style="list-style-type: none"> The increase in ingredients constitutes a challenge of the procurement stability; Supply chain disruption make affect the product delivery; Product quality consistency risk increases. It also may affect the ESG performance and the investors' confidence. 	<ul style="list-style-type: none"> We need to drive a diversified presence of supply bases and construct a resilient supply chain; We need to develop emergency plan for response to extreme weather and optimize our logistics networks; We need to upgrade our warehouse facilities and environmental management and control capabilities; We need to coordinate with the suppliers to explore climate-adaptable cultivation technologies.
Intellectual Property Right Risks	<ul style="list-style-type: none"> The Company's core patents, technology secrets and other assets are at risk of infringement; The Company may unintentionally infringe on the intellectual property rights of others in its R&D activities, cooperation activities, etc. 	<ul style="list-style-type: none"> It may cause direct economy loss, and weaken the product market competitiveness; It damages innovation image and brand reputation; It may trigger legal actions and market access limitation. 	<ul style="list-style-type: none"> We need to build an intellectual property right risk control system covering the entire life cycle; We need to regularly carry out risk investigation and audit; We need to strengthen all staff training and contract management (i.e., the intellectual property rights clauses are set out specifically in the procurement contracts.); We need to proactively safeguard our rights via administrative, judicial and other channels.

Impact and Risk Management

Yunnan Baiyao systematically advances the identification and management of sustainability-related risks through a three-tier linkage risk management architecture covering all business units. The Company has fully embedded sustainability risk issues into its existing risk management processes, establishing normalized mechanisms for identification, assessment, and response. Furthermore, sustainability requirements have been integrated into investment decision-making and business analysis to mitigate major risks and enhance overall risk management and decision-making quality.

Risk Management



Indicators and Objectives

Yunnan Baiyao has deeply integrated its sustainability into its long-term development blueprint, and systematically constructed a multi-dimensional objective system covering environment, society and governance. This objective system has fully integrated into the Company's operation management and business development links. We keep systematically advance our practice and innovation in related key fields. Meanwhile, via technology-driven, we advance our R&D breakthrough and product upgrade, be committed to create long-term values for stakeholders, and solidify a foundation for the Company's sustainability.

Sustainability Indicators and Objectives

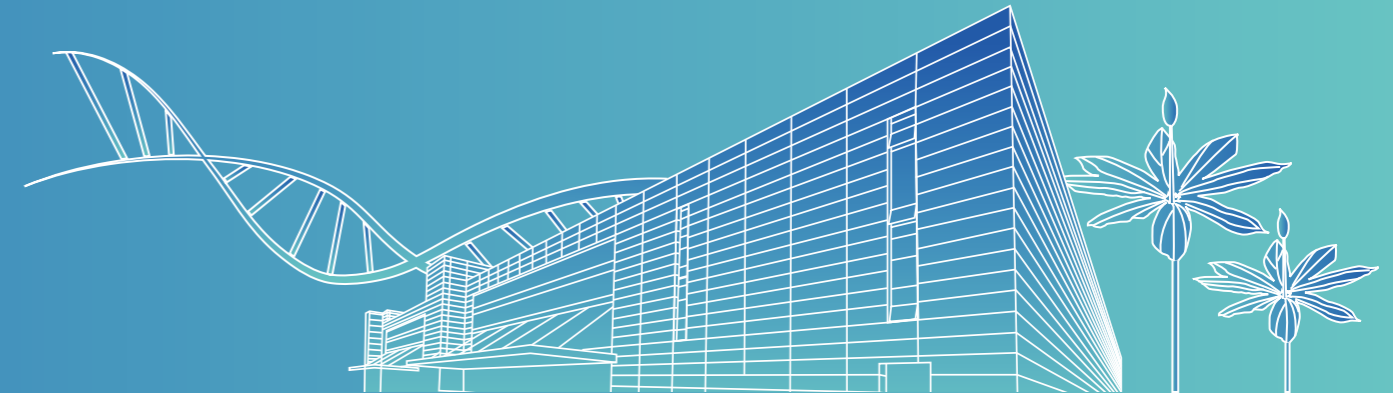
Issues	Objectives	Progress during the Reporting Period
Ecosystem and biodiversity conservation	By 2027, to master the artificial domestication and large-scale cultivating techniques for 3-5 wild medicinal plants, establish a perfect biodiversity conservation monitoring system, and realize dynamic tracking of core species.	We have successfully researched and developed "Panax notoginseng liquid-phase chip," realizing the leap from "empirical breeding" to "precision breeding." We also have constantly invested in R&D of reproductive technology for <i>Paris polyphylla</i> , and successfully realized the domestication of wild <i>Paris polyphylla</i> , vigorously promoting the industrialization and large-scale development of this rare Chinese medicinal material.
	To enlarge our ecological cultivation base area, so that by 2030, we will realize a coverage rate of up to 80% of ecological cultivation of core species.	As at the end of the reporting period, promoted by the Company, nearly 150,000 mu of Yunnan authentic Chinese medicinal materials have been cultivated. Building upon the establishment of standardized cultivation demonstration bases within Yunnan Province, the Company has initiated the construction of similar bases outside the province.
	100% compliant discharge of pollutants.	100% compliant pollutant discharge has been achieved.
Pollutant discharge	To lower our wastewater discharge intensity per RMB 10,000 output value in 2030 by 7% compared to our 2025 baseline.	In 2025, the Company's wastewater discharge intensity was 0.77 tons per RMB 10,000 output value.
Energy utilization	To lower our energy consumption intensity per RMB 10,000 output value in 2030 by 7% compared to our 2025 baseline.	In 2025, our energy consumption intensity was 0.016 tons of standard coal per RMB 10,000 output value.
Employees	To build our high-quality talent teams, and enable the value creators to truly share the fruits of our development.	<ul style="list-style-type: none"> In 2025, the Company had a total of 704 R&D personnels, including 48 people with a doctoral degree or above, 290 people with a master's degree, 325 people with a bachelor's degree, and 41 people with below a bachelor's degree, accounting for 7.58% of the total regular employees of the Company; The Company has established benchmarking market and pay system that emphasizes the post value and personal contribution, and also connect the employee's personal income growth with the Company's development via performance linkage; In 2025, the Company offered a total of 337,162.92 hours of training for employees, with a total of 59,557 employees covered when the same employee attended two sessions of training, we counted as two employees were trained, and so on, with an average of 36.31 training hours per employee.
	To identify safety risks, so as to achieve safety production and reduce safety production accidents.	<ul style="list-style-type: none"> The Company invested a total of RMB 9.1258 million in safety and carried out 342 sessions of safety examination work, with 2,762 hidden dangers found out and up to 100% of rectification rate.

Issues	Objectives	Progress during the Reporting Period
Safety and quality of products and services	To safeguard the health of consumers trusted by consumers and guided by full life cycle-based quality management.	<ul style="list-style-type: none"> For more than 80% of self-operated business, quality system management certifications have been obtained, and Yunan Pharmaceutical Co., Ltd, the Company's subsidiary, has successfully passed ISO 9001:2015 quality management system certification; We provided a total of 1,973 sessions with a total of 781.2 hours of due quality training for related personnel of all operation units, with a total of 80,104 personnels covered when the same personnel attended two sessions of training, we counted as two personnels were trained, and so on;
Innovation driven	To drive the redevelopment of traditional products.	<p>Currently, there have been 18 TCM major varieties involved in redevelopment, with the following major projects included.</p> <ul style="list-style-type: none"> For PSQ project, data collection for 704 cases in Phase II clinical trials has been completed, pharmaceutical research has been finalized, and production processes have been solidified; For Fuqi Guben Ointment project, the initiation of 17 research centers for Phase III clinical trials has been completed, and 486 subjects have been enrolled.
	To scientifically make short-term, medium-term and long-term innovative R&D plans, and ensure sustainable transformation of innovation achievements.	<ul style="list-style-type: none"> The initiation of 29 research centers for Phase III clinical trials has been completed for the INR101 injectable diagnostic radiopharmaceutical project, with 239 subjects enrolled; For INR102 therapeutic radiopharmaceutical project, the enrollment and dosing of 3 subjects in the low-dose cohort of Phase I/IIa clinical trials has been completed, along with enrollment and dosing of 1 subject in the mid-dose cohort; 2 subjects have completed screening for INR101.
Climate change response	To lower our carbon emission intensity per RMB 10,000 output value in 2030 by 7% compared to our 2025 baseline.	<ul style="list-style-type: none"> In 2025, our carbon emission intensity was 0.046 tons per RMB 10,000 output value.
Rural revitalization	To systematically plan and constantly carry out rural revitalization project by virtue of our own industry resources and professional capabilities.	<ul style="list-style-type: none"> Via "832 Platform," we procured a total of 8,862 piece of agricultural byproduct of Weixi County at a total of RMB 886,200, helping farmers increase their income; We constantly carried out "Golden Autumn Scholarship" program. Specifically, we invested a total of RMB 164,000 in 2025, which helped 92 college students and junior college students continue their studies; In 2025, Yunan Baiyao "Digital Intelligence of Yunnan TCM" platform, with 23,000 online users, has recorded a total of RMB 2.1 billion of turnover, supported more than 410,000 growers, covering nearly 1,300,000 mu of bases. Agricultural linkage helped closely connect the origin warehouse operation and standardized cultivation demonstration base construction with industrial support, which not only helped retain output value and tax revenue for the local governments, but also helped retain the key industrial upgrading links and employment opportunities.

Issues	Objectives	Progress during the Reporting Period
Business ethics	To continue to advance the construction of normalization and systematization of the integrity education and strengthen the integrity awareness and compliance literacy of cadres and employees.	<ul style="list-style-type: none"> The managements and employees of key posts have entered into more than 2,000 copies of Commitment to Integrity Practice; For hundreds of projects, integrity tips have set up on the front line of business; Suppliers have entered into more than 1,000 pieces of integrity agreements.
Social contribution	To actively participate in social welfare undertakings to respond to the nation's rural revitalization strategies.	In 2025, the Company offered a total of about RMB 3.56 million for external donations.



Topic 1 Lighthouse Factory: The World's First Benchmark for Intelligent Manufacturing of TCM Health Products



As manufacturing undergoes rapid convergence of digital, intelligent, and green technologies, Yunnan Baiyao proactively charts a new course with forward-looking strategic vision. Through the establishment of the Yunnan Baiyao Intelligent Factory, the Company has implemented end-to-end digital innovation and industry chain collaboration, achieving a deep integration of traditional agriculture with modern technology. This has resulted in the creation of an intelligent manufacturing system that is "visible, tangible, and traceable." In September 2025, the Yunnan Baiyao Intelligent Factory was successfully named to the World Economic Forum's "Global Lighthouse Factory" list, becoming the first "Lighthouse Factory" in the TCM health products sector, both in Yunnan Province and worldwide. This factory, with a total investment of more than RMB 2 billion, and a coverage of an area of 113 mu, is not only a key presence by which Yunnan Baiyao responded to "Made in China 2025" strategy, but also, more importantly, a milestone that shows the transformation of TCM industry from traditional manufacturing to intelligent manufacturing.

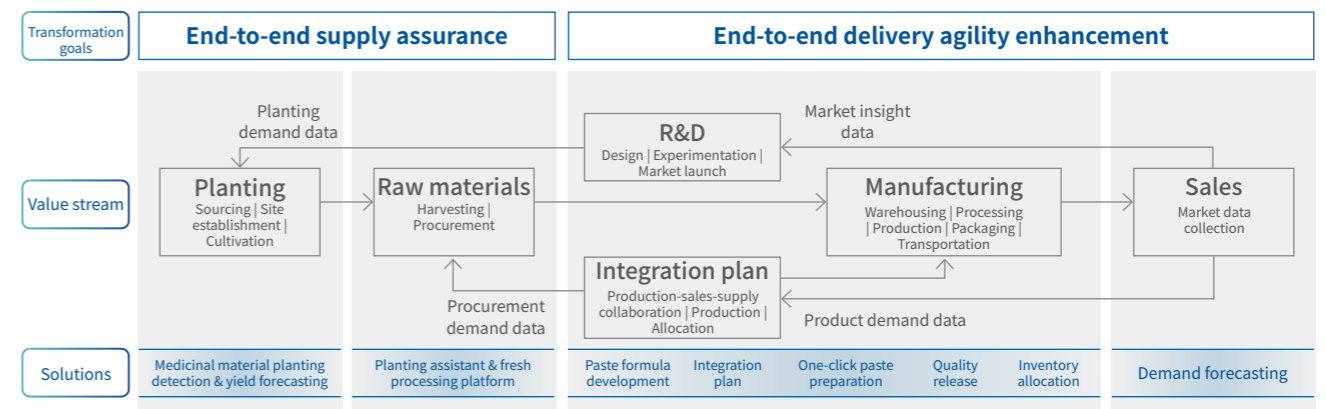
the Yunnan Baiyao Intelligent Factory was successfully named to the World Economic Forum's "Global Lighthouse Factory" list

becoming the first "Lighthouse Factory" in the TCM health products sector



Yunnan Baiyao Intelligent Factory

The Company has deployed over 40 Fourth Industrial Revolution (4IR) solutions at its Intelligent Factory, including technologies such as satellite remote sensing, Industrial Internet of Things (IIoT), and Large Language Models (LLMs), finally leading to a sharp decline in raw material return rates, inventory days, and stockout rates. The factory, by virtue of an innovation model combining "intelligent manufacturing + green park + industry chain collaboration," redefined the modern TCM production standards, setting a new benchmark for national brands in global competition.



Full Chain Transformation Scheme of Lighthouse Factory

Digital Intelligence Empowerment: Full-chain Digital Production System

Addressing the manufacturing characteristics of TCM health products, including diverse formulations, complex processes, and high quality sensitivity, Yunnan Baiyao has leveraged its Intelligent Factory as a platform to systematically build an end-to-end digital-intelligent manufacturing system spanning R&D, production, supply chain, quality control, and logistics. Through the deployment of large-scale sensing and data acquisition systems at critical nodes, real-time monitoring and centralized management of production processes have been achieved, driving the shift in manufacturing decision-making from experience-based to data-driven approaches.

At the production organization level, the Company, with flexible manufacturing as the core, modularly restructured its traditional processes, breaking down the production processes into standardized functional units. Also, the Company achieved a rapid shift among products with multiple formulations and multiple specifications via parameterized configurations, which effectively improved the running efficiency of the parallel production of multiple varieties of products. At the quality management level, digital intelligence capabilities were embedded in the production process, with introduction of intelligent audit and online detection technologies, allowing quality control to be conducted in process management but not post inspection. This significantly improved the detection efficiency and quality consistency.



Yunnan Baiyao Factory Production Lines

Digital-intelligence Empowered Core Initiatives

Management Dimension	Digital-intelligence Initiatives
Digital operation in the whole process	<ul style="list-style-type: none"> The Company deployed more than 7,500 sensors to construct a whole-process digital management system covering "R&D-production-supply-sale," realizing the real-time monitoring and intelligent scheduling from ingredient traceability and finished product outbound.
Flexible production and efficiency improvement	<ul style="list-style-type: none"> The production processes were broken down into 56 minimal functional units, which realized "one-click switch" via graphical parameter orchestration. This satisfied the needs for production line switch of 42 ointment formulations and 558 SKUs, shortening the production parameter adjustment duration from 20 minutes to 1 minute. The Company constructed a "digital-intelligence driven full-chain quality traceability model" and introduced AI intelligent audit and machine learning, shortening the product release for audit duration by 55%. The application of online near-infrared spectroscopy detection technology shortened the duration for testing the active ingredients in toothpaste from 710 minutes to 2 minutes. This improved the detection efficiency by 355 times and drove the transformation of quality detection from "batch sampling inspection" to "real-time intelligent control."

Green Intelligence Manufacturing: A Sustainable Development Path Centered on Low-Carbon and Environmental Protection

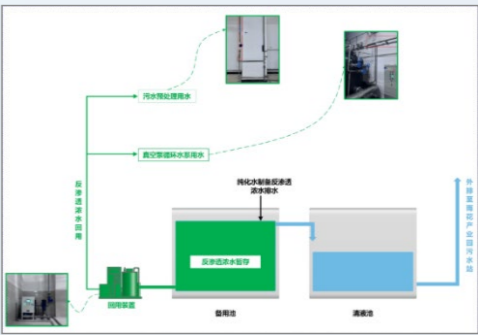
In the construction and operation of its Intelligent Factory, Yunnan Baiyao has integrated green and low-carbon requirements into the overall design of the manufacturing system. Through digital means, energy and resource management has been transformed from experience-based control to refined, systematic management. Leveraging a unified digital platform, the Company has implemented online monitoring and dynamic analysis of carbon emissions across the value chain, and embedded energy conservation and consumption reduction requirements into the full product lifecycle—from production to disposal. On the premise of ensuring production stability and product quality, resource consumption intensity and environmental impact have been continuously reduced. Meanwhile, green management requirements have been progressively extended to upstream and downstream supply chain partners, driving the formation of a green operating model throughout the entire value chain.

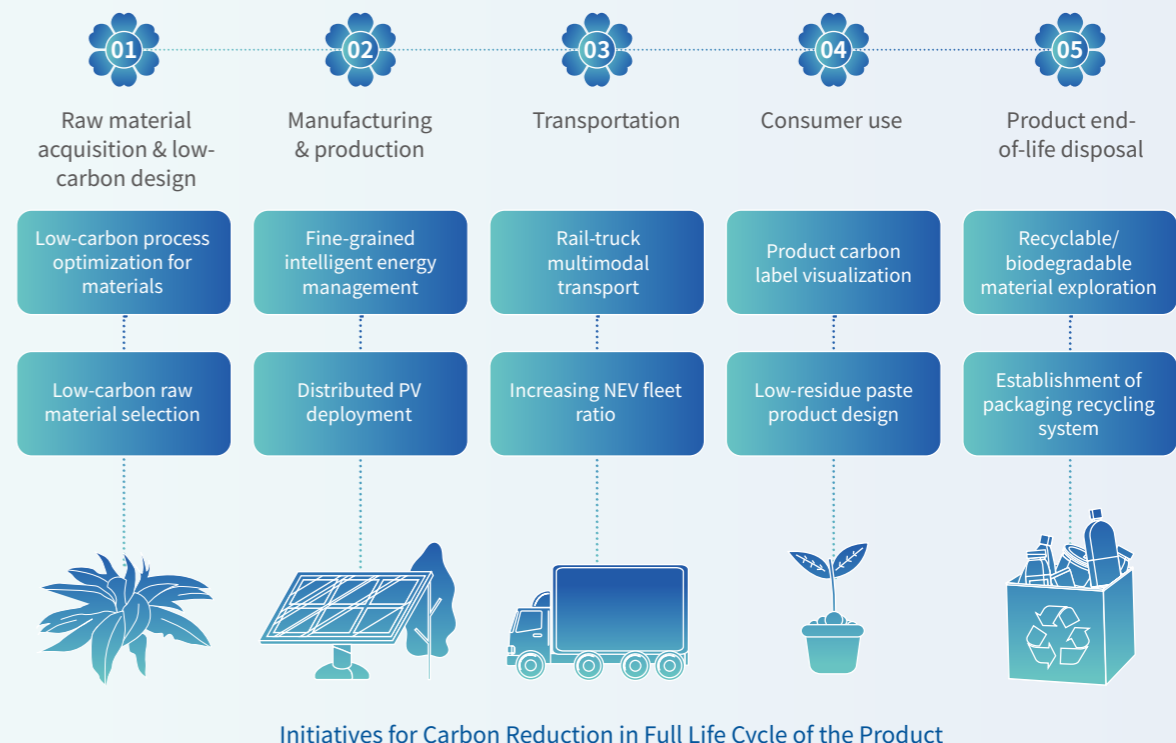
Core Initiatives of Intelligent Green Management

Online Monitoring of Value Chain Carbon Emissions	<p>We have established an intelligent energy management system that enables "clear visibility, effective control, and optimal refinement." By deploying IoT networks covering water, electricity, gas, and steam, we have connected the "nerve endings" of energy systems, achieving data transparency and fine-grained energy consumption management.</p> <p>The Company established digital PDCA closed loop, realizing energy consumption prediction, objective breaking down, abnormal warning and rapid processing. For key units such as air compressor station, refrigeration station, the Company customized an AI intelligent control system. On the premise of ensuring production, this helped realized precise scheduling of energy on demand. Finally, it helped achieve a decline of energy consumption by the air compressor system and the refrigeration system by 10% and 27%, respectively, and a reduction of annual electricity of nearly one million kilowatt-hours.</p>
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Carbon Inventory Automation Standardization	In the refined organization carbon inventory by relying on digital carbon management system, the Company systematically captured the emission data, established high quality factor matching rules, one-click generated standardized organization carbon inventory and product carbon footprint report, and constantly mined the potential opportunities of carbon reduction from multidimensions.
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Visualization Analysis of Carbon Data	Multidimensional visible analysis of organization carbon emission structure, product carbon footprint in each stage of the full life cycle, and supply chain carbon emissions.
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Intelligent Management of Water Resource	<p>The intelligent factory discharged over 40,000 tons of reverse osmosis concentrated water annually. By intelligent calculation of water volume and matching of water quality, the Company found that it met the standard for wastewater pretreatment system and other systems. According to this, the Company added a new intelligent constant-pressure water supply device and renovated the pipeline network to achieve precise recycling of concentrated water. After the project was put into use, the Company saved 33,600 tons of water, reduced 33,600 tons of wastewater discharges, and recorded a new income of RMB 630,000, with a synergic carbon reduction of 360 tons.</p>	 <p>Reverse Osmosis Concentrated Water Renovation for Reuse</p>
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Industrial Synergy: From "Intelligent Factory Manufacturing" to "Ecological Breakthrough"

Centered on the Intelligent Factory, Yunnan Baiyao has extended its digital-intelligence capabilities from "intra-factory manufacturing" to "industry-chain synergy," driving integrated optimization across the "agriculture-industry-market" value chain.

At the upstream end, the Company leverages digital means to enhance the visibility, predictability and controllability of TCM materials supply, reducing the impact of raw material fluctuations on quality and delivery.

Production Volume Prediction of TCM Materials and Precise Procurement of TCM Materials Empowered by Satellite Remote Sensing and AI

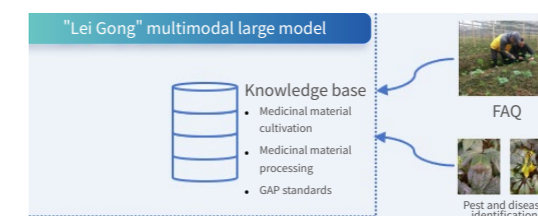
At the cultivation end, the Company leverages satellite remote sensing and AI technologies to monitor the entire cultivation process of TCM materials, enabling cultivation planning and yield forecasting. An end-to-end supplier management system has been established, driving the transformation of production volume prediction from experience-based estimation to model-based approaches. This provides support for reducing reliance on high safety stock, improving procurement planning precision, and enhancing cross-regional coordination efficiency.



Multispectral-assisted Satellite Remote Sensing for Greenhouse Identification

Standardized Cultivation Demonstration and Shared Fresh Processing Supported by Multimodal Large Model

As the "chain leader" in the TCM industry, Yunnan Baiyao is committed to driving upgrades across the entire industry chain. Addressing challenges such as quality fluctuations in TCM materials, significant technical disparities among farmers, and extensive preliminary processing, the Company has pioneered digital management of standardized cultivation demonstrations. We introduced "Lei Gong," a multimodal large language model serving as an agricultural technology assistant, to support mobile task management, input product whitelist/blacklist control, and task execution tracking with audit trails. We established origin-based fresh processing and shared platforms, along with automated processing production lines, achieving processing standardization and quality traceability. Through the integrated approach of "digital management + intelligent tutoring + shared processing services," we empower farmers with digital capabilities. Via an AI-powered agricultural task service mobile application, farmers receive guidance on scientific, standardized cultivation practices, driving standardization across upstream industries. This has led to a 40% reduction in ingredient defect rates, ensuring product quality from the source and realizing our commitment to "good medicines from good ingredients."



Technology Service for Farmers Based on Multimodal Large Model

At the processing end, high synergy among fresh processing, flexible production lines and intelligent logistics helped us be able to handle massive big orders and also promptly respond to personalized small batch needs, sharply shortening the order delivery cycle, reducing inventory backlog, and improving the operation efficiency of the whole chain.

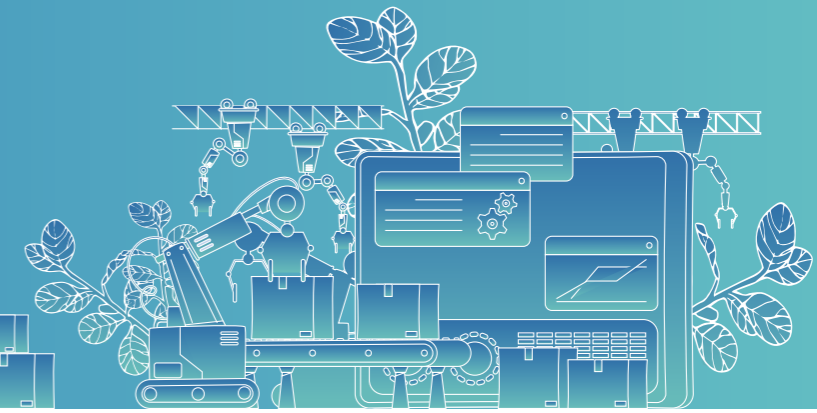


Shared Platform Model for Origin-based Fresh Processing

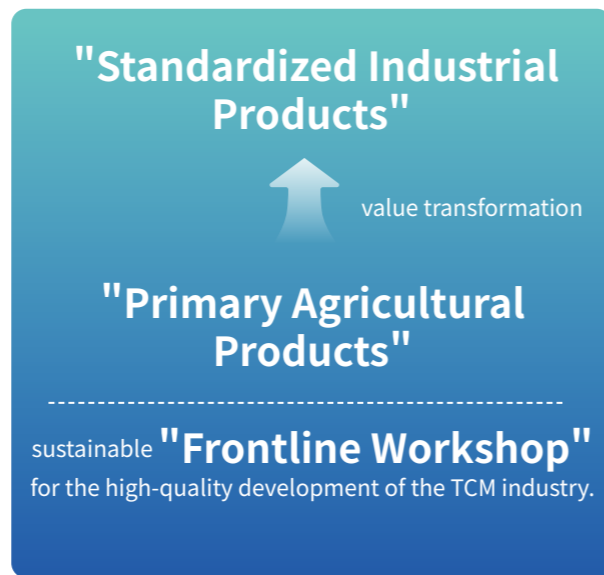
At the consumer end, the Company created an end-to-end quality traceability platform. Each product can be traced by scanning QR code. Consumers can see the data about the origin of the ingredients of that product, the product production process, and the inspection results. The Company enhances consumer trust by improving traceability and information transparency mechanisms, while using changes in market demand to drive optimization of R&D, procurement, and production planning, creating a closed-loop positive cycle of "market-production-R&D."

Looking ahead, Yunnan Baiyao Intelligent Factory plans to replicate and extend its "intelligent manufacturing" model to product lines including TCM health products and wellness foods, driving efficiency improvements across the entire industry chain. Concurrently, the Company will systematically document its intelligent manufacturing solutions, sharing technical expertise in multi-category production switching, end-to-end quality traceability, and other capabilities with the broader industry. This will help more manufacturing enterprises reduce transformation costs, overcome technical bottlenecks, and collectively propel the TCM industry toward a new era of high-quality development.

Topic 2 Reshaping the "Frontline Workshop": Innovating New Mechanisms to Engage and Support Farmers



Faced with long-standing challenges in Yunnan's TCM industry, such as fragmented production, value leakage, and difficulties in quality control and traceability, Yunnan Baiyao has systematically restructured the upstream segment of the industry chain, using the "origin warehouse" model as its central pillar. By deeply integrating standardized processing, digital monitoring and control, and local production, the Company has not only established a fully controllable system covering the entire process from "breeding to planting, harvesting, and processing," but has also used this as a foundation to innovatively create a close-knit and diversified mechanism for engaging and supporting local farmers. This practice has fundamentally driven the value transformation of TCM materials from "primary agricultural products" to "standardized industrial products," firmly anchoring the industry's development in its production regions and establishing a solid, sustainable "Frontline Workshop" for the high-quality development of the TCM industry.



Innovative Model: From Origin Warehouses to a Seamless "One Variety, One Chain" System



"Digital Intelligence of Yunnan TCM" (Pingbian) Processing Center

In Shuangbai County, Chuxiong Prefecture, Yunnan Baiyao's processing center, which focused on "Yunnan-origin *Poria cocos*," has achieved efficient conversion from fresh raw materials to standardized finished products. In Pingbian County, Honghe Prefecture, an innovative "initial drying + sweating + secondary drying" process tailored to the characteristics of *Amomum villosum* has reduced the traditional drying time from 60 hours to 30 hours. These processing facilities, rooted in their local regions, have effectively reduced the time and distance required to transform medicinal materials from harvest to finished products. They have facilitated a significant leap in value, transforming agricultural byproducts into standardized industrial goods, and laid a solid foundation for ensuring the quality of medicinal materials at the source and stabilizing the supply of key raw materials.

In 2025, Yunnan Baiyao deeply integrated and effectively facilitated the seamless alignment of top-level planning with grassroots implementation in industrial development, translating provincial strategic objectives into concrete industrial actions. The Company fully implemented the "Six Ones" project and use this as a framework to promote the implementation of the "One Variety, One Chain" model in key production areas.

In terms of industrial development, we have invested in origin warehouses and processing centers in key production areas such as Weishan *Carthamus tinctorius* and Pingbian *Amomum villosum*, establishing a dedicated modern "Frontline Workshop" for each variety ("One Variety"). In terms of resource management, we adopted large-scale, centralized procurement and stockpiling for crops such as *Carthamus tinctorius*, *Amomum villosum*, and *Panax notoginseng*, which has served as a "stabilizing force" in the industrial chain ("One Chain"), helping to stabilize the fundamentals of specific industrial chains and safeguard the incomes of medicinal material farmers. This has not only established a strategic direct link between "production areas" and "markets," but also strengthened the control over core resources within the industrial chains ("One Chain") for specific varieties such as *Poria cocos* and *Bletilla striata*.

From unified planting plans and seed supply to standardized processing, procurement, and sales, and on to centralized digital management, this system has been successfully implemented for specific crop varieties. We have established a fully controllable supply chain from seed to product, achieving a win-win outcome for all stakeholders by boosting corporate efficiency, upgrading the industry, increasing farmers' incomes, and generating additional tax revenue for the government. This involves not only the physical construction of factories and warehouses, but also the establishment of a modern industrial system centered on product variety and aimed at full-chain collaboration. It is a mutually beneficial industrial ecosystem. This model is leading the transformation of Yunnan's TCM industry from a fragmented "resource dividend" toward an intensive and efficient "system dividend" and "innovation dividend," injecting a powerful dose of "Yunnan TCM" vitality into rural revitalization.



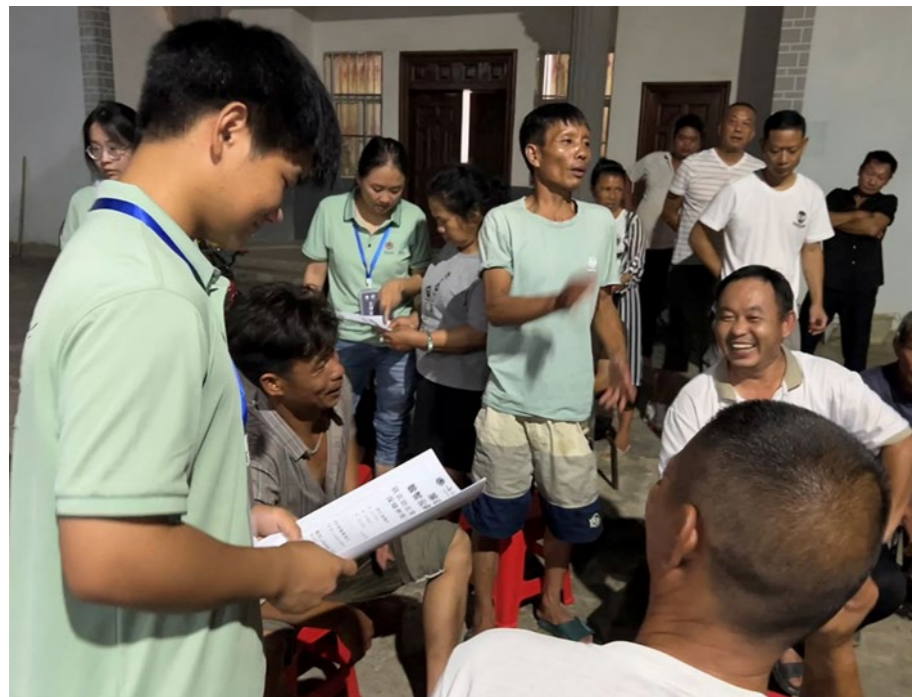
Carthamus tinctorius procurement and stockpiling site in Weishan



Amomum villosum procurement and stockpiling site in Pingbian

Platform Empowerment: "Digital Intelligence of Yunnan TCM" Driving a New Ecosystem of Multi-Chain Collaboration

As physical hubs, origin warehouses are deeply integrated with the "Digital Intelligence of Yunnan TCM" platform, jointly establishing a traceability and trust system that spans every stage from cultivation to trading, thereby creating an open and collaborative service-oriented ecosystem. For every batch of medicinal materials processed at the origin warehouse, information regarding their origin, cultivation, harvesting, processing, and quality inspection can be traced via QR codes and other means. This not only enhances market confidence in the quality of "Yunnan TCM," but also provides a solid foundation for ensuring that higher quality commands higher prices and for building the "Yunnan TCM" brand.



Staff members introducing the "Digital Intelligence of Yunnan TCM" platform to *Amomum villosum* farmers



Client interface of "Digital Intelligence of Yunnan TCM" platform

The "Digital Intelligence of Yunnan TCM" 2.0 platform has established a comprehensive digital intelligence system covering the entire supply chain from cultivation and processing to trading and management, driving the transformation of the TCM material industry toward standardization, intensification, and intelligent operations. In 2025, Yunnan Baiyao's "Digital Intelligence of Yunnan TCM" platform had recorded cumulative transaction volume exceeding RMB 2.1 billion, with 23,000 registered users. The platform has supported over 410,000 farmers and covers nearly 1.3 million mu of cultivation bases.



Lobby of the Digital Intelligence of Yunnan TCM (Pingbian) Trading Center

Tackling Seed Source Challenges: The Cornerstone of Standardized Cultivation and Management Systems

Deeply aware of the principle that "good medicines from good ingredients," we are actively advancing the R&D of more key products in accordance with the *Opinions on Improving the Quality of TCM and Promoting the High-Quality Development of the TCM Industry* and the *Implementation Plan for the High-Quality Development of the TCM Industry (2026-2030)*. Faced with the challenge of breeding *Panax notoginseng*, a key medicinal material, Yunnan Baiyao successfully developed the "Panax notoginseng liquid-phase chip," marking a transition from "empirical breeding" to "precision breeding." This provides a fundamental guarantee for ensuring traceability and improving quality throughout the entire *Panax notoginseng* supply chain. For the past 25 years, Yunnan Baiyao continuously invested in R&D of *Paris polyphylla* cultivation techniques, successfully domesticating this wild plant and effectively promoting the industrialization and large-scale development of this rare medicinal material. In 2025, Yunnan Baiyao Yunyao Seed Valley - Southeast Yunnan Seed Breeding Center was built, consolidating the development of medicinal materials in southeastern Yunnan. Going forward, Yunnan Baiyao will use the Southeast Yunnan High-Quality Seed Breeding Center as a model to accelerate the development and deployment of its five core seed source bases, thereby continuing to strengthen the central role of "seed chips" in the industry.



Inside the Yunyao Seed Valley - Southeast Yunnan Seed Breeding Center



Yunnan Baiyao is fully committed to advancing the development and promotion of standardized cultivation demonstration bases, leading the establishment of industry standards, and implementing ecological cultivation guidelines. The Company has integrated standardized management throughout the entire process from site selection and cultivation to harvesting, ensuring the uniformity, consistency, and safety of medicinal materials from the source. Standardized demonstration bases established independently or through partnerships in core production areas and outside the province serve as models, driving standardized farming practices among local farmers. Yunnan Baiyao's cultivation practices are not merely a set of production standards, but rather a sustainable development system guided by scientific research and centered on ecological conservation.

The Company directly translates research findings into conservation actions and cultivation standards, ensuring that raw materials from the "Frontline Workshop" are not only of superior quality but also sustainably sourced, thereby practicing the principle of "good medicines from good ingredients" right from the source.



UAV "Smart Transport Hub" is currently executing a transport mission

Sharing and Mutual Benefit: Creating Value Through Collaboration and Mutual Support

Yunnan Baiyao has actively explored and implemented various models for engaging and supporting farmers, closely integrating the operation of origin warehouses, the development of standardized planting demonstration bases, and industrial assistance to create a virtuous cycle of "boosting agriculture through production and improving quality through technology." By combining direct procurement with platform-based purchasing, we not only ensure a stable supply of high-quality raw materials for businesses, but also provide farmers with convenient and reliable sales channels.

The "tobacco-style procurement and storage mechanism" adopted from Pingbian County has achieved widespread coverage of procurement services and price transparency through the establishment of both fixed and mobile purchasing stations. The "minimum price plus market price" linked procurement strategy implemented in Weishan County and other areas has effectively stabilized farmers' income expectations and enhanced their ability to withstand market risks. In response to the practical challenges posed by the complex mountainous terrain and difficult transportation conditions in Pingbian County, drones were innovatively introduced to assist with harvesting and transportation. By doing so, we extended the daily effective harvesting time by at least two hours, increased overall harvesting efficiency by 30%, and reduced the rate of damaged fruit during transport from 15% to less than 5%.

The construction of origin warehouses promoted by Yunnan Baiyao has systematically shifted processing operations to the source regions, retaining not only output value and tax revenue, but more importantly, securing critical links in industrial upgrading and employment opportunities. It has driven a fundamental transformation in the TCM material industry, shifting the focus from "selling raw materials" to "deepening industrial value". We have established a "four-win" model that increases income for farmers, improves efficiency for businesses, boosts tax revenue for the government, and adds value to the industry. This is the win-win outcome resulting from the integration of industrial chains, and it also represents Yunnan Baiyao's concrete action in response to the "Rural Revitalization" strategy.



Enabling Yunnan's abundant TCM resources to truly serve as a "source of vitality" that drives regional economic development and promotes rural industrial revitalization.



01

Governance as Foundation: Strategic Leadership and Sound Operations

Upholding the principle of guiding corporate governance with Party building, Yunnan Baiyao has deeply integrated the concept of sustainable development into every aspect of its operations and management. With high-quality development as its goal, the Company has continuously refined its governance structure with clearly defined responsibilities and authorities. By prioritizing risk management, we have actively promoted anti-corruption efforts and the development of business ethics, while continuously strengthening the internal control system to comprehensively enhance operational efficiency and sustainable development capabilities.

- Guiding with Party building 33
- Board Oversight and Effectiveness 35
- Risk and Compliance Management 37
- Business Ethics and Integrity Building 41



Guiding with Party building

Taking Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guiding principle, the Party Committee of Yunnan Baiyao Group has thoroughly implemented the spirit of the 20th National Congress of the Communist Party of China and the Third and Fourth Plenary Session of the 20th Central Committee of the Communist Party of China ("CPC"). The Company regards the study and implementation of General Secretary Xi Jinping's important speeches and directives delivered during his inspection tour of Yunnan as a key political task, and has proactively aligned itself with Yunnan Province's "3815"¹ strategic development goals. In practice, the Company has established and adhered to the "1346"² overall approach to Party building. By fully and deeply integrating Party building into all aspects of corporate governance and the entire production and operations process, we have effectively transformed the Party's political and organizational strengths into developmental, competitive, and innovative advantages for the Company.

Yunnan Baiyao's Party-building Initiatives

Governance Framework and Institutional Development

- Integrate the Party's leadership into corporate governance in an institutionalized and standardized manner; incorporate Party building into the *articles of association*; optimize the composition of the Party Committee, the Commission for Discipline Inspection, and the Board of Directors; establish and improve the decision-making system for "major decisions, important personnel appointments, major projects, and large-scale expenditures" as well as a list of matters requiring prior review and discussion by the Party Committee; and clarify the boundaries of authority and responsibility.
- Establish a closed-loop accountability system centered on the annual conference on Party building and Party conduct and integrity, the responsibility list for exercising full and rigorous Party self-governance, the Party building liaison point system, and the signing of responsibility agreements at all levels.
- Optimize the structure of grassroots Party organizations and ensure that full-time and part-time Party affairs staff are fully staffed and strengthened; establish model Party branches at different levels and in different categories to promote the standardized and regulated development of Party branches.

Ideological Development and Education and Training

- Strictly implement the *Regulations on the Study Sessions of the Party Committee's Theoretical Study Group* and the "First Agenda Item" study system, and strengthen theoretical education through the "Yunnan Baiyao Party School" as well as online and offline platforms.
- Develop and implement a public opinion risk management system, establish a tiered response and routine monitoring mechanism, and maintain the initiative in ideological work.
- Enrich educational platforms through various initiatives, including study groups, specialized Party lectures, revolutionary history education, thematic presentations, and the distribution of study materials.
- Adhere to the principles of the Party's leadership over cadre management and talent development, improve market-oriented mechanisms for selecting, cultivating, managing, and utilizing personnel, and systematically conduct specialized training for Party affairs cadres and key operational staff.

Integrating Practice and Value Creation

- Deeply integrate Party-building requirements into the implementation of the Company's "1346" overall framework and "3815" strategic objectives, thereby driving the deepening of our core business and the cultivation of a "second growth curve."
- Strengthen the guiding and supporting role of Party building in key areas such as optimizing business deployment, reforming organizational mechanisms, developing the entire industrial chain, and promoting rural revitalization.
- Establish Party member "posts, zones, and teams," and implement "projects led by Party branch secretaries" and "innovation projects by Party branches," focusing on key production and operational tasks.
- Further strengthen the role of Party building in guiding trade union and Communist Youth League development, and invigorate mass organizations by advancing reforms to build a strong industrial workforce, organizing labor competitions and skills contests, and conducting distinctive cultural and sports activities.

¹The "3815" strategic development goals outline a phased approach of "significant progress in three years, comprehensive development in eight years, and a leap forward in fifteen years," guiding Yunnan toward socialist modernization.

²"1" refers to Party-building leadership, which involves establishing a deliberative and consultative mechanism guided by Party-building principles; "3" refers to three foundational measures, including assembling members, establishing platforms, and defining the scope of consultation; "4" refers to four consultation formats, combining in-person, online, expert review, and roundtable discussions; "6" refers to a six-step process covering collection, determination, research, deliberation, publicity, and supervision to safeguard the rights and interests of the public and ensure the legality and validity of the consultation.



In 2025, Party committees at all levels within Yunnan Baiyao organized a total of **64** centralized study sessions for their leading groups and a total of **184** sessions of Party classes on special topics with **5,127** participants covered

Nurturing the Spirit Through Learning, Deepening Theoretical Education

In 2025, Yunnan Baiyao hosted the "Siqi Lecture Series - Uniting Hearts and Minds, Continuing the Struggle," a thematic lecture series for the industrial sector focused on studying and implementing the spirit of the Fourth Plenary Session of the 20th CPC Central Committee. Through activities such as centralized briefings and interactive exchanges, it has effectively promoted a deeper understanding and thorough implementation of the spirit of the plenary session within the Company, further consolidated the shared ideological consensus among management and staff, and ignited their enthusiasm for work and innovation, providing firm political guidance and ideological momentum for the Company's development.



Briefing on the Spirit of the Fourth Plenary Session of the 20th CPC Central Committee

Driving Results Through Action, Enriching Educational Practice

In 2025, Yunnan Baiyao continued to strengthen Party member education and invigorate the organization through a variety of themed activities, including commemorative gatherings, special Party lectures, revolutionary education, and visits to extend condolences. The Company held a grand ceremony to commemorate the founding of the Communist

Party of China, which included an oath-taking ceremony for new Party members, a special lecture on Party discipline, and a screening of a retrospective film on Party-building work. More than 300 people attended the event, including members of the leadership team, middle management, and Party member representatives. Titled *Upholding Political Principles, Embracing Responsibility, Strengthening Execution, and Observing Discipline*, the special Party lecture deepened the education on Party discipline by integrating it with practical development needs. It also set forth clear requirements for team building and strategic implementation, effectively enhancing the Party organization's cohesion, combat effectiveness, and rallying power.



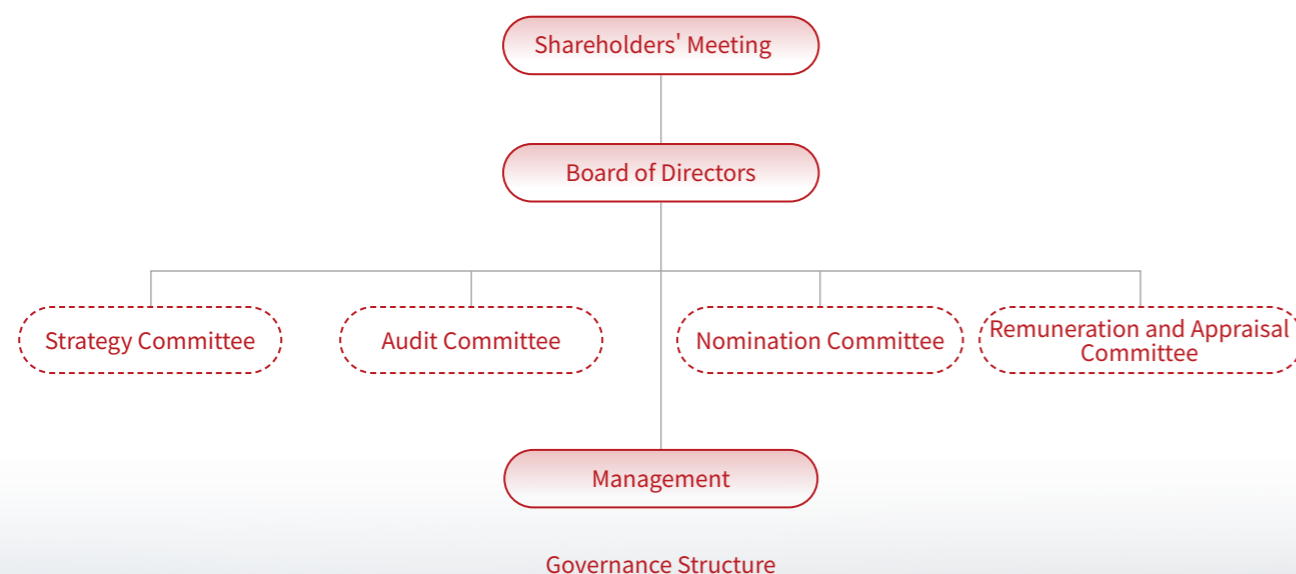
Yunnan Baiyao Holding the "July 1" Commemorative Ceremony

Board Oversight and Effectiveness

By constantly refining its governance system, Yunnan Baiyao has established an efficient governance structure characterized by clearly defined responsibilities, standardized operations, and effective checks and balances. Through the lawful fulfillment of duties and coordinated operations by all governance bodies, we have continuously enhanced the soundness of our decision-making and the transparency of our operations and effectively safeguarded shareholder interests, laying a solid foundation for the Company's long-term, steady development.

Corporate Governance

Yunnan Baiyao strictly complies with the relevant laws, regulations, and regulatory requirements such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and the *Guidelines on Corporate Governance for Listed Companies* issued by the CSRC. Based on the current state of development, we will revise the *Articles of Association* as appropriate to continuously improve our governance standards. We have established and continue to refine our corporate governance framework, clearly defining the responsibilities and authorities at every level, aiming to ensure that the Company's sustainable development and the interests of our investors advance in tandem.



Shareholders' Meeting

Yunnan Baiyao adheres to the provisions of the *Articles of Association* and the *Rules of Procedure for Shareholders' Meetings*, effectively exercising the decision-making power of the shareholders' meeting on major matters of the Company. The Company follows principles of fairness, transparency, and rationality in convening, conducting, and voting at shareholders' meetings. To facilitate shareholder participation, the Company offers both online and in-person channels for attending meetings and casting votes, thereby effectively safeguarding shareholders' rights and interests. During the reporting period, the Company held 3 shareholders' meetings.

Board of Directors

Yunnan Baiyao actively promotes the standardized and efficient operation of the Board of Directors in strict accordance with the relevant provisions of the *Articles of Association*, the *Rules of Procedure for Board of Directors* and the *Work System for Independent Directors*. Directors of the Company are elected by the shareholders' meeting. The term of office for directors is three years, and they may be re-elected and re-appointed upon the expiration of their term. The Board of Directors has established four specialized committees: the Strategy Committee, the Nomination Committee, the Audit Committee, and the Remuneration and Appraisal Committee. Each committee performs its duties in accordance with its operating procedures. Additionally, a mechanism for separate meetings of independent directors has been established to strengthen oversight and checks and balances. During the reporting period, the Company held 9 Board meetings, with a 100% attendance rate among directors, effectively implementing the principle of diligent and responsible governance.

Independence: The Company places great emphasis on the independent oversight function of the Board of Directors, viewing it as a cornerstone for protecting shareholder interests and achieving sustainable development. The Company's 11th Board of Directors consists of 12 members, including 4 independent directors. To strengthen the system of checks and balances, the Company has established a system of dedicated meetings for independent directors to conduct prior review and oversight of major matters, such as related-party transactions. Independent directors play a role in decision-making, oversight, and providing professional advice within the Board of Directors, safeguarding the Company's overall interests and effectively ensuring the fairness of decisions and the legitimate rights and interests of minority shareholders.

Diversity and Expertise: Board members possess diverse professional backgrounds and extensive industry experience, covering key areas such as strategic investment, financial auditing, pharmaceutical R&D, and corporate governance. Professional competence, industry experience, and structural considerations are taken into account in the selection of directors. Currently, the Board includes one female employee director and brings together senior professionals from various fields, including industry, academia, and capital markets.

Investor Communication

In 2025, Yunnan Baiyao continued to refine its investor communication mechanisms, striving to build a transparent, efficient, and multi-channel communication platform. We ensured that shareholders can fully exercise their rights to information, participation, and voting by issuing notices of shareholder meetings in advance in accordance with the law and providing both online and offline channels for participation and voting. In addition, we maintained close communication with the market through various channels, such as regularly holding earnings briefings and actively conducting investor outreach, to promptly convey our strategic direction and operational progress.

During the reporting period, the Company held a total of **3** earnings briefings, organized **40** roadshows (both online and offline), and received more than **150** investors.

We place great importance on investor concerns and have provided thoughtful responses to 104 questions through the "irm.cninfo.com.cn" platform, effectively ensuring smooth and efficient communication channels with shareholders and the broader investor community.



Risk and Compliance Management

Yunnan Baiyao has been continuously promoting the construction and improvement of its risk management and internal control system. Through measures such as routine risk assessments, specialized audit oversight, and risk awareness training, the Company has integrated risk management requirements into every aspect of its operations to enhance its overall risk resilience and ensure sustainable development.

Management System

In accordance with the *Basic Standards for Enterprise Internal Control* and relevant regulations, Yunnan Baiyao has established management systems such as the *Comprehensive Risk Management System* to continuously advance the systematic and standardized development of its risk management framework. The Company has designated the Board of Directors as the highest decision-making body for risk management. Under the Board, an Audit Committee has been established to oversee the risk management. The Audit Department has been authorized to carry out specific internal control evaluations and risk management tasks, and to submit special reports to the Board of Directors, thereby creating a coordinated organizational mechanism that ensures synergy.

The Company has established a routine risk management framework. We regularly review our internal and external risk environments to compile a risk inventory. After conducting a multi-dimensional assessment, we identify key areas and risks requiring focused attention, and develop targeted risk response plans accordingly. We also implement dynamic monitoring and adjustments to establish and refine a closed-loop management system for risk identification, assessment, response, and monitoring. To ensure the effective operation of the management system, the Company has incorporated the effectiveness of its risk control system and the performance of key positions into its performance evaluation system, with the aim of reinforcing accountability and motivating all employees to take a proactive role in risk prevention and control. In addition, we have established an online learning platform that complements our in-person training programs, with the aim of comprehensively enhancing our employees' risk awareness.

Specialized Empowerment Training on "Risk Governance and Enhanced Internal Controls"

In 2025, focusing on risk and internal control practices, the Company organized a specialized training program titled "Specialized Empowerment for Annual Risk Management and Internal Control Assessment." The course covered four main modules: an in-depth analysis of key aspects of internal control regulation, an examination of typical issues, the dynamic maintenance of risk databases, and practical procedures for internal control evaluation. The training covered a total of 231 employees across departments such as internal control, audit, and key business management. The Company also simultaneously converted the training materials into online courses to support continuous learning for all employees, thereby effectively enhancing the practical skills of relevant personnel in risk identification, assessment, and management, and strengthening the effective implementation of the internal control system.

Internal Control

Yunnan Baiyao, in accordance with the *Management System for Internal Control System Operation* and the internal audit related standards, entrusts the Audit Department with independently performing internal audits, fully exercising its internal supervisory authority. The Company keeps optimizing its auditing workflow and closed-loop management mechanism, combining comprehensive auditing with specialized auditing based on the previous achievements of full coverage auditing, and continuously strengthening supervision over key business areas, critical funds projects, and the implementation of major decisions.

In response to the issues identified during the audit, the Company has established a closed-loop management mechanism to oversee corrective actions. The Audit Department will continue to monitor and review the corrective actions to ensure that all risk factors are effectively mitigated and that audit recommendations are fully implemented.

In addition, the Company conducts regular internal control evaluations and incorporates the results of these evaluations and key performance indicators into the relevant performance appraisal system in accordance with regulations such as the *Internal Control Evaluation Management System*, to ensure the continuous and effective operation of the internal control system. In 2025, Yunnan Baiyao was awarded the "Best Practice Case of Internal Control among Listed Companies" by the China Association for Public Companies.



Award of "Best Practice Case of Internal Control among Listed Companies"

Information Security and Privacy Protection

Yunnan Baiyao places information security and user privacy protection at the core of its operations, integrating these principles throughout the entire process from data collection, storage, and transmission to usage. We are committed to continuously providing users with a secure and reliable data environment.



Information Security

Yunnan Baiyao places a high priority on information and data security management. The Company strictly complies with relevant laws and regulations, including the *Cybersecurity Law of the People's Republic of China*, the *Personal Information Protection Law*, the *Data Security Law*, and the *Consumer Rights Protection Law*. It has also established management systems such as the *Data Security Risk Management Measures* and the *Personnel Information Security Management Measures*, which clearly define management standards for data classification and grading, storage, transmission, and access. The Company has established a systematic information security management framework to ensure that all data processing activities are conducted in a lawful and compliant manner and that risks are effectively managed. Building on this foundation, we have further developed a business continuity plan, implemented a redundant architecture for core network equipment, and conducted regular drills for primary-to-standby failover. Additionally, we have designed system redundancy and data backup and recovery mechanisms tailored to the specific characteristics of our operations to address risks such as ransomware attacks and system failures, thereby ensuring the continuous and stable operation of our business.

Information Security Governance Structure

Institution	Functions	Responsibilities
Data Governance and Security Management Taskforce	Leading body	Overall planning, coordination, demand management, inspection and evaluation, etc.
Digital Security Professional Group	Control Body	Responsible for reporting on digital security management to the Company's office meeting, and conducting the Company's digital security management work in accordance with the decisions made.
Digital Security Execution Group	Execution Body	Responsible for implementing the relevant decisions and work arrangements of the Company.
Digital Security Response Team	Permanent Virtual Organization	The team is composed of members from the Digital Security Execution Group according to actual needs. Its main responsibilities are to respond to, analyze, and handle information security incidents.

Through its information security management mechanisms, Yunnan Baiyao has combined routine risk assessments with emergency preparedness to continuously strengthen its information security capabilities. In addition, the Company has established a comprehensive information security incident response plan and clearly defined procedures for reporting and responding to such incidents. Upon discovering a suspected information security incident or vulnerability, all employees may submit a report through the internal OA system. The Information Security Manager will then conduct a tiered review and forward the report to the Digital Security Team. Matters involving classified information or requiring regulatory reporting will be handled in accordance with applicable regulations.

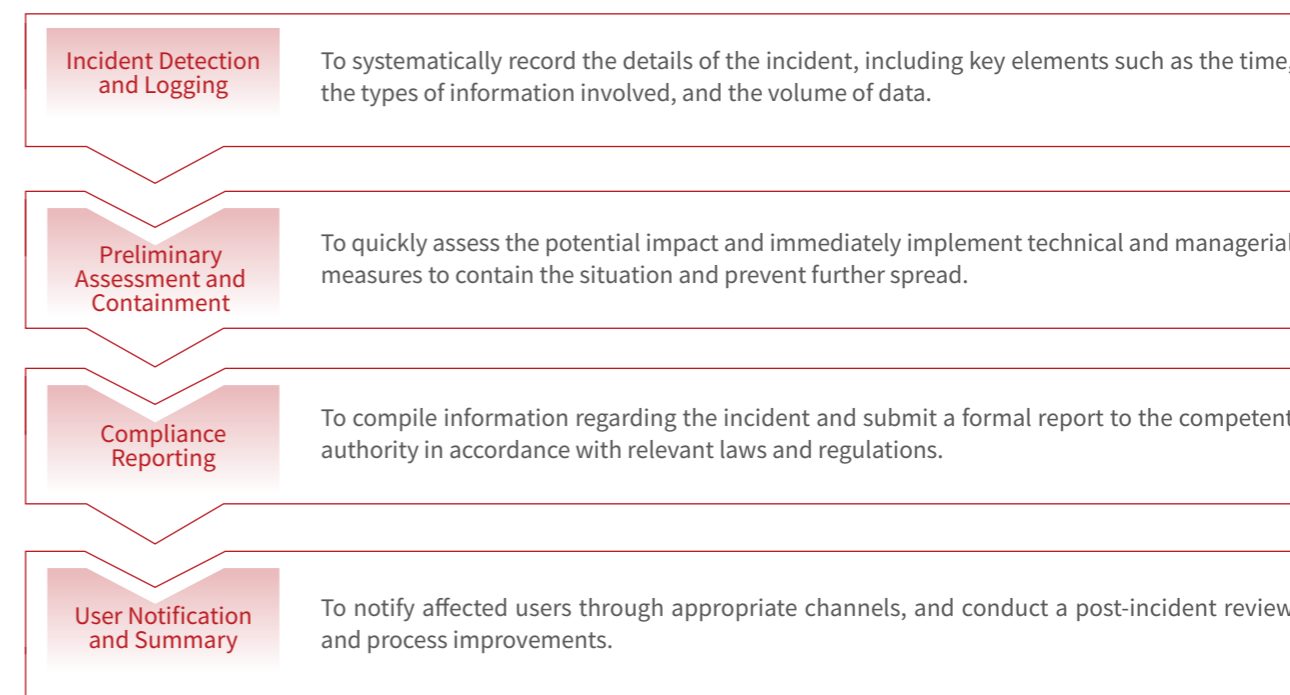
During the reporting period, the Company regularly conducted various security tests and inspections, including penetration testing, cyber-attack and defense drills, and data security emergency drills. A total of **60** security risk assessments were completed during which **1,084** security risks were identified and rectified, enabling the early identification and mitigation of potential risks.

In 2025, the Company received **no** complaints regarding user information security, and the overall information security situation remained stable.

Privacy Protection

Yunnan Baiyao regards the protection of user privacy as the foundation of user trust. We strictly comply with laws and regulations such as the *Personal Information Protection Law of the People's Republic of China*, and have established internal policies to clearly define users' rights regarding access to, correction of, and deletion of their information. The Company has established a comprehensive protection system that includes prevention, monitoring, and response. As part of this system, we have developed clear and actionable contingency plans to address potential customer privacy breaches, ensuring that we minimize the impact and effectively safeguard user rights.

Emergency Response Steps for Customer Privacy Breach Events



Specialized Training on Information Security and Privacy Protection

In 2025, Yunnan Baiyao systematically conducted information security training, organizing quarterly specialized sessions using a variety of formats, including "online and in-person" and "lectures combined with hands-on exercises." A total of 8,150 employees participated in the training throughout the year, and the relevant content was incorporated into the mandatory curriculum for new employees. The Company has simultaneously established a certification system for digital security officers. Through systematic learning, practical training, and comprehensive assessments, the Company is cultivating a core team of security professionals, further strengthening the human-based foundation of its information security, and promoting the full coverage and deep integration of a security culture throughout the organization.



Specialized Training on Information Security and Privacy Protection

Business Ethics and Integrity Building

Yunnan Baiyao keeps refining its business ethics management system, which centers on institutional frameworks, oversight, and corporate culture, and places a strong emphasis on the comprehensive prevention and control of integrity risks throughout the entire process. The Company has strengthened oversight of whistleblowing and conflict-of-interest management, resolutely preventing and eliminating commercial bribery and unfair competition. Upholding the principles of ethical business conduct, we are committed to maintaining a fair and healthy market environment.

Management System

Yunnan Baiyao strictly complies with national laws and regulations, including the *Company Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, and the *Anti-Monopoly Law of the People's Republic of China*. We have established a comprehensive internal integrity management system, including the *Work Regulations of the Commission for Discipline Inspection* and the *Measures for the Prevention and Control of Integrity Risks*. The Company has constantly strengthened the implementation of its policies in accordance with 12 inspection-related regulations, including the *Implementation Measures for Inspection Work (Trial)*, and comprehensively standardized business ethics management and reinforced integrity safeguards through systematic oversight and accountability mechanisms.

In 2025, Yunnan Baiyao organized nine compliance training sessions, totaling more than 20 hours, and reaching over 1,600 participants. In accordance with regulations such as the *Compliance Guidelines for Pharmaceutical Companies on Preventing Commercial Bribery Risks* issued by the State Administration for Market Regulation in January 2025, the Company has drafted and issued the *Anti-Fraud and Anti-Commercial Bribery Compliance Management Measures* applicable to the Company and all employees, clarifying the definitions of fraud and commercial bribery, prevention and control mechanisms, compliance requirements and prohibited conduct for ten key control links, as well as compliance reporting and handling procedures, strengthening closed-loop management of the entire process of "prevention, control, reporting, and handling" for fraud and commercial bribery.

The Company is actively establishing and refining a "comprehensive oversight" framework to foster a coordinated oversight effort. Under the unified leadership of the Party Committee, we will establish a working mechanism in which Party organizations at all levels assume tiered responsibilities, inspection bodies organize and implement the work, and departments such as discipline inspection and organization work in concert, with the active participation of staff and the public, to effectively strengthen supervision and inspection of Party conduct and integrity. In addition, upholding the *Code of Business Ethics*, the Company strictly prohibits all employees from engaging in any form of corruption, bribery, unfair competition, or conflicts of interest, and maintains a "zero-tolerance" policy toward violations to ensure operational compliance.

The Company continues to promote the regularization and systematization of integrity education, and offers educational campaigns for all employees through various forms such as organizing expert-led seminars, conducting specialized training on ethical conduct and anti-commercial bribery, and holding knowledge competitions, thereby continuously strengthening their awareness of integrity and compliance. In 2025, the Company organized relevant personnel to sign more than 2,000 copies of the *Commitment to Integrity Practice* in connection with the appointment and removal of executives and the identification of key positions. Integrity reminders have been posted at hundreds of project sites on the front lines, and more than 1,000 integrity agreements have been signed with suppliers. We have established a "1+X" integrity culture matrix, centered around the "Integrity at Baiyao" column on the Baiyao Ding platform. This matrix includes sections on Party discipline, cautionary case studies, and integrity awareness campaigns, with nearly 100 articles published to date and over 10,000 page views.

Reporting Management

In accordance with relevant national laws and regulations, Yunnan Baiyao continues to refine its processes for receiving, verifying, and addressing public complaints and reports of issues, and is committed to enhancing the standardization and legal compliance of these operations. We have established clear and transparent reporting channels and encourage employees, customers, and other stakeholders to monitor and report any violations of rules, discipline, or laws.

The Company strictly adheres to the relevant provisions of the *Work System of Discipline Inspection Commission* and implements strict confidentiality measures regarding the information of whistleblowers and the content of their reports. Without the whistleblower's consent, their personal information and the details of their report shall not be disclosed in any form. By implementing a series of mechanisms including confidentiality protocols, recusal procedures, and accountability measures, the Company has established a comprehensive whistleblower protection system to resolutely prevent any potential retaliation and ensure that reporting channels remain open and effective.

Reporting Channels of Yunnan Baiyao

- Address: Yunnan Baiyao Discipline Inspection Commission, No. 3686 Yunnan Baiyao Street, Chenggong District, Kunming
- Tel: 0871-66203262
- Website: <http://www.yunnanbaiyao.com.cn/>
- Email: byxfjb@ynby.cn

Integrity Building

Yunnan Baiyao keeps promoting the regularization of integrity education, conducting diverse forms of integrity education and outreach for all employees. The Company has launched integrity-themed education programs, organizing lectures on anti-corruption in the healthcare sector to thoroughly analyze typical industry risks and key preventive measures. It regularly conducts specialized training on ethical conduct and anti-commercial bribery, combining case studies and policy analysis to reinforce behavioral standards for each position. Additionally, the Company organizes online and offline integrity knowledge competitions to promote learning through competition and action through learning, thereby fostering a corporate culture of integrity and transparency, and effectively enhancing all employees' awareness of discipline and commitment to compliance.

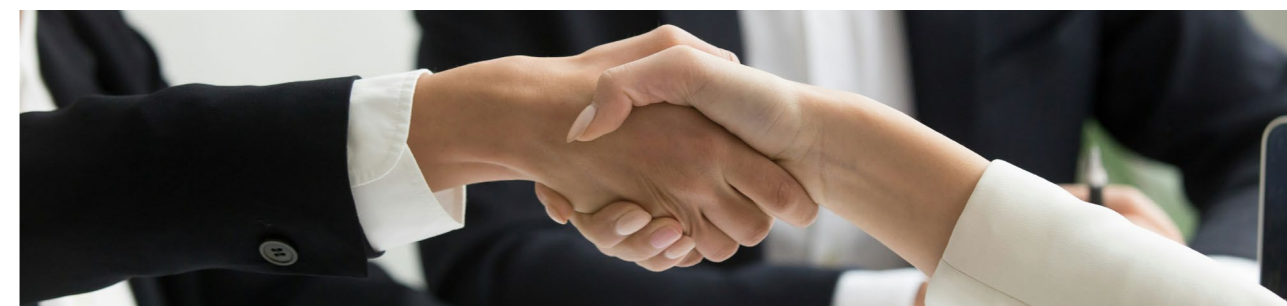


Promotion of Business Ethics and Combating Unfair Competition

In 2025, the Company conducted specialized research integrating legal theory and practical experience in the fields of intellectual property and antitrust law. It developed and published two compliance blue books: the *Intellectual Property Compliance Blue Book - Patent Volume* and the *Antitrust Compliance Blue Book*. These books provide all employees with in-depth, cutting-edge compliance insights and practical guidelines, establishing a comprehensive and authoritative repository of professional compliance knowledge and reference materials.

In 2025, through communication channels such as the Legal Affairs Bulletin, we provided compliance interpretations company-wide regarding the *Compliance Guidelines for Pharmaceutical Companies on Preventing Commercial Bribery Risks*, the *Guidelines for the Supervision of Medical Advertising*, the *Key Points for Correcting Unethical Practices in the Procurement and Sales of Pharmaceuticals and Medical Services in 2025*, as well as key legal compliance considerations related to the Company's deployment of AI models and anti-bribery requirements in the newly revised credit evaluation system for pharmaceutical procurement and sales.

Yunnan Baiyao strictly complies with the *Anti-Unfair Competition Law of the People's Republic of China* and resolutely opposes unfair competition practices such as false advertising, monopolistic conduct, and the infringement of trade secrets. Based on the regulatory requirements such as the *Compliance Guidelines for Pharmaceutical Enterprises on Preventing Commercial Bribery Risks*, the Company has fully integrated anti-unfair competition requirements into its business processes, conducts ongoing reviews of internal policies and specialized training, and implements targeted controls and special rectification measures for high-risk areas such as bidding and marketing. We strictly prohibit any violations and deal with them severely. We are committed to maintaining a fair, transparent, and healthy market environment, ensuring the accuracy and reliability of information, protecting intellectual property rights, and promoting the sustainable development of the industry. As of the end of the reporting period, the Company had not engaged in any acts of unfair competition, nor had it incurred any financial losses because of such violations.



02

Innovation Empowerment: Product Excellence and Industry Collaboration

Yunnan Baiyao has always upheld the essence of TCM culture, kept pace with industry changes, and continuously strengthened quality control and technological innovation. Guided by the principle of meeting customer needs, we will actively promote the concept of universal healthcare, strengthen strategic collaboration with suppliers, and build an efficient, eco-friendly, and reliable sustainable supply chain system to provide sustained momentum for the Company's long-term and steady growth.

- Full Lifecycle Quality Management 45
- R&D and Innovation 49
- Customer Relationship Management 57
- Medical Accessibility 59
- Supply Chain Management 60



Full Lifecycle Quality Management

Yunnan Baiyao places product quality and safety at the forefront of its corporate development, ensuring they are integrated into every stage of the process from R&D through production to delivery, and consistently providing consumers with reliable health protection.

Quality Management System

Yunnan Baiyao has established a Technical and Quality Management Committee to strengthen the quality and safety responsibilities of each business division, promote cross-departmental coordination in technical and quality management, and ensure the standardized implementation of the quality management system across the entire industrial chain. At the same time, the Company is actively advancing the development of a drug safety governance system. In 2025, the Company formally established the "Drug Safety Committee" with the aim of improving the drug safety coordination mechanism, clarifying the responsibilities, terms of office, and organizational structure of the chairperson and committee members, and establishing standardized procedures for meetings, reporting, decision-making, and workflows. Focusing on the assessment and response to major drug safety incidents, the committee aims to strengthen the protection of clinical trial participants and patients, and effectively identify, alert, and control drug safety risks.

The Company has established a comprehensive management system covering the entire supply chain, including procurement, receipt, inspection, storage, maintenance, sales, shipping, and transportation. This system includes key documents such as the *Pharmaceutical Procurement Management System*, the *Pharmaceutical Receipt and Inspection Management System*, the *Pharmaceutical Storage Management System*, the *Cosmetics Production Quality Management Manual*, and the *Safety Management Procedures*, thereby ensuring closed-loop control over the entire process of operating pharmaceuticals, medical devices, and health products. In 2025, the Company comprehensively advanced the systematic revision of quality management system documentation for pharmaceuticals, medical devices, and other product categories. Focusing on supplementing and optimizing policies related to controlled substances, and, in conjunction with organizational restructuring, we carried out comprehensive updates to ensure that policy design aligns closely with actual operations.

Quality Management Initiatives

Each of the business divisions continues to implement quality control measures tailored to their specific operations, making every effort to ensure product quality and safety. During the reporting period, more than 80% of the Company's operations have obtained quality management system certification. In particular, the Company's subsidiary, Yunnan Pharma Co., Ltd., has successfully obtained ISO 9001:2015 quality management system certification. The scope of certification covers the sale of pharmaceuticals (including controlled substances and refrigerated/frozen pharmaceuticals), medical devices, prepackaged foods (including cold chain products), special foods, disinfection and family planning products, cosmetics, and electronic products, as well as cold chain services (GSP validation). This comprehensive coverage of the entire business chain marks a new phase of standardization and normalization in the Company's quality management.

Practices of Yunnan Pharma

Yunnan Pharma strictly implements the *Quality Risk Management System*, continuously strengthens quality risk management, dynamically monitors potential risk events such as changes and deviations at every stage of operations, and identifies existing and potential risks through a combination of forward-looking and retrospective approaches. We conduct a qualitative assessment of risks based on their likelihood of occurrence and severity of impact, classify them into risk levels, and implement differentiated management strategies for each level.

Quality Risk Management Process

Risk rating	Control measures
"High," "Very high," "Extremely high"	Communicate promptly with relevant parties, develop and approve control measures, and effectively mitigate, avoid, or transfer risks
"Very low" "Moderate"	Accept and continue to monitor
Inherent risks that cannot be eliminated	Develop corresponding emergency response and preventive measures

In 2025, Yunnan Pharma conducted a total of 13 routine risk analyses and produced 11 risk assessment reports. The assessment results indicate that 3 items were classified as "moderate" risk, which Yunnan Pharma has accepted and will continue to monitor; for the 7 items classified as "high" risk and the 1 item classified as "very high" risk, Yunnan Pharma has implemented effective control measures. Following a re-evaluation, the risks for all these items have been reduced to "moderate" or lower, and the overall risk level is now within acceptable limits.



At the same time, Yunnan Pharma conducted a total of 10 internal audits (1 comprehensive internal audit and 9 specialized internal audits), covering key areas such as the operation of the quality management system, changes in key personnel, coordination among multiple warehouses, and the management of special-use drugs. 5 deficiencies were identified, all of which have been rectified. A total of 8 external audits were conducted, 6 of which were inspections by regulatory authorities. A total of 19 deficiencies were identified, all of which have been fully rectified.

Yunnan Pharma has installed warehousing equipment and set up 480 automatic temperature and humidity monitoring points in the storage areas to ensure end-to-end temperature control and traceability. Leveraging its proprietary pharmaceutical distribution platform V3.0, Yunnan Pharma has implemented standardized management across the entire process including procurement, receipt, storage, and sales, and strictly enforced compliance reviews for new product lines and qualification checks for new suppliers. Upon receipt of goods, Yunnan Pharma conducts batch-by-batch inspections, stores them according to category and condition, and conducts regular quality inspections. During the sales process, Yunnan Pharma strictly reviews the qualifications and business scope of purchasing entities to ensure that the distribution channels are authentic, lawful, and traceable.

Yunnan Pharma has established standard operating procedures for product recalls to ensure that responsibilities are clearly defined throughout the process. The Quality Department of Yunnan Pharma will determine the scope of the recall and issue a notice within one working day; the Marketing Department will immediately suspend sales and assist with returns; the Logistics Department will transport the drugs back, and after quality inspection, they will be stored according to their status. For products that need to be returned, the procurement department will coordinate and handle the process in accordance with the agreement or regulatory requirements. The Quality Department will verify sales, recall, and inventory figures to ensure full traceability. In 2025, Yunnan Pharma recalled a total of 37 batches of products.



Over the past four years, Yunnan Pharma has undergone a total of 20 inspections by regulatory authorities at various levels, all of which were routine or special inspections conducted by the Yunnan Provincial Drug Administration and the Kunming Municipal Market Supervision Administration. None of the deficiencies identified or corrective actions recommended during these on-site inspections involved any serious issues.



Practices of Pharmaceutical Business Group

The Pharmaceutical Business Group has established a full-industry-chain "5P" quality management model covering R&D, production, distribution, and monitoring, incorporating standard systems such as GAP, GLP, GMP, GSP, and GVP. In response to production anomalies, the Pharmaceutical Business Group has established the *Deviation Handling Procedure* and the *Nonconforming Product Control Procedure* to ensure a rapid response to deviations from process specifications, material balances, quality standards, testing methods, or operating procedures, and to promptly implement corrective and preventive actions. For materials that do not meet internal control standards, the Pharmaceutical Business Group conducts investigations, analyses, and risk assessments; develops and monitors the implementation of corrective actions; and ensures that issues are resolved through a closed-loop management process.

In accordance with relevant regulations such as the *Drug Administration Law of the People's Republic of China*, the *Good Manufacturing Practice for Drugs*, and the *Measures for the Administration of Drug Recalls*, the Pharmaceutical Business Group has formulated the *Drug Recall Management Procedure* based on its actual operations to ensure that recalls can be initiated immediately when necessary, thereby swiftly and effectively removing defective drugs and those posing safety risks from the market. The Pharmaceuticals Business Group regularly conducts simulated recall drills to test the feasibility of procedures, enhance employees' emergency response capabilities, and ensure rapid, efficient, and orderly execution in the event of an actual incident.



During the reporting period, the Pharmaceutical Business Group **did not** initiate any voluntary recalls, which fully demonstrates the robust operation of its quality management system and its risk prevention and control capabilities.

In 2025, the Pharmaceutical Business Group underwent a total of 11 inspections by regulatory authorities and completed all required corrective actions. The Pharmaceutical Business Group strictly enforced audit procedures for its two contract manufacturing organizations, conducting 2 annual audits and 10 routine inspections throughout the year. Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd and Yunnan Chuxiong Tianli Pharmaceutical Co., Ltd had 7 and 8 deficiencies identified, respectively, all of which have been rectified under supervision.

Practices of Health Products Business Group

The Health Products Business Group conducted a comprehensive review of the quality management systems at its three manufacturing sites in accordance with the *Good Manufacturing Practice for Cosmetics* and inspection guidelines. A total of 466 findings were documented, with 15 minor non-conformities identified regarding documentation, facilities and equipment, and materials management. Of these, 13 have been rectified and 2 are currently being addressed. No major risks affecting product safety were identified, and the systems are operating normally.

In 2025, the Health Products Business Group innovatively launched an internal auditor cultivation and quality synergy enhancement initiative. Prior to the launch of the annual internal audit, the Health Products Business Group organized systematic training for all internal audit administrators and prospective internal auditors nominated by various departments. The training covered regulatory requirements, audit techniques, and operational standards. The Health Products Business Group specially invited managers with hands-on experience in highly specialized yet often overlooked management areas such as warehousing, logistics, and equipment maintenance to deliver lectures. This not only enhanced the comprehensive judgment capabilities of internal auditors, but also prompted the lecturing departments to proactively conduct self-inspection and self-correction during course preparation, identifying potential management blind spots. During the training, the Health Products Business Group held an "Outstanding Trainee" selection to boost enthusiasm and promote cross-departmental knowledge sharing and knowledge retention.



Health Products Business Group Conducted a Full-Scale Mock Recall Drill

In October 2025, the Health Products Business Group selected representative products, including Yunnan Baiyao toothpaste and the Yangyuanqing series, to conduct a simulated recall drill. Following a risk assessment, the recall team promptly initiated a simulated recall, instructing relevant dealers to immediately halt sales and shipments, and compared the number of units reported as recoverable by the dealers with the expected quantity to confirm that the recall completion rate was approaching the target. This exercise was conducted in strict accordance with the *Product Recall Management Procedure*, covering key steps such as channel response, product collection, quantity tallying, and results evaluation. The process was well-defined, the response was swift, and coordination was highly efficient.

Quality Culture Construction

The Company continuously promotes the development of a quality culture and systematically conducts quality awareness training to help employees gain a deeper understanding of the importance of quality to the Company's development.

The Company strictly implements its annual quality training plan, and established a three-pronged training system covering "pharmaceuticals, non-pharmaceuticals, and specialized topics." Focusing on laws and regulations, quality management systems, and practical skills, the Company continuously enhances all employees' regulatory awareness, quality literacy, and professional competence through regular and systematic training, ensuring that staff fully meet the requirements of their positions in terms of qualifications, knowledge, and capabilities.



In 2025, the Company conducted quality training sessions for relevant personnel across all business units

totaling **1,973** sessions reaching **80,104** participants and accumulating **781.2** hours



"Quality Month" Campaign Demonstrated Commitment to Quality and Responsibility Through Concrete Actions

In 2025, the Company organized a series of "Quality Month" activities centered on the theme of "Strengthening Quality Awareness, Improving Quality Standards, and Safeguarding Public Health," with the aim of inspiring all employees to take an active role in quality management and fostering a sense of responsibility. The campaign included organizing subsidiaries and Xinte Pharmacies to jointly participate in the "Posters Light Up Yunnan" initiative; and collaborating with the Pharmaceutical Business Group to visit retail outlets such as Xinte Pharmacies, Yixintang, Jianzhijia, Huaideren Pharmacies, Yunnan Baiyao Pharmacies, and Baiyao Life+ to carry out the "Quality at the Point of Sale, Health with e-Support - Quality Promotion e-Link" campaign. Through case studies and hands-on training on mini-programs, the Company continuously enhanced the professional skills of its store staff. By combining product demonstrations with presentations on quality culture, it fostered a stronger sense of commitment among frontline employees. At the same time, the Company collected feedback from stores through surveys to provide a basis for future quality improvements and business optimization.



Scene from the "Quality Month" series of events

R&D and Innovation

Yunnan Baiyao is actively investing in cutting-edge technologies, closely monitoring global trends in pharmaceutical R&D, and continuously optimizing its product development strategy. By accelerating the development of its R&D pipeline, the Company leverages technological innovation as a driving force to advance product upgrades and achieve technological breakthroughs, thereby comprehensively empowering the healthcare sector and striving to provide the public with higher-quality, more sustainable solutions for health and well-being.

R&D and Innovation Strategies

Based on an innovation-driven development strategy, Yunnan Baiyao keeps enhancing investment in R&D, scientifically structures its short-, medium-, and long-term R&D plans, and promotes the deep integration of its R&D system with sustainable development goals. Through a comprehensive, systematic approach to R&D, the Company has not only strengthened its capacity for technological innovation but has also actively fulfilled its corporate social responsibility by advancing the "Healthy China" initiative and improving public health and well-being.

Yunnan Baiyao's Short-, Medium- and Long-term R&D Strategy

- Short term**

Focusing on the re-innovation of major TCM products with the potential for commercialization within 1-2 years, as well as the rapid development of pharmaceuticals and medical devices, to strengthen technological empowerment and market synergy, and enhance product competitiveness and commercial value.
- Medium term**

Focusing on cutting-edge areas such as innovative drugs and improved new drugs in the clinical development stage of 3-4 years, as well as transdermal formulations, to accelerate the commercialization of innovative achievements and support sustainable business growth by leveraging technology to drive the upgrading of healthcare products.
- Long term**

Looking ahead to the innovative drug and biopharmaceutical R&D for the next 5-8 years, to vigorously promote the commercialization of new TCMs with clinical value, focus on addressing major public health needs and developing proprietary products, and establish long-term technological barriers.

Guided by its short-, medium-, and long-term R&D strategies, the Company has systematically established six key R&D priorities: the High-Quality Development Program for TCM Materials; the Re-Innovation Project for Yunnan's Distinctive TCM materials and Ethnic Medicines; the development of holistic wellness and consumer products (including medical devices); the R&D of innovative TCMs; the development of innovative radiopharmaceuticals and biologics; and the integration and application of AI and cutting-edge technologies. All projects are proceeding smoothly according to schedule and have achieved interim results, effectively supporting the development of our new product pipeline and the enhancement of our technical capabilities.

R&D and Innovation Management

Yunnan Baiyao adheres to key management regulations such as the *Regulations on the Management of Funds for Commissioned Research Projects*, the *Internal Management Measures for Commissioned Research in R&D Projects of Yunnan Baiyao Group*, and the *Central Research Institute Management Measures for Government-Funded R&D Projects of Yunnan Baiyao Group*. The Company has continued to strengthen the integration of basic research and innovation capabilities, actively introduced cutting-edge technologies, built a high-level R&D platform system, and comprehensively enhanced R&D efficiency and core competitiveness.

Development of R&D Platforms

In 2025, the Company had established six R&D centers and operated seven national-level innovation platforms and three provincial-level innovation platforms, thereby forming a multi-tiered, comprehensive R&D support system. A high-throughput computing center leveraging big data analysis, target bioinformatics, and AI-assisted drug design was put into operation, significantly accelerating the drug discovery and screening process. At the same time, the Center for Drug Safety Evaluation at Yunnan Institute of Materia Medica, a subsidiary of the Company, successfully passed the NMPA's periodic GLP re-inspection. It is now capable of providing non-clinical drug safety evaluation services that meet national standards, thereby providing strong support for regional innovative drug R&D. In addition, the Company's wholly-owned subsidiary, Yunhe Pharmaceutical (Tianjin) Co., Ltd, has successfully obtained a Radiation Safety License issued by the Tianjin Municipal Bureau of Ecology and Environment, marking the Company's acquisition of the key capabilities required to conduct R&D of radiopharmaceuticals and produce clinical samples.



The Kunming Center of the Central Research Institute has successfully passed the acceptance inspection and obtained **3** key certifications, including **one** license for the use of laboratory animals and **2** registration certificates for laboratories handling pathogenic microorganisms related to human health, further strengthening the compliance foundation of its research infrastructure.



Kunming Center Successfully Obtained Three Key Certifications

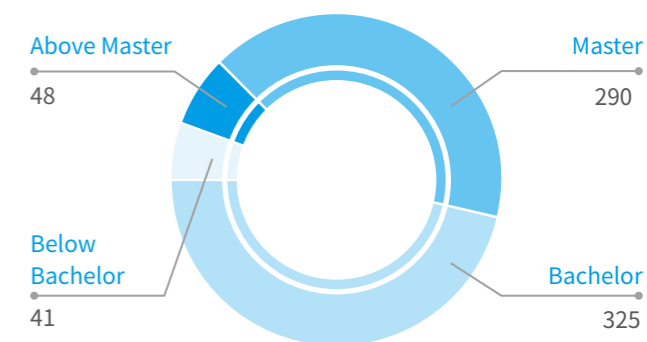
R&D Talent Development

Yunnan Baiyao keeps optimizing the composition of its R&D talent pool, systematically building an innovative R&D system aligned with the Company's strategic goals, and consistently recruiting and cultivating industry-leading R&D professionals to provide a solid foundation for the Company's long-term innovative development.



In 2025, the Company had a total of **704** R&D personnel accounting for **7.58%** of the total regular employees

Education Level Structure of R&D Personnel



The Company continues to refine its training system for R&D personnel and has established a tiered and categorized training mechanism that covers both management and frontline staff.

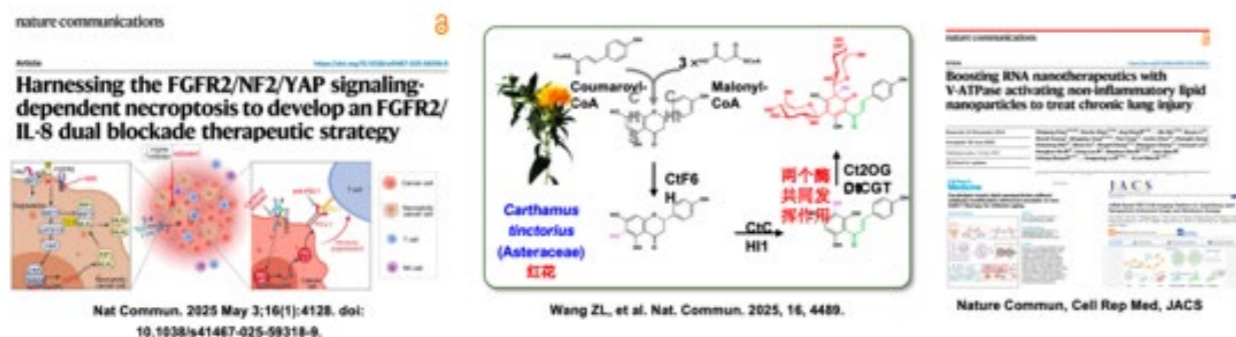
R&D Talent Training System of Yunnan Baiyao

Training targets	Training contents
Mid-to-senior level R&D managers	In collaboration with Peking University, we organized an advanced training program featuring over 20 specialized seminars focused on cutting-edge topics such as the interpretation of innovative drug policies and AI-assisted R&D, with the aim of comprehensively enhancing strategic thinking and compliance decision-making capabilities.
Frontline R&D staff	We organized hands-on training sessions for both the on-premises and cloud-based versions of the DeepSeek system to help researchers efficiently conduct patent searches, manage data, and analyze literature, thereby driving the intelligent transformation of R&D processes.

In 2025, the Company's Central Research Institute continued to optimize the development of its R&D talent pipeline and systematically carried out the recommendation and nomination of high-level talent. The Company's Central Research Institute successfully nominated one candidate for the Leading Talent Program of the Ministry of Science and Technology, three for the Young Elite Talent Program, three for the Industrial Innovation Talent category under "Talents for Revitalizing Yunnan" Program, and two for its Young Talent category. Additionally, two employees were selected as experts for the Yunnan Provincial Evaluation of Modern Enterprise Management Innovation Achievements, and two received special allowances from the Yunnan Provincial Government. Furthermore, three employees were included in the expert database for innovative drug R&D of China National Center for Biotechnology Development, and two were included in the expert database for TCM of the State Administration of TCM. At the same time, the Company's Central Research Institute completed the nomination of the third batch of Yunnan Provincial Industry Mentors from Kunming Medical University and submitted the basic information of 286 individuals to the talent pool of Yunnan Provincial State-owned Assets Supervision and Administration Commission, continuing to expand its influence in talent development and industry engagement.

Integration of Industry, Academia and Research

The Company actively promotes the deep integration of industry, academia, and research, building a multi-level, multi-dimensional collaborative framework to continuously enhances its scientific research and innovation capabilities. In 2025, leveraging the "Peking University-Baiyao International Medical Research Center," the Company focused on cutting-edge fields such as oncology, reproductive medicine, and trauma orthopedics, and deepened the collaboration in basic research and clinical translation. In 2025, the center published a total of 42 high-impact papers, and its research influence continued to grow. The Company has established the "School of Modern Biomedical Industry" in collaboration with Kunming Medical University and the "Collaborative Innovation Platform for Drug R&D" in partnership with Yunnan University of TCM. It is also actively involved in the "Yunnan Provincial Expert Talent Industry Service Group," facilitating the two-way flow of high-level talent and the collaborative enhancement of local research capabilities, thereby contributing to the development of the regional pharmaceutical innovation ecosystem. In addition, the Company has partnered with leading experts such as Academician Jiang Baoguo and Academician Qiao Jie to conduct clinical research and translation, thereby continuously expanding the R&D team's cutting-edge perspectives and practical capabilities.



"Peking University-Baiyao International Medical Research Center" Published High-Impact Papers

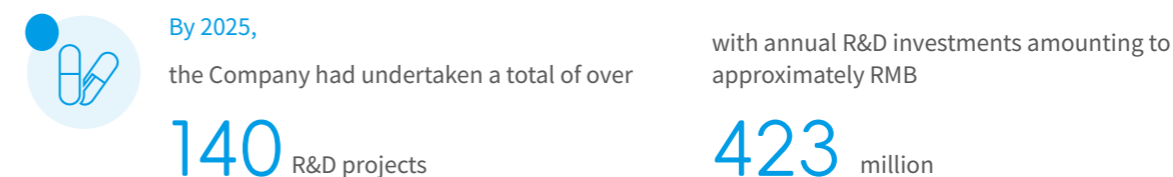
The Company has spearheaded an evidence-based upgrade of Qixuekang Oral Liquid, collaborating with Peking University Shougang Hospital to conduct clinical research, which verified its significant efficacy in improving vascular endothelial function. The findings were published in an SCI-indexed journal. In the field of radiopharmaceutical R&D, the Company has partnered with Professor Yang Xing's team at Peking University People's Hospital to advance INR101 through Phase I/IIa clinical trials and has established a pipeline of eight radiopharmaceutical candidates, three of which have already entered the clinical stage. In the field of oral health, the Company has partnered with Professor Deng Xuliang's team at Peking University School of Stomatology to establish the "Joint Oral Health Laboratory". Based on ion-blocking theory, they have developed a new type of desensitizing toothpaste and a tooth desensitizer. The desensitizer has obtained a medical device registration certificate, marking the successful commercialization of this technological achievement.



Images related to the Company's industry-academia-research collaboration

R&D and Innovation Achievements

Yunnan Baiyao consistently adheres to the strategic principle of "driving development through innovation," continuously building an R&D innovation system covering short-term implementation, mid-term breakthroughs, and long-term layout, and systematically advancing the coordinated development of R&D projects.



R&D of Innovative TCM

The Company has continued to advance the development of innovative products such as Pan-Panax notoginseng Tablets and the Fuqi Guben Ointment, as well as the redevelopment and optimization of classic best-selling products like Qixuekang, Shulie'an, and Gongxuening. These drugs have demonstrated significant improvements in both efficacy and safety, offering better and more reliable options for clinical treatment. In particular, Qixuekang has transitioned from a traditional tonic product to a modern treatment regimen for cardiovascular diseases. As the only TCM candidate drug that combines both the treatment and prevention of altitude sickness, it has already been approved for development.

Progress on Redevelopment Projects for Major TCM Products

Project Name	Project Progress During the Reporting Period
Redevelopment Projects for Major TCM Products	<ul style="list-style-type: none"> Currently, 18 major TCM varieties are undergoing redevelopment. Key projects include: <ul style="list-style-type: none"> Qixuekang: A clinical research paper titled <i>Effectiveness and Safety of Qixuekang Oral Liquid on Vascular Health</i>, which examines the effects of Qixuekang Oral Liquid on improving heart and vascular health, has been published in the <i>Journal of Translational Internal Medicine</i>; Gongxuening Redevelopment Project: A paper on post-abortion bleeding has been published in a core journal; a clinical trial summary report on the treatment of abnormal uterine bleeding has been completed; a clinical trial summary report on reducing vaginal bleeding after medical abortion has been completed; a pharmacoeconomic study on post-abortion bleeding has been completed; and a network pharmacology trial has been completed; Shulie'an: The clinical trial summary report for the Prostatitis Treatment with Shulie'an Capsules has been received.
Pan-Panax notoginseng Tablets (PSQ project)	<ul style="list-style-type: none"> Data collection for 704 cases in the Phase II clinical trial has been completed, generating a summary report; Pharmaceutical-related research has been completed, with the production process finalized.
Fuqi Guben Ointment	<ul style="list-style-type: none"> Phase III clinical trials have been initiated at 17 research centers, with 486 participants enrolled.

R&D of Transdermal Formulations and Medical Devices

The Company has accelerated the technological upgrade of its transdermal formulations, strengthening its market competitiveness in the short to medium term. In particular, the Yunnan Baiyao gel plaster has received project funding from the Yunnan Provincial Department of Science and Technology and has completed preliminary stability testing. The process validation for the Flurbiprofen Cataplasms project has been completed, and PK-BE studies are currently underway; the Loxoprofen Sodium Cataplasms project has obtained approval for clinical trials, and process validation is currently underway; the Yunnan Baiyao gel plaster project has completed the preparation of pilot-scale samples and the quality evaluation of small-scale samples with different formulations; and the Yunnan Baiyao hot-melt adhesive patch project has completed small-scale studies. In terms of medical devices, the disposable sterile hemostatic clips have received the national classification determination notice for Class II medical devices, and the emergency hemostatic bandage has obtained the Class II medical device registration certificate.

R&D of Innovative Health Products

The Company has formulated and implemented the *R&D Project Management Measures of the Health Products Business Group* of Yunnan Baiyao Group to standardize the R&D process and enhance the efficiency of innovation. Meanwhile, the Company actively participated in the establishment of industry standards, and was involved in the formulation of standards such as the *Functional Toothpaste* (QB/T 2966-2025), promoting the standardized development of the industry.

Progress of Health Products R&D Projects

Oral Laboratory Project

- The Company has successfully developed "Minimalist Children's Toothpaste" technology. By taking into account the oral anatomy and physiological characteristics of children across different age groups, it has created a gentle formula that scientifically incorporates fluoride and incorporates innovative whitening technology to achieve a "dual-action whitening" effect.
- Using this technology, the Company has completed the development of the first-generation "Shimmering Diamond White" product.

Hair Care Laboratory Project

- Yangyuanqing, the Company's hair care brand, has completed the registration of two new anti-hair loss products: Refreshing Anti-Dandruff and Anti-Hair Loss Shampoo and Anti-Hair Loss Soothing Scalp Care Serum.
- The Anti-Hair Loss Soothing Scalp Care Serum incorporates "Paris Fargesii Extract," a new ingredient independently developed by Yunnan Baiyao. Combined with active anti-hair loss ingredients, it can soothe the scalp, revitalize hair follicles, and promote keratin production in the follicles, thereby strengthening hair strands and reducing hair loss.

In 2025, the Caizhiji R&D team established a system of botanical ingredients that combines Yunnan's unique characteristics with scientific principles. The project on the development of Caizhiji's botanical active ingredients and their application in skincare products had resulted



in the submission of

3 SCI papers

and

4 patent applications had been drafted and passed the preliminary examination

Radiopharmaceutical R&D

The Company continuously monitors global technological trends and is focusing its efforts on developing a pipeline of nanobodies and cyclopeptide-based radiopharmaceuticals targeting new therapeutic targets, thereby accelerating the efficient progress of related R&D projects.

Progress of Radiopharmaceutical R&D Projects

INR101 Injection Diagnostic Radiopharmaceutical Project

Phase III clinical trials have been initiated at 29 of the 32 designated research centers, with 239 subjects enrolled (153 treatment-naive patients and 86 relapsed patients).

INR102 therapy Radiopharmaceutical Project

Three subjects in the low-dose group and one subject in the medium-dose group have been enrolled and dosed in the Phase I/IIa clinical trial, and two subjects have completed screening for INR101.

Monoclonal Antibody R&D

In 2025, preclinical studies in pharmacology, toxicology, and pharmacokinetics were completed for the INB301 monoclonal antibody program for the treatment of cancer cachexia, and preparations for an IND application were started.

Governance of Technology Ethics

The Company continues to refine its governance system for technology ethics and is fully committed to promoting the standardization, institutionalization, and internationalization of its research activities. In 2025, the Company officially established the "Experimental Animal Management and Use Committee" (the "Committee"), which is fully responsible for the review, decision-making and supervision of the use of experimental animals and animal welfare ethics in scientific research activities. To enhance management efficiency, the Company, in line with practical operational needs, has completed the transition of the Committee and revised the *Charter of the Experimental Animal Management and Use Committee*, thereby further improving its operational mechanisms.

The Committee performs its duties independently in strict accordance with its charter, fully implements national laws and regulations as well as international ethical standards. It has established an ethics review system comprising 24 policies and procedures, and effectively conducts project reviews and routine oversight.



In 2025, the Company completed a total of **92** ethical reviews of laboratory animal welfare and organized **2** on-site inspections of laboratory animal facilities, effectively ensuring that research activities remained compliant, ethically traceable, and with animal welfare under control, thereby providing solid support for innovation and R&D.

Training on Technology Ethics

The Company systematically advanced training in technology ethics and professional competencies, organizing laboratory animal personnel to participate in two provincial and municipal continuing education training sessions throughout the year. A total of 116 participants attended these sessions, effectively enhancing their professional qualifications and awareness of regulatory standards. Focusing on key issues such as laboratory animal biosafety, ethical review of animal welfare, and occupational health, the Company conducted 11 internal and external training sessions, reaching a total of 275 participants. The content was closely aligned with practical research needs and served to strengthen the Company's ability to ensure compliance throughout the entire process.

The Company places a strong emphasis on cultural leadership and humanistic care. On World Laboratory Animal Day (April 24), it organized a flower-laying ceremony titled "In Memory of Laboratory Animals" for all staff members across the institute, and launched six social support services related to laboratory animals to extend the research service chain and enhance its comprehensive support capabilities.

Intellectual Property Protection

The Company consistently adheres to international standards and fully complies with laws and regulations such as the *Patent Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China*. We continuously improve our intellectual property lifecycle management system in accordance with the *Intellectual Property Management System*. The Company has established standardized procedures for key areas such as patent portfolio planning, trademark management, technology commercialization, and risk prevention and control, driving the evolution of intellectual property management toward institutionalization, standardization, and strategic planning, thereby providing a solid foundation for its innovation-driven development.

In 2025, the Company comprehensively advanced the refinement of its intellectual property management, with a focus on standardizing patent application procedures. We fully implemented online patent approval processes across all subsidiaries and branches, and unified the approval standards and operational guidelines. The Company has established a software copyright management system, launched a software copyright management module, and completed the migration of historical data, thereby laying the groundwork for an information-based management system. Regarding incentive mechanisms, the Company strictly implements the *Patent Management Measures* and promptly awards incentives to eligible inventors, thereby effectively enhancing their sense of achievement from innovation.



During the reporting period,

Yunnan Baiyao held

433 valid patents

and

131 software copyrights

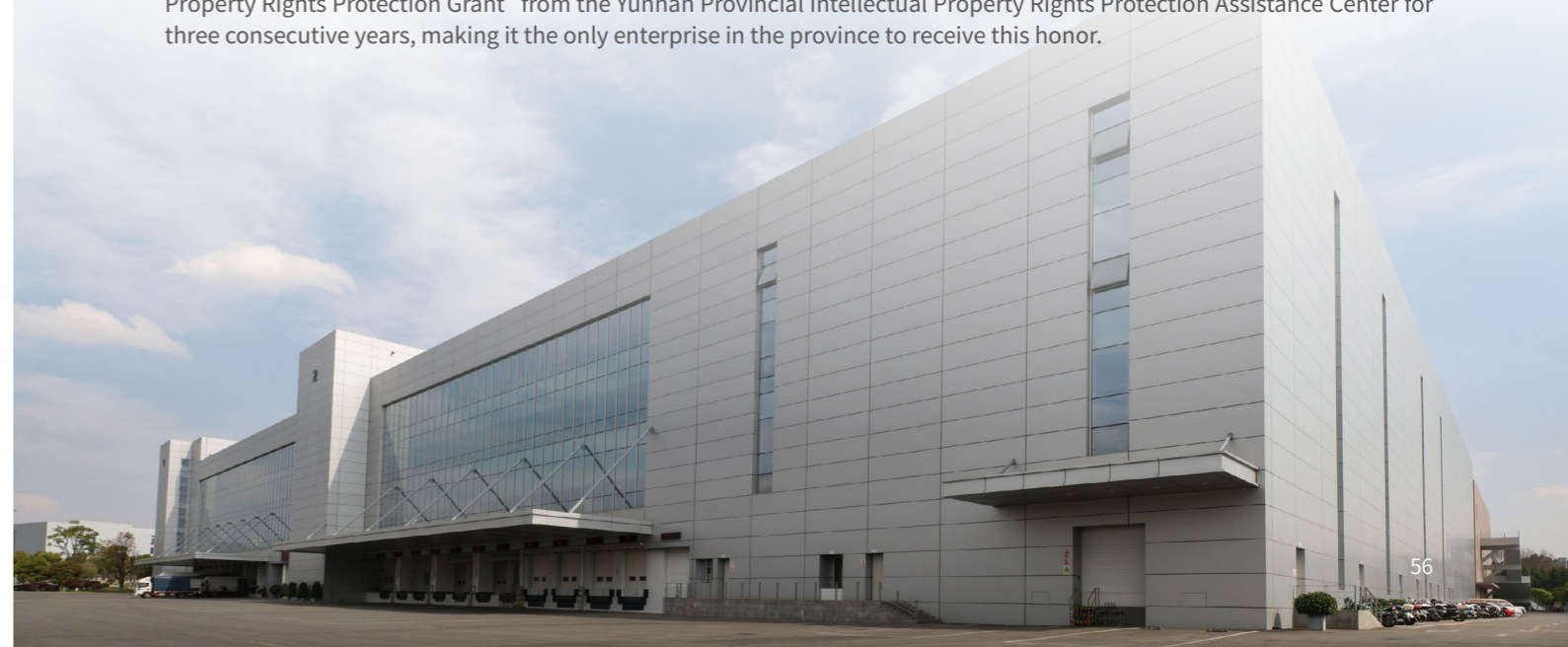
Intellectual Property Status of the Company in 2025

Indicators		Unit	Data for 2025
The amount of expenses incurred due to the filing of intellectual property rights registration		RMB 10,000	107.56
Number of patent applications filed during the year	Invention patent	/	42
	Utility model patent	/	12
Number of patent grants during the year	Invention patent	/	30
	Utility model patent	/	12
Number of valid patents during the year	Invention patent	/	132
	Utility model patent	/	232
	Patent for appearance design	/	69
	Total	/	433
	Number of valid patents per RMB 1 million revenue	Per/RMB 1 million revenue	0.011
	Number of software copyrights per RMB 1 million revenue	Per/RMB 1 million revenue	0.003

The Company has established a "three-dimensional, hierarchical, and scenario-based" empowerment system. By taking standardized tools such as the *Intellectual Property Compliance Blue Book* as the starting point, we released cutting-edge promotional short videos, process guidance videos, and conducted three special training sessions, precisely covering all business segments and positions, and enhancing the intellectual property awareness of all employees. The Company has been granted a patent for the invention titled the *Nanodots Based on Natural Polyphenols and Their Preparation*.

Focusing on core products such as "toothpaste," "aerosols," "woundplast" and "Qixuekang Oral Liquid," the Company proactively initiated infringement claim lawsuits. Throughout the year, we successfully resolved more than 80 intellectual property protection cases, with a particular emphasis on cracking down on counterfeit packaging, trade dress, and trademark infringement. Notably, the lawsuits filed against eight manufacturers of counterfeit "Yunnan Baiyao Aerosol" products served as a significant deterrent in the legal arena, effectively strengthening the brand's legal defenses.

In 2025, the Company was selected as the sole enterprise to join the first cohort of the "Brand Guardian" government-enterprise collaboration organized by the State Administration for Market Regulation, helping to establish a coordinated rights protection mechanism linking the national, local and corporate levels. The Company has received the "Intellectual Property Rights Protection Grant" from the Yunnan Provincial Intellectual Property Rights Protection Assistance Center for three consecutive years, making it the only enterprise in the province to receive this honor.



Customer Relationship Management

Yunnan Baiyao remains committed to a customer-centric approach, integrating customer rights protection throughout the entire service chain, and is dedicated to providing a safe, convenient, and trustworthy experience. By optimizing our customer service mechanisms and upholding the principles of responsible marketing, we will continuously enhance the professionalism and transparency of our services.

Customer Complaint Management

Yunnan Baiyao strictly adheres to the *Customer Response Management System*, which systematically standardizes the processes for receiving, assigning, resolving, and providing feedback on customer inquiries, ensuring that every complaint is documented, followed up on, and resolved. In addition, based on the *Internal Communication and Handling Mechanism for Complaints Regarding New Products at Yunnan Baiyao* and the *Detailed Rules for Customer Complaint Management at Yunnan Baiyao Group Co., Ltd.*, the Company has further optimized cross-departmental collaboration mechanisms, and improved response times and resolution efficiency for issues related to new products, in order to ensure rapid responses to customer feedback and precise closure of cases, and continuously drive the iterative improvement of service quality. In 2025, all complaints received by the Company were effectively resolved, with a complaint resolution rate of 100%.

Customer Complaint Handling Process of Yunnan Baiyao

Type of Complaint	Customer Complaint Handling Process
Complaints Regarding Drug Manufacturing	The Company has established a comprehensive customer complaint handling mechanism to ensure that issues are addressed efficiently and resolved effectively. Complaints are accepted via multiple channels, including phone, WeChat, and in-person visits, with an initial response time of within one hour. The Pharmaceutical Business Group is fully committed to rolling out and implementing the LTC system, using digital tools to streamline customer communication channels and improve response times.
Complaints Regarding the Sale of Medicines	The Company implements a tiered and categorized management system based on the severity of the issue. General complaints are handled by the local team, while significant complaints are escalated to the department head. For urgent or crisis-level complaints, the emergency response mechanism is activated within one hour, and a cross-departmental task force is established to coordinate the resolution. We conduct 100% follow-up on all complaints, with satisfaction surveys completed within 24 hours of issue resolution. Any cases where the customer is dissatisfied are automatically returned to the resolution process to ensure continuous improvement.
Complaints About Health Products	The Company ensures that communication channels and complaint mechanisms for health product customers are diverse and accessible; consumers may submit various requests via the customer service hotline, mail, fax, the official website, and online platforms. Reception staff immediately record all complaint details in full. For inquiries regarding product authenticity or usage instructions, they provide immediate responses through anti-counterfeiting verification guides and explanations of the user manual. For quality-related issues where the cause can be clearly identified, if the problem is effectively resolved following an explanation, the ticket is closed immediately. If there are potential product quality risks, we will immediately refer the matter to the quality complaint management team and, if necessary, guide the customer to send a sample or arrange for a representative to visit the customer's location to conduct a thorough investigation. Based on the findings of the audit report and regulatory requirements, the team will provide a unified explanation and response to the client. For matters requiring further verification, we will conduct on-site or telephone follow-ups to ensure a closed-loop management process.

In 2025, the Company achieved an average call connection rate of 82.55% and a complaint resolution rate of 100%, with 85% of complaints receiving an immediate response. For quality-related complaints and adverse reaction reports, response times were kept within 36 hours, resulting in a comprehensive improvement in the efficiency of addressing customer concerns and overall service satisfaction.

Customer Satisfaction

The Company has established a standardized customer satisfaction survey process and conducts targeted surveys focused on key clients and healthcare institutions with significant issues. The process includes the following stages: requirements confirmation, collaboration with functional departments, development of investigation plans, implementation through various methods, issue collection, communication of solutions, customer feedback, process documentation, and follow-up visits, ensuring a closed-loop management system. The Company's satisfaction survey employs a combination of questionnaires, on-site focus groups, and telephone interviews to comprehensively assess more than 10 core service dimensions, including order response, product availability, blank form management, point-of-delivery service, fulfillment of commitment letters, logistics timeliness and accuracy, after-sales service, delivery personnel's operational standards and service quality, as well as the professional competence and support provided by hospital staff and sales representatives.


In 2025, all the marketing departments of the Company achieved customer satisfaction scores of 90 or higher in the pharmaceutical sector, demonstrating comprehensive improvements in areas such as on-time delivery, fulfillment of service commitments, and logistics timeliness and accuracy.

Responsible Marketing

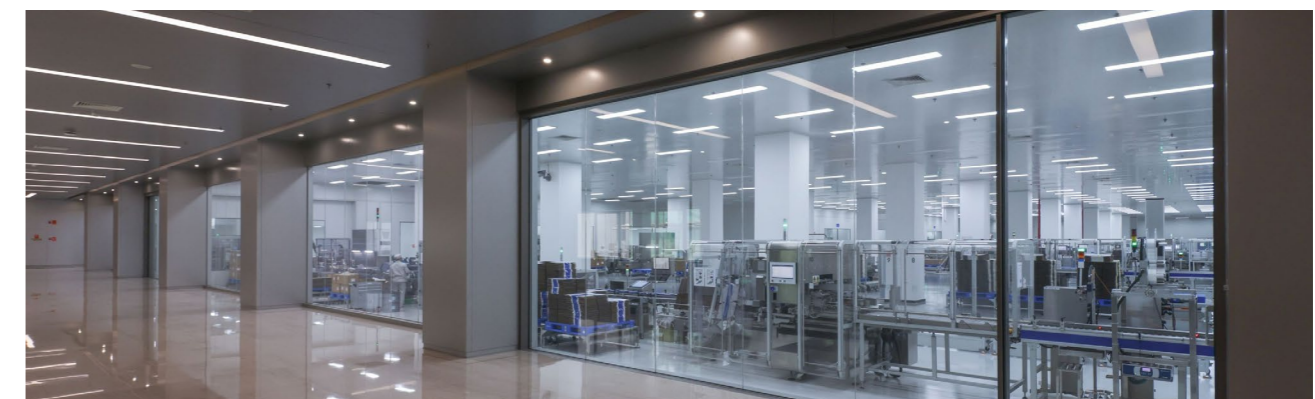
The Company strictly adheres to the *Advertising Law of the People's Republic of China* and other relevant laws and regulations. It has established guidelines such as the *Brand Guidelines of Yunnan Baiyao Group (2025 Edition)*, the *Marketing Service Procurement Management Measures of Yunnan Baiyao Group*, and the *2025 Brand IMC Operation Guidelines and Expense Management Standards for the Pharmaceutical Business Group*. Through these measures, the Company has systematically built a modern, responsible marketing governance system characterized by clear delineation of responsibilities, standardized processes, controllable risks, and efficient collaboration. Through institutionalized, standardized, and transparent management mechanisms, the Company ensures that all marketing activities are conducted in strict accordance with the law, guaranteeing compliance and the accurate dissemination of information.

The Company implements a multi-tiered review mechanism known as the "three-review, three-proofreading" process. All promotional contents, particularly sensitive information such as efficacy claims, data citations, and comparative statements, must be supported by original literature, test reports, or authoritative data sources to ensure that every claim is substantiated, traceable, and verifiable. At the same time, the Company maintains records of promotional material releases and compliance files to ensure full-process traceability, thereby providing strong support for external oversight and internal audits. During the reporting period, the Company's product labeling complied with regulations, and its promotional content was truthful and compliant; there were no incidents of non-compliant labeling, violations of promotional regulations, or false marketing.

In 2025, the Company focused on building core capabilities within its marketing system, systematically advancing a training and empowerment program for responsible marketing that targets key roles such as frontline sales associates, supervisors, and internal trainers.



Throughout the year, the Company conducted **153** training sessions, totaling over **400** hours, and reaching **11,124** participants. This ensured comprehensive training coverage for key positions and solidified the foundation of the marketing talent pipeline. The training contents were closely aligned with actual business operations, emphasizing compliance and practicality, and reinforcing the implementation of responsible marketing principles.



Medical Accessibility

Yunnan Baiyao is committed to improving access to healthcare. Our business groups and subsidiaries leverage resources from headquarters to enhance distribution at the grassroots level, strengthen IT support, and foster collaboration with clients, thereby significantly improving product availability and service response efficiency.

In response to the policy requirements outlined in the *Certain Measures for Reforming and Improving the Coordinated Management Mechanism for Medicines at the Primary Care Level* issued by Yunnan Provincial Health Commission, the Company has independently developed Yunnan's exclusive "Medical Consortium Intelligent Medication Management Platform," which implements "five unifications": a unified medication directory, unified procurement review, unified stockpiling and allocation, unified usage monitoring, and unified pharmaceutical services. This platform provides comprehensive support for the development of central pharmacies within medical consortia.

Focusing on common diseases and vulnerable populations, Yunnan Pharma actively explored new models of digital health management. Given that Yunnan Province has the highest number of patients with pulmonary arterial hypertension in the country, Yunnan Pharma provided the Yunnan Fuwai Hospital of Cardiovascular Diseases with IT support for the management of these patients, and established a closed-loop system covering screening, follow-up, and medication management, thereby improving patient adherence and treatment continuity. In addition, guided by the principle of "patient-centered care and wholehearted service to patients," Yunnan Pharma has assisted hospitals in providing home delivery services for peritoneal dialysis solutions to uremia patients who have signed free delivery agreements. It has also provided Kunming Medical University Second Affiliated Hospital with information management services for peritoneal dialysis solutions for nephrology patients, thereby implementing an integrated management system featuring "online scheduling, smart delivery, and end-to-end traceability." Patients can use the mini-program to independently check delivery status and sign for deliveries online, while hospitals can scan and upload prescriptions, process orders with a single click, and track pharmacy tasks throughout the entire cycle, significantly improving medical efficiency.

In terms of logistics management, in 2025, the Company launched an internal supply chain collaboration program for one-stop direct delivery, Yunnan Pharma brought together the Pharmaceutical Business Group and Yunnan Pharma. With a focus on process reengineering, resource coordination, and data-driven intelligence, we are driving the implementation of "multi-warehouse coordination and direct delivery to end customers." To date, nearly 15,000 direct shipments have been completed, reducing inventory holding time and streamlining the process from seven steps to three, thereby establishing a replicable model for supply chain collaboration. Yunnan Pharma continued to advance the upgrade of its SPD system³, optimizing operational workflows and response times, and has successfully implemented the system at several hospitals, including Lincang People's Hospital and Yunnan Provincial First People's Hospital. Yunnan Pharma has developed its own "Precision Management System" to improve the accuracy of picking, shelving, and inventory counting, effectively preventing errors caused by similar product names or appearances. Yunnan Pharma also rolled out its "Fast Stocking" streamlined module, expanding the coverage to 54 hospitals in 2025, thereby significantly improving distribution efficiency and access to medications.

Through its efficient emergency delivery system and innovative logistics solutions, Yunnan Pharma has significantly improved access to healthcare. In terms of emergency deliveries, as of the end of the reporting period, Yunnan Pharma had completed a total of 2,284 emergency deliveries, serving 313 clients at 768 locations and delivering 4,285 shipments of medication across 11 major therapeutic areas for critical and life-threatening clinical conditions. Through various methods including dedicated vehicles, high-speed rail, and dedicated couriers for ride-hailing services, we make best efforts to ensure the timely delivery of medications during critical times, such as at night, on holidays, and in remote areas. We guarantee delivery within 24 hours in prefecture-level cities, 48 hours in districts and counties, and 72 hours in townships. Our delivery coverage includes urban areas, county seats, townships, villages, and certain mountainous regions.

³SPD refers to the refined management of hospital logistics. It is a refined management model developed in the healthcare sector for the management of pharmaceuticals and medical supplies, comprising Supply, Processing, and Distribution. It aims to achieve refined management of hospital supplies by integrating supply chain resources.



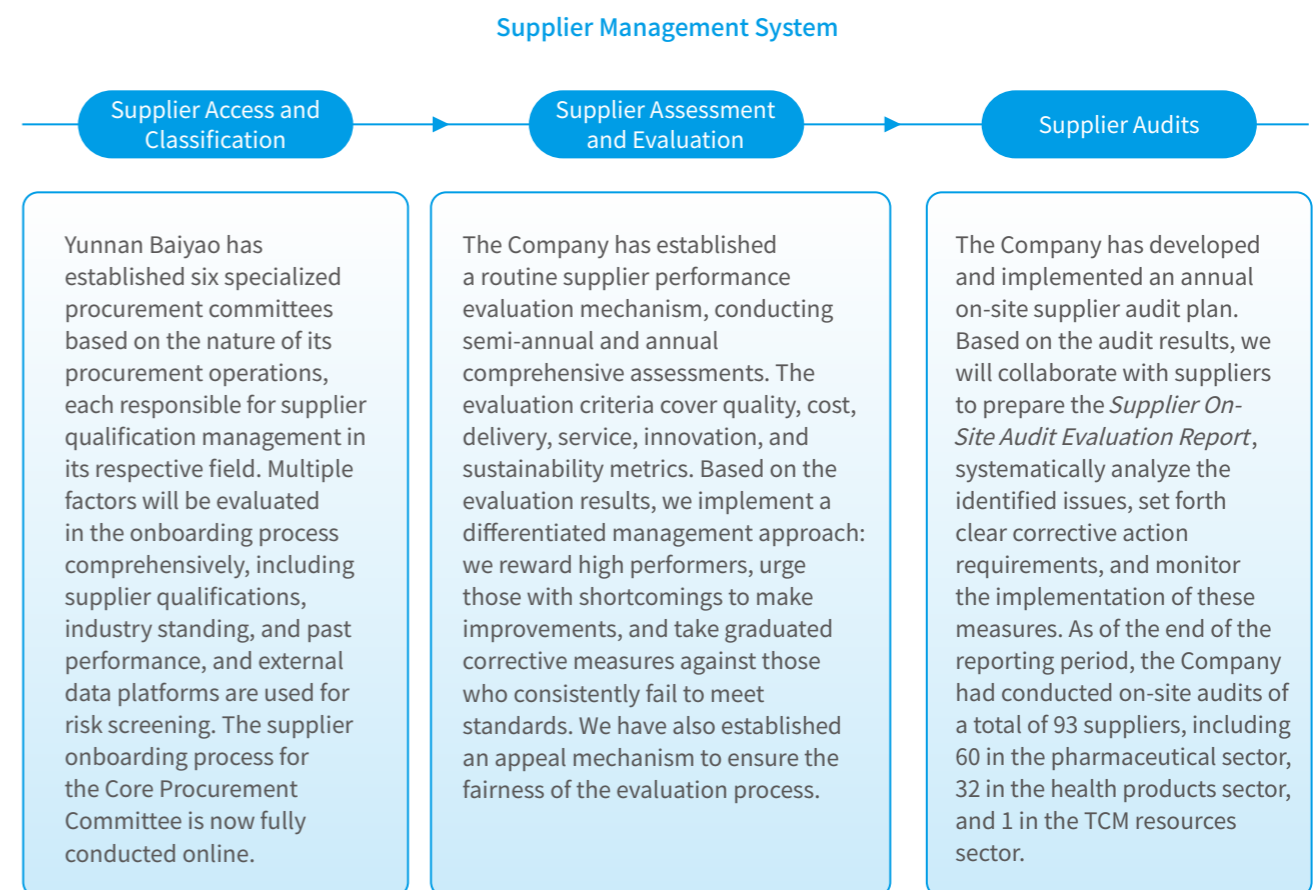
In 2025, the platform successfully launched **12** medical consortia, including those in Lianghe, Dongchuan, Lancang, Yongsheng, Shangri-La, and Linxiang, bringing the total number of consortia across the province to **33**. It has become a key driver in improving access to medicines at the grassroots level.

Supply Chain Management

Yunnan Baiyao, with compliance as its foundation, digital empowerment as its driving force, and collaborative innovation as its goal, continues to refine its comprehensive supplier management system. The Company has deepened its sustainable supply chain practices by integrating green principles throughout the entire process of evaluation, management, and collaboration, and is committed to building a secure, resilient, and inclusive supply chain ecosystem.

Supply Chain Management System

Yunnan Baiyao strictly adheres to laws and regulations such as the *Product Quality Law of the People's Republic of China*, the *Bidding and Tendering Law of the People's Republic of China*, the *Drug Administration Law*, and the *Good Manufacturing Practice for Drugs*. The Company has continuously refined its procurement and supplier management systems, reviewed and issued the *Detailed Rules for Daily Procurement Management of Legal and Compliance Affairs* and the *Guidelines for Independent Procurement by the Central Research Institute*, and updated the *Procurement Management Manual of Yunnan Baiyao Group*. These measures include, but are not limited to, clear requirements for suppliers regarding environmental responsibility, the protection of labor rights, and business ethics. The Company has expanded the use of its digital platforms and shifted its management focus from cost control to enhancing supply chain security and resilience, while continuing to optimize its Supplier Relationship Management (SRM) system, integrating big data and artificial intelligence technologies to enhance data insights and risk early-warning capabilities. By promoting the systematic integration and interoperability of data across procurement, logistics, and energy, the Company provides robust support for end-to-end supply chain visualization and refined management, thereby enabling dynamic management across the entire supply chain and laying the foundation for a collaborative, robust, and sustainable supply chain ecosystem.



Supply Chain Compliance

Yunnan Baiyao has deeply integrated business ethics and compliance requirements into every stage of its supplier management process. The Company strictly requires that all procurement transactions exceeding RMB 20,000 be conducted through its electronic procurement platform and regularly conducts on-site supplier audits. It has fully digitized the supplier onboarding process for the Core Procurement Committee and standardized its procedures. Furthermore, we require suppliers to strictly comply with environmental standards, labor rights, and business ethics, and we include specific clauses regarding integrity in our procurement contracts. We require all newly onboarded suppliers to sign procurement contracts, thereby strengthening institutional safeguards and enhancing control at the source. In addition, we remain committed to protecting small and medium-sized enterprises, strictly adhere to contractual terms, and ensure timely payment.



As of the end of the reporting period, the contract signing rate for supplier procurement had reached

100%

Number of Suppliers for Yunnan Baiyao

Indicator content		Data for 2025
Total number of suppliers		310
Domestic suppliers	Suppliers in Yunnan	45
	Domestic suppliers (other provinces and regions in mainland China, excluding Yunnan)	263
Overseas suppliers (including Hong Kong, Macau, and Taiwan)		2
Key suppliers		154

Sustainable Supply Chain

The Company is committed to building a sustainable supply chain ecosystem. We implement differentiated management based on suppliers' sustainability performance, recognizing and rewarding high-performing suppliers while taking graduated measures to adjust cooperation with suppliers that consistently fail to meet standards, thereby driving continuous improvement in the sustainability of the supply chain. In addition, the Company continues to optimize its supplier sustainability training program. By offering customized content and hands-on training, we ensure that training outcomes are effectively translated into suppliers' operational practices, thereby continuously enhancing the overall sustainability competitiveness of the supply chain.



During the reporting period,

80%

of suppliers held sustainability certifications, and there were no operational downtime or financial losses attributable to supplier-related factors.

Key Points for Supplier Sustainability Assessment

Environmental Performance

- Assess whether the supplier's operations, products, and services meet environmental standards.
- Assess its resource efficiency, greenhouse gas emissions, pollution control, and waste management practices.
- Pay attention to the measures it has taken to protect biodiversity and the environmental certifications it has obtained.
- Examine whether it has established and implemented a sustainable procurement policy that covers energy and resource efficiency.

Social Performance

- Clearly state that suppliers are strictly prohibited from using child labor or any form of forced labor.
- Assess the extent to which it safeguards employees' fundamental human rights (such as labor rights and freedom of association).
- Review whether the working conditions it provides (such as working hours and layoff measures) are legal and compliant.
- Ensure that it pays its employees lawful and fair wages.
- Focus on evaluating the effectiveness of its occupational health and safety management system.

Corporate Governance

- Assess the supplier's business ethics and anti-corruption mechanisms and practices.
- Review the compliance of its overall operations.
- Assess the sophistication of its internal supply chain management policies and systems, and promote sustainable governance practices throughout its supply chain.

In addition, Yunnan Baiyao continues to refine its sustainability training program for suppliers. By offering customized content and practical, hands-on training, the Company is committed to ensuring that training outcomes are effectively translated into concrete sustainability efforts in suppliers' day-to-day operations.



03

Green Transformation: Environmental Management and Ecological Protection

Upholding the principle of ecological priority, Yunnan Baiyao has incorporated the concept of green development into the entire process of its strategic decision-making and operation management. The Company has systematically enhanced its management capabilities and operational standards in key areas such as climate change response, biodiversity conservation, environmental compliance, and efficient resource utilization, thereby promoting the harmonious advancement of corporate development and ecological conservation.

- Addressing Climate Change 65
- Ecological Conservation and Biodiversity 71
- Environmental Compliance Management 77
- Resource Recycling and Efficient Utilization 87



Addressing Climate Change

In the face of increasingly severe climate challenges, Yunnan Baiyao actively responds to the national "dual carbon" strategic goals and the temperature control targets established by the *Paris Agreement*, and systematically implements measures to address climate change. In accordance with the exchange's implementation guidelines and the relevant requirements of *International Financial Reporting Standard on Sustainability Disclosure No. 2 (IFRS S2) - Climate-related Disclosures*, the Company has continuously improved its climate change management system within a framework covering governance, strategy, risk management, and metrics and targets. We actively identify, assess, and address climate-related risks and opportunities, strengthen the Company's climate resilience, and deepen our green and low-carbon transformation to contribute to the achievement of the global Sustainable Development Goals.

Climate Governance

In full recognition of the impact of climate change on the Company's long-term development, Yunnan Baiyao has identified climate change as a material issue and incorporated it into its ESG governance framework. By clarifying responsibilities, strengthening internal coordination, and maintaining ongoing oversight, we are driving the effective implementation of initiatives related to addressing climate change. Focusing on key areas such as strategy formulation, risk identification, risk management, key performance indicators, and information disclosure, the Company has continued to refine its management processes and operational mechanisms to enhance the systematic and standardized nature of its climate governance.




Climate Strategy





Yunnan Baiyao has incorporated climate factors into its strategic analysis and business decision-making. We have actively taken measures to reduce energy consumption and emissions, steadily promoting the Company's green and low-carbon transformation, and striving to enhance the Company's climate adaptability.

Each year, the Company conducts an analysis of climate change risks and opportunities. Taking into account the characteristics of the TCM industry and the Company's actual operating conditions, we systematically identify and assess the impacts of climate change risks and opportunities on our business, strategy, and finances from both physical and transition perspectives. This enables us to optimize our business structure and management measures, thereby laying a solid foundation for the Company's long-term, steady growth.



Climate-Related Risks and Mitigation Measures for Yunnan Baiyao

Risk type	Risk description	Countermeasures
Physical Risks	 <p>Acute risks</p> <p>Frequent occurrence of extreme weather such as floods, high temperatures and typhoons, which will lead to:</p> <ol style="list-style-type: none"> 1. Damage to the power and water supply systems, resulting in production disruptions and affecting the operational stability and continuity of Yunnan Baiyao; 2. Adverse impact on the supply of TCM materials, making it more difficult to obtain raw materials, and consequently causing price fluctuations in medicinal materials and products; 3. Logistics and transportation disruptions, which may cause delays or even interruptions in shipping, affecting the coordination of upstream and downstream operations; 4. Rising risks in the workplace, posing a threat to employees' occupational health and personal safety. 	<ul style="list-style-type: none"> • To continuously monitor weather alerts to stay informed about extreme weather conditions and improve internal early warning and response mechanisms; • To make a comprehensive consideration of retail and large suppliers in the selection of suppliers, so as to ensure supply stability. • To develop emergency response plans for extreme weather, establish emergency response teams, conduct regular drills, and raise employees' awareness of safety precautions.
	 <p>Chronic risks</p> <p>Global warming and the resulting rise in sea levels, which will lead to:</p> <ol style="list-style-type: none"> 1. Changes in the growing environment of TCM materials, which may affect their quality and the stability of their medicinal properties and in turn impact product quality; 2. Global changes in water quality and the emergence of new pollutants, putting pressure on the safety of industrial water supplies and operational compliance; 3. Increase in hot weather during the summer, requiring more energy to regulate the temperature for production and operations, which leads to increased operating costs; 4. Rising risk of extreme events such as heat waves, droughts and wildfires, which could trigger safety incidents and cause business disruptions, thereby impacting revenue. 	<ul style="list-style-type: none"> • To stay tuned for warming trends, take actions to address climate change, and enhance the Company's resilience to climate change. • To conduct conservation and adaptation studies on key medicinal materials, explore artificial cultivation and planting trials, and ensure consistent herb quality; • To implement energy-saving retrofit projects to improve the efficiency of energy systems and reduce carbon emissions.
Transition risks	 <p>Policy and legal risks</p> <p>Regulatory bodies both domestically and internationally are imposing increasingly stringent requirements on the Company's ability to address climate change and manage greenhouse gas emissions, and as carbon emission restrictions tighten, the compliance and legal risks the Company faces in addressing climate change are rising accordingly.</p> <p>As regulations on wildlife conservation continue to tighten, this may restrict the sourcing and use of certain TCM materials, thereby increasing compliance costs and affecting the stability of product supply.</p>	<ul style="list-style-type: none"> • To monitor changes in domestic and international policies dynamically and make early preparations for measures to address climate change; • To drive the Company's low-carbon transformation and promote the synergistic advancement of green operations and lean management. • To conduct research on alternative medicinal ingredients to mitigate supply risks associated with reliance on a single source; • To implement advance stockpiling and processing plans for key TCM materials to strengthen supply security.

Risk type	Risk description	Countermeasures
Transition risks	 <p>Policy and legal risks</p> <p>As policies such as carbon trading, carbon taxes, and environmental protection taxes are gradually implemented, the cost of corporate carbon emissions continues to rise. The Company needs to continuously increase its investments in energy conservation and emissions reduction to cope with the pressures of the carbon market; otherwise, we will face multiple challenges, including rising compliance costs and declining market competitiveness.</p> <p>Regulatory authorities are imposing stricter requirements on the accuracy, completeness, and level of detail of companies' environmental data reporting, thereby increasing the risks associated with the collection, management, and compliance of environmental information.</p>	<ul style="list-style-type: none"> To develop and utilize clean energy sources, such as photovoltaic power generation and other green electricity applications, gradually increase the share of clean energy; To give priority to low-energy-consumption and renewable-energy equipment when purchasing equipment; To conduct energy saving renovation of the existing equipment. To enhance the Company's digital management and strengthen its capabilities in data collection and analysis. To monitor key environmental indicators in the process of production and operation. To disclose environmental and climate-related information in accordance with regulatory requirements.
	 <p>Technical risks</p> <p>The government is placing increasing emphasis on corporate low-carbon transition and green development, encouraging companies to adopt energy-efficient equipment, clean energy, and low-carbon technologies. As a result, the Company is facing greater demands for low-carbon investments in its production and operations.</p>	<ul style="list-style-type: none"> To continuously promote the transformation to low-carbon and energy-saving technologies. To reduce the costs of the low-carbon transition through process optimization and resource recycling; To give preference to energy-efficient and environmentally friendly raw materials and suppliers.
	 <p>Market risks</p> <p>An increasing number of consumers are opting for environmentally friendly products and services, and the market's preference for green options is placing higher demands on the Company's ability to engage in low-carbon production and green operations.</p>	<ul style="list-style-type: none"> To monitor market trends and flexibly adjust our business strategy and product portfolio; To promote the transition to greener and lighter packaging to demonstrate the achievements of green development to the market and consumers.
	 <p>Reputational Risks</p> <p>Stakeholders including investors, customers, regulators, and the general public are paying increasing attention to how companies address climate change. If the Company fails to address these concerns in a timely manner, it may damage its reputation, which could in turn have a negative impact on its brand image, market recognition, and long-term value.</p>	<ul style="list-style-type: none"> To enhance communication with stakeholders to fully understand their opinions and suggestions on the Company's climate change-related work. To actively disclose the Company's measures and outcomes in addressing climate change, such as green packaging, sustainable procurement, and circular economy.

While identifying and addressing climate change-related risks, Yunnan Baiyao also recognizes the development opportunities that climate change may present and is actively exploring ways to transform these opportunities into new drivers of long-term value growth for the Company.

Climate-related Opportunities for Yunnan Baiyao

Opportunities	Description of opportunities
<p>Energy Supply</p> <ul style="list-style-type: none"> Opportunities to improve energy efficiency Opportunities in Clean Energy Utilization 	<p>As low-carbon and energy-saving technologies continue to advance, the Company can improve resource and energy efficiency in its production and operations by adopting advanced processes and management practices, thereby driving cost reductions and efficiency gains.</p> <p>With the support of the national new energy system and related incentive policies, the Company can steadily advance the adoption of clean energy in line with its specific energy consumption patterns, thereby alleviating the cost pressures associated with the transition to a low-carbon economy.</p>
<p>Products and Services</p> <ul style="list-style-type: none"> Industry development opportunities 	<p>Green products and green manufacturing are gaining increasing recognition from regulators and consumers alike. The Company can incorporate these green attributes into its products and brand communications to enhance the market appeal and competitive advantage.</p>

Developing a Specialized Flood Control Plan to Strengthen Response Capabilities for Extreme Precipitation

In 2025, the Yuhua Formulation Center explicitly incorporated the *Special Emergency Response Plan for Flood Control into its Emergency Response Plan for Production Safety Accidents* to systematically address torrential rains, flooding, and secondary disasters caused by extreme precipitation. The contingency plan clearly defines its scope of application, response procedures, and key measures, including the construction of sandbag dikes, the clearing of drainage channels, hourly inspections of electrical equipment, the relocation of moisture-sensitive materials, 24-hour on-site monitoring, and the evacuation of personnel. It will comprehensively strengthen disaster prevention and emergency response capabilities during extreme weather events, effectively safeguards production and personnel safety, and provide robust support for enhancing the Company's climate resilience.

Yunnan Pharma Implemented Warehouse Insulation System Upgrade

In 2025, Yunnan Pharma carried out thermal insulation upgrades on its standalone warehouses, focusing on improving thermal insulation in key areas such as skylights, glass windows, and roofs. These upgrades effectively enhanced the overall thermal performance of the warehouses and resolved the issue of sensor overheating in areas such as the consolidation zone, order picking zone, and automated storage and retrieval system (AS/RS), which had been caused by light penetration through the skylights. Following the renovation, the temperature of the skylight strip dropped from 50° C to 19° C, the temperature of the glass windows fell from 44° C to 31° C, and the temperature of the warehouse ceiling decreased from 26° C to 19° C, resulting in a significant improvement in the warehouse's temperature-controlled environment. The improved thermal insulation has significantly reduced the operational load on the air conditioning system, resulting in an annual reduction of approximately 536,000 kWh in air conditioning electricity consumption compared to the previous year. This has led to a reduction of approximately 298 metric tons of carbon dioxide equivalent in emissions, contributing to the achievement of green and low-carbon operations in pharmaceutical warehousing.



The renovated warehouse

Conducting Specialized Training on Carbon Management and Climate Change

In May 2025, the Company conducted a training session on carbon management, involving nearly 100 people from various units. The training focused on topics such as carbon emission accounting, emission reduction strategies, and carbon asset management. Its aim was to deepen employees' systematic understanding of carbon management and enhance their professional capabilities, so as to lay a foundation for the subsequent comprehensive promotion of carbon management work of the Group.



Carbon Management Business Training

In December 2025, the Company conducted further specialized training on climate change, with nearly 70 employees from relevant departments participating. This training session focused on the strategic significance of climate change within the framework of sustainable development, providing an in-depth analysis of policy trends, risk identification, and opportunities for transition, with the aim of enhancing the team's understanding of climate issues and their ability to address them.



Climate Change Training

Climate Risk Management

Yunnan Baiyao continues to strengthen its climate change risk management, focusing on mitigating the potential impacts of climate change on its TCM materials supply chain, and regularly conducts climate risk identification, assessment, and management activities. The Company has integrated climate risk management into every aspect of its operations, focusing on identifying and analyzing potential climate risks in key stages such as the cultivation, harvesting, and storage of TCM materials. It has developed corresponding prevention strategies and response measures, and is working to ensure that all functional departments and subsidiaries implement these measures in accordance with their respective responsibilities. The Company plans to further improve its climate risk management system, clarify its management structure, collect and analyze its carbon emissions data, and dynamically optimize management strategies and operational mechanisms based on the analysis results to ensure the sustainability of core operations such as the supply of TCM materials and pharmaceutical production.

Climate Indicators and Goals

Yunnan Baiyao places a strong emphasis on monitoring progress in its climate change response efforts. By setting carbon reduction targets aligned with the Company's strategic plan and tracking key climate change indicators, we have strengthened oversight and continuous improvement of our climate change response, thereby enhancing the effectiveness of carbon reduction management.



Emission reduction target of Yunnan Baiyao

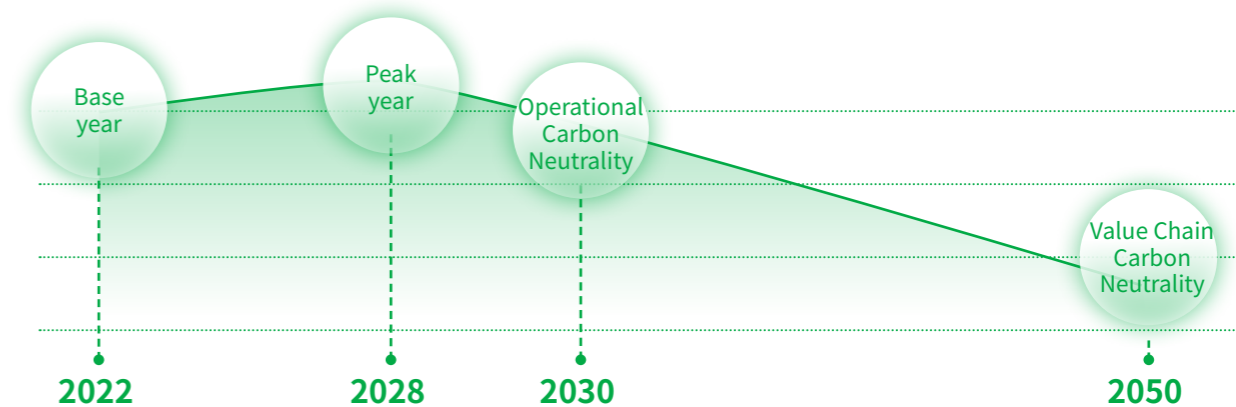
By 2030, the carbon intensity per RMB 10,000 of output value will be reduced by at least

7%

compared to the 2025 baseline

In 2025, the Company developed the *ESG-E Environmental Data Statistics Guidelines* and the *Greenhouse Gas Emissions Verification Guidelines*, which clearly define the scope of data collection, data collection methods, accounting standards, and verification procedures for each unit, thereby ensuring the accuracy, consistency, and continuity of the data. Guided by the guidelines, the Company has, for the first time, achieved a comprehensive accounting of its Scope 1 and Scope 2 emissions. At the same time, the Company organized a special review of the collection scope of Scope 3 emissions data, conducting in-depth discussions on the collection scope of Scope 3 emissions data for key stages such as raw material procurement upstream in the value chain and product transportation downstream. This provided insights and methodologies for the subsequent development of an emissions accounting system.

Currently, leveraging the opportunity presented by the construction of lighthouse factories, the Health Products Business Group has taken the lead in establishing a data collection and accounting platform for Scope 3 emissions. Based on its current carbon emissions status and business development plans, the BG has set the following dual carbon strategy goals: "reach carbon peak by 2028; achieve operational carbon neutrality and 100% renewable energy use by 2030; and achieve carbon neutrality across the value chain by 2050"⁴. To achieve these goals, the Health Products Business Group has established clear climate change response targets, conducts annual monitoring and evaluation, regularly reviews progress toward the "dual carbon" goals, and continuously improves and optimizes related efforts.



Dual-Carbon Strategic Goals of Health Products BG of Yunnan Baiyao

At the same time, we continue to increase our investment in climate change response, focusing on carbon reduction efforts such as energy-saving technological upgrades, green office practices, and the use of eco-friendly packaging materials. We are thoroughly exploring internal opportunities for carbon reduction to provide strong support for the implementation of the nation's "dual carbon" goals. Going forward, the Company will further refine its climate metrics and target management mechanisms, strengthen collaboration with stakeholders, jointly explore diverse pathways for emissions reduction, and steadily advance its transition toward a green and low-carbon future.

2025 Greenhouse Gas Emissions of Yunnan Baiyao⁵

Indicator	Unit	Data for 2025
Direct Greenhouse Gas Emissions (Scope 1)	Tons of CO ₂ equivalent	34,718.58
Indirect Greenhouse Gas Emissions (Scope 2)	Tons of CO ₂ equivalent	56,028.10
Total Greenhouse Gas Emissions	Tons of CO ₂ equivalent	90,746.68
Greenhouse Gas Emission Density	Tons of CO ₂ equivalent/Operating revenue of RMB 10,000	0.022

⁴Basis for selecting the base year and target year for carbon emission reduction goals: 2022 is the first year for which the Health Products Business Group has complete and accurate carbon emission accounting data; therefore, 2022 has been designated as the base year for setting carbon emission reduction targets. In alignment with the timeline and decarbonization roadmap of the national "Dual Carbon" goals, the short-term target year has been set as 2030, and the long-term target year as 2050.

⁵The basis for calculating the 2025 greenhouse gas emissions: ISO 14064-1:2018 *Greenhouse Gases - Part 1: Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals*, and the *Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard*, along with other relevant national standards.

Ecological Conservation and Biodiversity

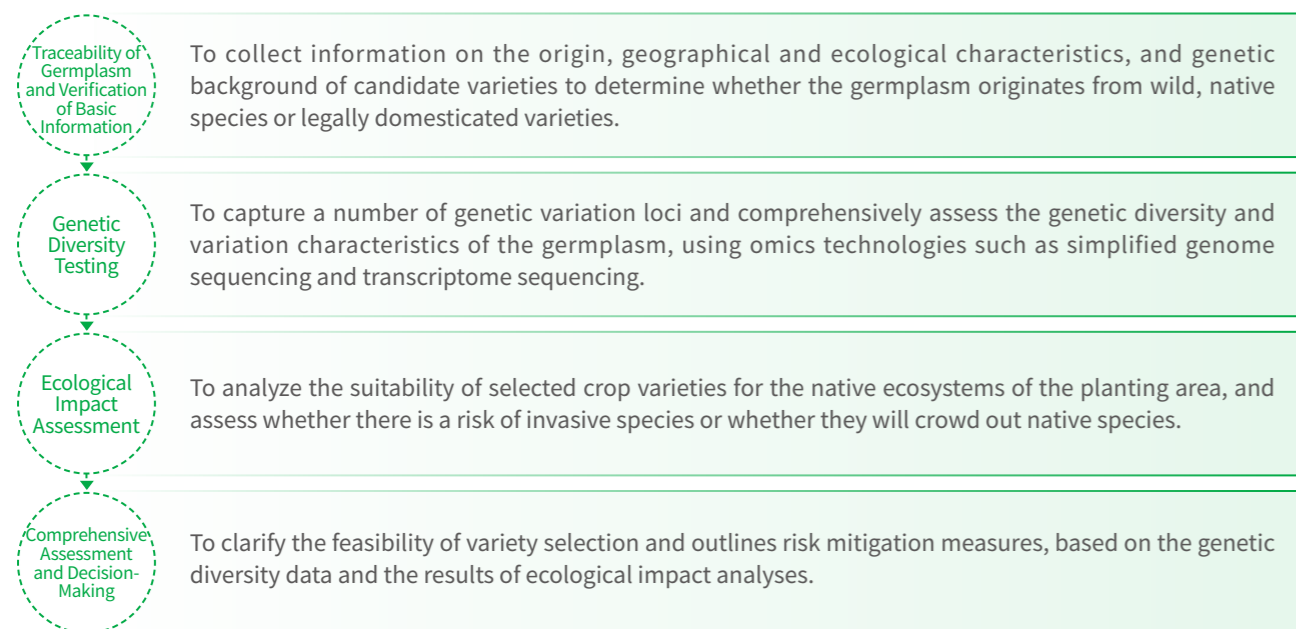
Based on the characteristics of the TCM industry, Yunnan Baiyao has incorporated the sustainable use of biological resources, such as medicinal materials, into its corporate development strategy and places a high priority on the protection of ecosystems and biodiversity. Leveraging its expertise in plant research and conservation, the Company engages in a wide range of biodiversity conservation practices, promotes the harmonious development of production operations and natural ecosystems, and contributes to the nation's efforts to build an ecological civilization.

The Company strictly complies with laws and regulations such as the *Wildlife Conservation Law of the People's Republic of China*, the *Regulations on the Protection of Wild Plants of the People's Republic of China*, the *Implementing Regulations of the Drug Administration Law of the People's Republic of China*, the *Measures for the Administration of Drug Registration of the People's Republic of China*, the *Law of the People's Republic of China on Traditional Chinese Medicine*, and the *Chinese Pharmacopoeia (2025)*. In the planning, processing, and production of TCM materials, the Company adheres to the principles of authenticity and the natural distribution patterns of these materials, strengthens the protection and production management of authentic medicinal resources, and promotes ecologically friendly and economically sustainable methods of cultivation and harvesting. The Company implements the "Three Zeros and One Full" control standards in its cultivation operations, supplemented by a system of environmental impact assessments for its growing sites and a testing regime for agricultural inputs, to strengthen process control and quality assurance while minimizing the impact on the local ecosystem. In terms of supply chain collaboration, the Company establishes ecological compliance requirements through mechanisms such as supplier audits and training. When signing cooperation agreements with partner farmers and others, the Company includes specific commitments to refrain from deforestation, as well as time-bound targets for ending logging and providing compensation, thereby indirectly regulating the ecological practices of its partners.

Conducting Biodiversity Impact Assessment

In 2025, Yunnan Baiyao conducted a biodiversity impact assessment in accordance with the requirements of regulations such as the *Regulations of the People's Republic of China on the Protection of Wild Plants* and the *Regulations on Traditional Chinese Medicine of Yunnan Province* and in reference to the *Technical Specifications for Genetic Evaluation of Medicinal Plant Germplasm Resources* and the relevant industry standards for the application of omics technologies. The assessment was conducted according to standardized procedures, covering multiple dimensions such as the preservation of genetic diversity, ecosystem compatibility, interactions among species, and potential impacts on indirect biodiversity factors such as soil microbial communities and surrounding vegetation following planting.

Biodiversity Impact Assessment Process of Yunnan Baiyao



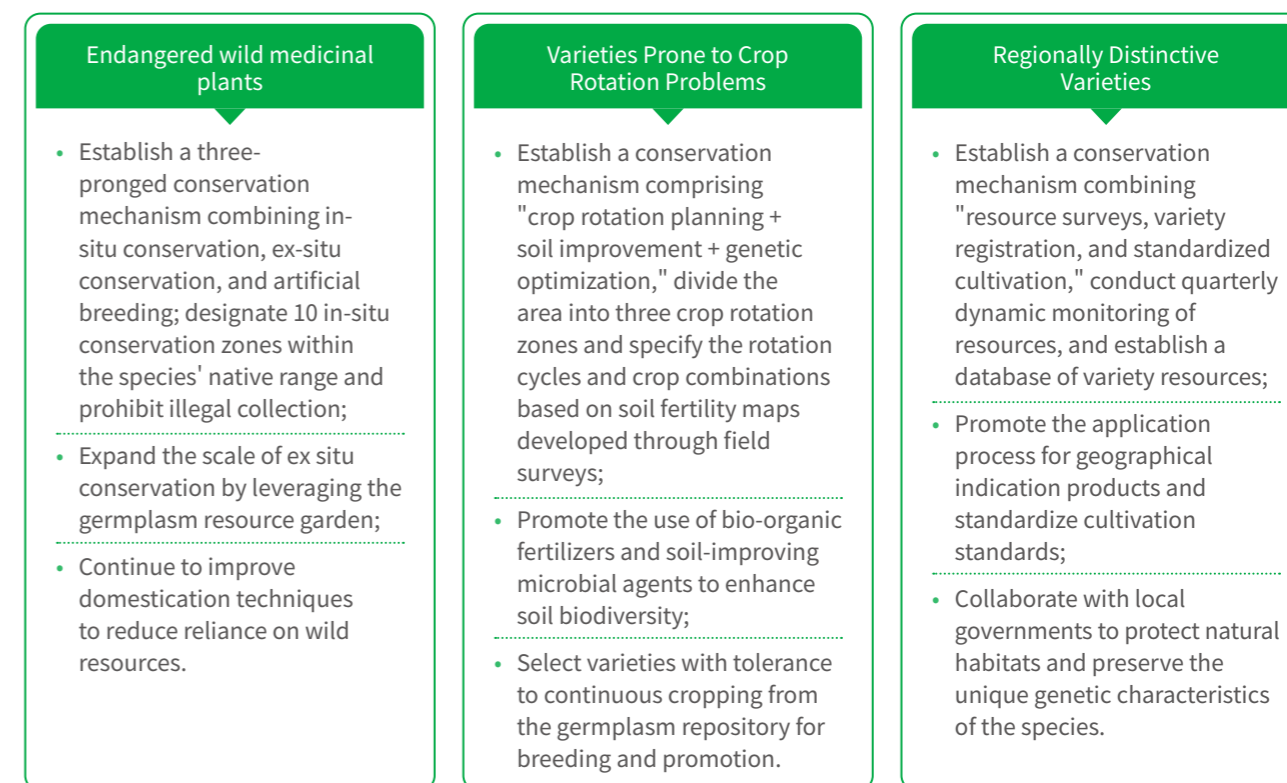
After a systematic assessment, 21 candidate varieties passed the review. For approved varieties, the evaluation simultaneously proposed accompanying mitigation measures, requiring management arrangements such as native vegetation retention zones and crop rotation buffer zones to minimize the impact of cultivation activities on regional biodiversity. All evaluation findings and supporting documentation have been incorporated into the germplasm resource management records and will serve as a key basis for future planting plans and base management.

Building a Treasury of TCM materials

TCM material resources are not only a key production factor for enterprise development but also an integral part of biodiversity conservation. With the goal of achieving synergy between industrial development and ecological conservation, Yunnan Baiyao will, leveraging Yunnan's indigenous medicinal materials, capitalize on our resource advantages, and meet domestic production needs. The Company has long been committed to the introduction and domestication of medicinal materials, research into cultivation techniques, the breeding of high-quality varieties, and the promotion of cultivation, striving to ensure the long-term conservation and sustainable use of medicinal material resources.

In 2025, to lay a solid foundation for the development of its treasury of TCM materials, Yunnan Baiyao systematically conducted research on these resources, focusing on "assessing the current status of resources and optimizing conservation strategies." Through continuous sample collection, data analysis, and dynamic monitoring, the Company has gradually developed a systematic understanding of the distribution patterns, ecological risks, and utilization potential of key TCM materials. It has established specialized conservation mechanisms for three key categories, providing a foundation for subsequent tiered resource management and scientific research planning.

Special Protection Mechanisms for Key Varieties



Based on the existing inventory of TCM materials and their ecological characteristics, Yunnan Baiyao has established a systematic research pathway covering "collection and preservation of germplasm resources-domestication of wild species and ecological adaptation-modern breeding and screening-variety evaluation and promotion." We have launched a series of research projects focused on resource conservation, sustainable production, and improved breeding efficiency. Through these efforts, we facilitate the transition from wild resources to controlled, cultivated supplies and enhance the scientific rigor and stability of elite variety selection and promotion with data-driven, precision-based tools, thereby effectively protecting TCM material resources and reducing the risk of species extinction.

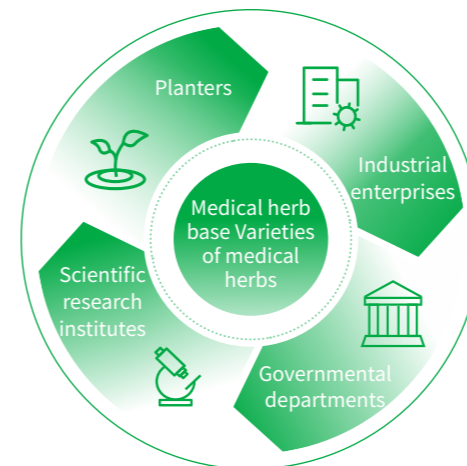
Progress in Germplasm Conservation and Breeding Research of Yunnan Baiyao

Research direction	Research content	Research achievement
Conservation and Preservation of Medicinal Plant Genetic Resources	<ul style="list-style-type: none"> To conduct research on the collection and conservation of medicinal plant germplasm resources and use omics technologies to screen for core germplasm, focusing on optimizing in vivo conservation conditions for the genus <i>Paris polyphylla</i> and medicinal plants from northwestern Yunnan; To construct provincial-level medicinal plant resource gardens and systematically carry out ex situ conservation and resource collection. 	<ul style="list-style-type: none"> We established the world's largest and most comprehensive ex situ conservation garden for <i>Paris polyphylla</i> germplasm, and successfully collected 54 accessions of 21 <i>Paris polyphylla</i> species, covering the vast majority of <i>Paris polyphylla</i> species distributed across China. We utilized liquid nitrogen cryopreservation technology to preserve genetic material, and established an integrated conservation mechanism combining "ex situ conservation, germplasm preservation, and propagation"; The Yunnan Provincial Medicinal Plant Collection in Northwest Yunnan was established and expanded, housing more than 150 species of medicinal plants, including over 50 rare species and more than 20 distinctive species.
Research on the Domestication and Ecological Adaptability of Wild Medicinal Plants	<ul style="list-style-type: none"> To conduct research on the artificial cultivation and domestication of rare and endangered wild medicinal plants, including <i>Psammosilene tunicoides</i> and Yunnan <i>Paris polyphylla</i>; To conduct research on the ecological adaptability of TCM material cultivation, including the domestication of wild species, improvements in high-yield cultivation techniques, studies on ecological adaptability, and the protection of soil microbial communities. 	<ul style="list-style-type: none"> We mastered the techniques for the artificial domestication and large-scale propagation of endangered medicinal plants, including <i>Fritillaria cirrhosa</i>, <i>Psammosilene tunicoides</i>, fully replacing the harvesting of wild resources with cultivated products; We overcame the challenges of continuous cultivation of <i>Panax notoginseng</i> and promoted research on protected cultivation techniques to reduce the impact of chemical fertilizers and pesticides on the soil and surrounding wildlife.
Research on the Selection and Breeding of High-Quality Varieties of TCM Materials and Traditional Breeding Methods	<ul style="list-style-type: none"> To conduct traditional breeding of multiple species, including <i>Paris polyphylla</i> and <i>Angelica sinensis</i>; To conduct ecological adaptability assessments for specific varieties such as <i>Lithospermum erythrorhizon</i> and <i>Atropa belladonna</i> in the introduction areas and establish technical guidelines for seed collection and production; To conduct research on crop diversity and ecological adaptability, and establish core germplasm repositories. 	<ul style="list-style-type: none"> We obtained use authorization for the "Yunhong No. 13" <i>Carthamus tinctorius</i> variety; received certificates for two high-quality/new varieties of <i>Paris polyphylla</i>; and had three high-quality varieties of <i>Angelica sinensis</i> enter the evaluation process; We established technical guidelines for seed collection and production for two distinctive varieties, laying the foundation for research on the layout of core seed source bases.
Research on Modern Molecular Breeding and Precision Screening Technologies	<ul style="list-style-type: none"> To establish a high-density molecular marker-assisted breeding system; develop KASP markers to conduct large-scale preliminary screening of <i>Panax notoginseng</i> germplasm resources; and establish a core germplasm evaluation population; To develop liquid-phase chip technology for <i>Panax notoginseng</i> to perform precise screening and in-depth genotyping of candidate materials, and obtain self-pollinated seeds via bagging self-pollination, single plant isolation, etc. 	<ul style="list-style-type: none"> We established a molecular marker-assisted breeding system, systematically validated the association between genotypes and phenotypes of <i>Panax notoginseng</i>, and preliminarily established a "genotype-phenotype-environment" coupling model framework; We successfully developed a liquid-phase chip for <i>Panax notoginseng</i>.

For more than two decades, the Company has devoted itself to researching authentic medicinal materials from the Yunnan region, continuously accelerating the process of breeding high-quality herb varieties, and focusing on addressing issues such as severe genetic degradation, poor uniformity, and a shortage of superior strains. As of the end of the reporting period, the Company's promotional efforts had facilitated the cultivation of nearly 150,000 mu of authentic Yunnan medicinal materials. Building on the establishment of standardized cultivation demonstration bases within Yunnan Province, the Company has initiated the construction of such bases outside the province and completed the installation of more than 20 sets of IoT equipment to enable digital and intelligent capabilities across cultivation bases, covering an area of over 30,000 mu.

Building a Mutually Beneficial and Shared Ecosystem

Through multi-stakeholder collaboration, Yunnan Baiyao continues to build a mutually beneficial and shared ecosystem for the TCM industry, promoting the coordinated advancement of ecological conservation, industrial development, and increased income for farmers.



Ecosystem for the Mutual Benefit and Sharing of TCM Resources

The Company is expanding its diverse cooperation models and exploring approaches such as "company + village collective + farmers" and "company + government platform company + farmers." Through demonstration projects and mechanisms for sharing benefits, it aims to promote local industrial development and increase farmers' incomes. In terms of cooperation with growers, the Company provides farmers with high-quality, artificially domesticated seedlings along with training in ecological cultivation techniques. Through a contract-based purchasing system, we encourage farmers to adhere to ecological cultivation standards, thereby ensuring the quality of medicinal materials while preventing farmers from harvesting wild resources.

At the same time, the Company strengthens the support capabilities of its ecosystem through scientific research collaboration and policy coordination. Through collaboration with research institutes, we continue to advance the identification of medicinal plant germplasm resources and the optimization of domestication techniques, thereby enhancing the scientific rigor of resource conservation and utilization. The Company also works with local governments to implement regulations such as the *Yunnan Provincial Regulations on Traditional Chinese Medicine*, participates in regional planning for the conservation of medicinal plant resources in northwestern Yunnan, and undertakes government-led demonstration projects for the conservation of medicinal plant resources.

Focusing on the seed industry as a core component, the Company is systematically advancing the development of the "Yunhao Seed Valley," innovating the "1+1+3-5⁶" seed industry development model and the "321⁷ Project" strategic framework. By integrating expert teams, core bases, and research platforms, the Company is promoting the integrated development of breeding, propagation, and commercialization, and building an open ecosystem for seed source innovation.

Focusing on the Seed Industry for High-Quality Development: Yunnan Baiyao Hosted the First "Yunhao Seed Valley: The Source of Authenticity" Development Forum

In May 2025, Yunnan Baiyao hosted the first "Yunhao Seed Valley: The Source of Authenticity" Development Forum, engaging 15 experts on the seed sources of the "Top Ten Yunnan Medicinal Materials" and certifying 14 "Top Ten Yunnan Medicinal Materials" seed source bases, thereby promoting the standardized and large-scale development of the Yunnan medicinal material seed industry. Focusing on the development of an open ecosystem for the "Yunhao Seed Valley," Yunnan Baiyao has pooled expert resources and established collaborative innovation mechanisms with research institutions such as the Institute of Medicinal Plants and the Institute of Cash Crops at the Yunnan Academy of Agricultural Sciences to jointly undertake research on germplasm conservation, elite variety breeding, and cultivation techniques. In terms of science and technology projects, Yunnan Baiyao took the lead in or participated in the implementation of the Yunnan Provincial Major Science and Technology Special Project "Science and Technology Support for the Development of the Yunnan Medicinal Plant Seed Industry." The first batch of six key projects has been launched, focusing on 13 major Yunnan medicinal varieties, including Yunnan *Angelica sinensis* and *Dolomiaea costus*. These projects aim to advance the breeding of high-quality varieties, the formulation of standards, and full-chain quality traceability, thereby providing scientific and technological support for the high-quality development of the Yunnan medicinal plant seed industry.



Scene from the forum

⁶Each priority crop will be assigned a dedicated team of experts, and 3-5 core sites will be selected in ecologically suitable regions to establish seed collection, seedling propagation, and demonstration bases.

⁷To establish three bases for seed production, seedling propagation, and demonstration planting; set up two platforms for high-quality variety selection and seed production; and establish one center for seed and seedling quality testing, traceability, and evaluation.

Ensuring the Ecological Sustainability of the TCM Industry Chain

Taking a whole-industry-chain perspective, Yunnan Baiyao has systematically integrated ecological and environmental protection requirements into key stages such as Chinese medicinal material breeding, base construction, cultivation, production, and processing, thereby promoting the development of an operational model for the TCM industry chain oriented towards ecological priority, resource conservation, and environmental friendliness. Through source optimization at the front end, standardized cultivation and process control at the mid-stage, and clean production and resource recycling at the back end, the Company continues to minimize the impact of its industrial activities on ecosystems and enhance the overall ecological resilience and sustainability of the TCM material supply chain.

Ecological Environment Management of the TCM Industry Chain



Breeding

- To leverage molecular marker-assisted selection technology to reduce the number of ineffective field trials and lower the consumption of land and water resource;
- To study seed sources and soilless cultivation with genetic engineering, enhance disease resistance and growth rates of TCM materials, select suitable environmental conditions and breeding techniques, effectively cultivate high-quality TCM materials, and significantly reduce reliance on wild resources



Base Site Selection

- To give priority should be given to non-ecologically sensitive areas, and avoid national and provincial-level biodiversity conservation areas when establishing new bases;
- To implement a differentiated layout across different ecological zones to fully leverage geographical advantages and crop adaptability, thereby avoiding the waste of resources and the risk of failure associated with introducing crops unsuited to local conditions;
- To explore substrate cultivation and soil-replacement technologies to reduce reliance on and disturbance of topsoil.



Planting

- To reasonably plan cultivation areas, implement high-standard cultivation techniques for medicinal materials, select and breed varieties with high medicinal compound content, significantly increase output per unit area, and replace the traditional model of land expansion with a highly efficient and intensive production model to achieve increased production without expanding land use;
- To conduct soil testing and implement classified management, applying differentiated agricultural practices based on indicators such as soil fertility, microbial community structure, and heavy metal content;
- To comprehensively promote the ecological farming model of "ecological buffer zones + crop rotation + biological control":
 - ▶ To maintain a 3–5-meter-wide strip of native vegetation around the site to protect the habitats of associated wildlife;
 - ▶ To ban highly toxic pesticides, nitrate-based fertilizers, and unregistered fertilizers; promote green plant protection technologies; and reduce the use of chemical inputs such as chemical fertilizers and pesticides;
 - ▶ When chemical control is necessary, use the minimum effective dosage and select highly efficient, low-toxicity, and low-residue pesticides;
 - ▶ To implement crop rotation and deep plowing to optimize soil structure, reduce the occurrence of pests and diseases, promote natural balance between crops, restore soil nutrients and biodiversity.
- To promote ecological cultivation models under forest canopies to avoid competing with food crops for land and to leverage the forest ecosystem's natural ability to maintain the quality of medicinal materials
- To establish strict harvesting guidelines for wild medicinal materials, mandating the practice of "rotational harvesting" and "harvesting larger specimens while leaving smaller ones behind" to allow the resources time to recover.



Production

- To use domesticated varieties instead of wild ones as raw materials for medicinal production and strictly implement biodiversity protection for wild and protected species.
- To optimize the energy mix in production processes, improve energy efficiency, and reduce carbon emissions;
- To promote the model of on-site processing of medicinal materials by moving certain processing steps to the production areas. This approach ensures that the value added from processing remains in the local community while reducing energy consumption and environmental pollution at the source of the supply chain.



Processing

- To promote fresh processing techniques to reduce resource waste and environmental pollution caused by repeated drying and reprocessing of medicinal materials.
- To introduce precision sorting equipment, such as color sorters, to reduce raw material waste during processing;
- To promote the resource utilization of processing waste, such as returning medicinal waste to fields as organic fertilizer, to improve the overall utilization rate of waste.

Moving forward, Yunnan Baiyao will continue to center on the TCM material industry chain in the biodiversity management, focusing on medicinal plants endemic to Yunnan as well as rare and endangered species. Based on assessments of production-area risks and dependencies, the Company will advance the conservation of genetic resources, the domestication of endangered species, and the promotion of ecological cultivation. Furthermore, it will integrate biodiversity requirements into its supply chain management and standards systems to foster the development of a sustainable, closed-loop management mechanism.

Yunnan Baiyao's Biodiversity Conservation Goals



By 2027, we aim to master the techniques for domestication and large-scale cultivation of **3-5** conservation monitoring system and enable dynamic tracking of key species.

We aim to expand the area of ecological cultivation bases to achieve an **80%** ecological cultivation coverage rate for core varieties by 2030.



Environmental Compliance Management

Upholding a green development approach, Yunnan Baiyao has established and improved its environmental management system and operational mechanisms, and integrated pollution prevention and control as well as environmental risk management into its daily operations. The Company is refining its process control and emission management requirements for air, water, and solid waste; driving the effective implementation of environmental protection measures; continuously enhancing its environmental governance capabilities and compliance management standards; promoting the synergistic advancement of business development and ecological conservation; and contributing to the achievement of higher-quality sustainable development in the TCM industry.

Environmental Management System

Yunnan Baiyao pays close attention to the relevant policies and strategic developments of national environmental protection. It strictly complies with laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Air Pollution Prevention and Control Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Noise Pollution Prevention Law of the People's Republic of China*, and the *Law on the Prevention and Control of Radioactive Pollution* to ensure that its business operations are in line with environmental management requirements. Within the Company, a series of management systems have been established, including the *Environmental Protection Management System (2025)*, the *Measures for the Management of Environmental Risk Early Warning (2025)*, and the *Emergency Response Plan for Environmental Incidents*. These systems are designed to oversee and coordinate environmental protection efforts across all units, clarify responsibilities for environmental protection, delineate overlapping areas, strengthen emergency response and risk management for environmental protection, as well as the management of environmental protection facilities and pollutant discharge. Environmental protection responsibilities are assigned to each business unit, with annual environmental target responsibility agreements signed, requiring all production units to implement environmental protection in accordance with the law. The business units have also established 55 management regulations, including environmental protection management measures, facility operation and inspection management systems, and radioactive waste management regulations, further strengthening the Company's environmental management system.

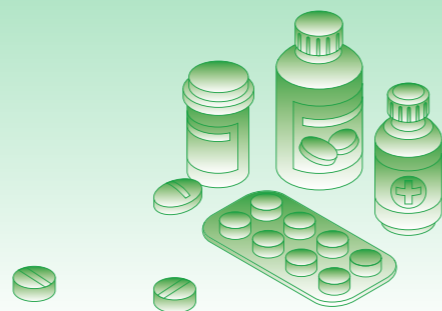
Environmental Management System of Yunnan Baiyao

Pharmaceuticals

- Formulated the *Environmental Management Measures for the Pharmaceutical Business Group (Trial)*, which clearly defines the organizational structure and responsibilities for environmental protection, as well as the tasks and requirements. The management content includes prevention of new pollution sources, management of pollution sources, environmental approval management, emergency management, publicity, education and training, and day-to-day management.
- Developed the other secondary management systems and supporting SOPs such as the *Management Details for Environmental Online Monitoring Equipment of the Pharmaceutical Business Group* and the *Management Details for Emergency Response Plan for Environmental Incidents of the Pharmaceutical Business Group* to enhance environmental risk control and urge all responsible entities to fulfill their duties.

Health Products

- Developed the *Clean Production Regulations* to strengthen the clean production.



In 2025, to clarify the allocation of responsibilities for environmental management and ensure the effective implementation of related tasks, the Company updated its environmental management structure. The Manufacturing Safety and Environmental Operations Center was designated as the department responsible for the Company's environmental protection efforts, and an ESG-E Coordination Group was established to drive cross-departmental environmental efforts. Each unit is required to establish a dedicated environmental management department based on operational needs, staffed with full-time or part-time environmental personnel, to oversee, coordinate, and advance environmental efforts within their respective units. In addition, the Company has established clear meeting, communication, and decision-making procedures for the ESG-E Coordination, ensuring efficient coordination and implementation of ESG environmental dimension work.

Environment Management Structure

Manufacturing Safety and Environmental Operations Center

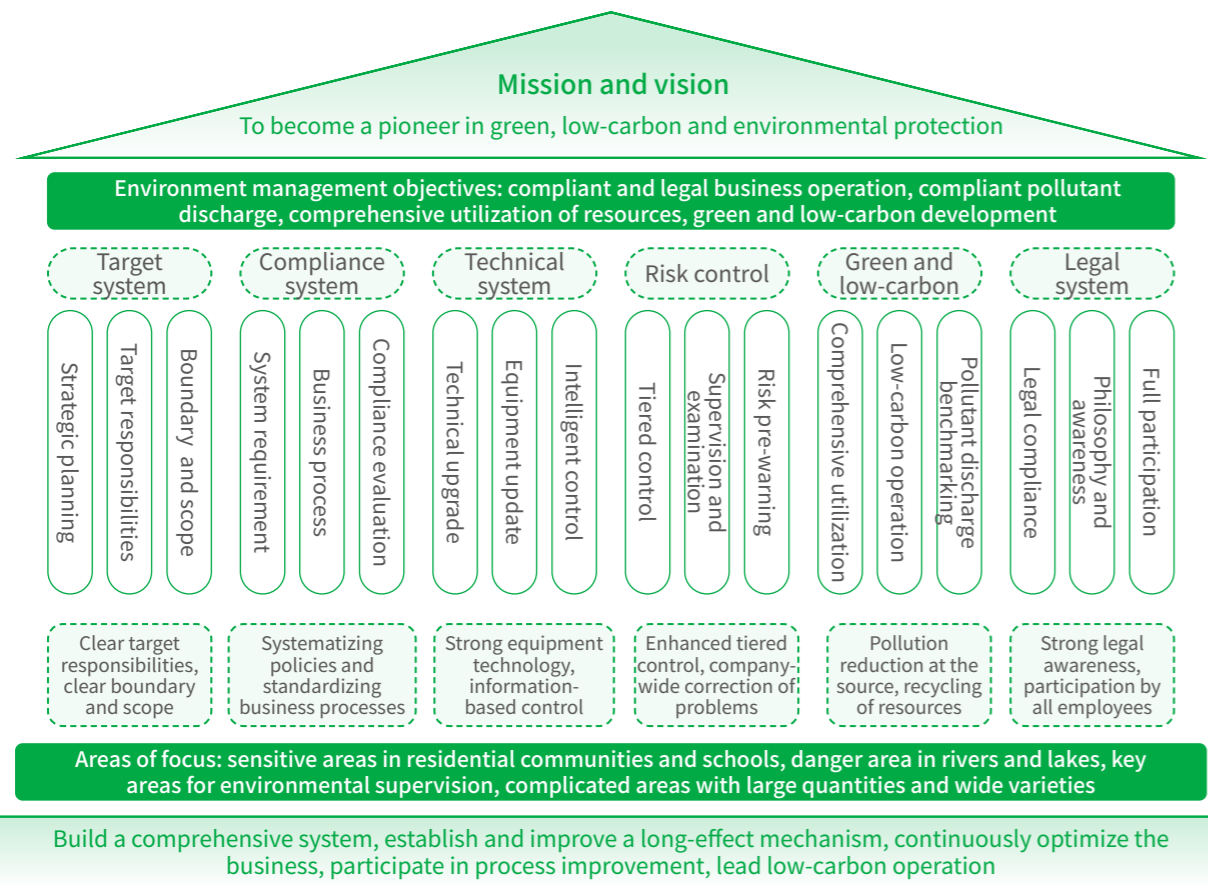
- To develop the Company's environmental protection strategy, annual plans, and special programs; define objectives and tasks; and organize the implementation, supervision, and evaluation of their execution across all departments;
- To improve the Company's environmental management system, formulate and revise relevant standards, specifications, and procedures, guide all departments in establishing rules and regulations, and ensure that environmental protection work is carried out in accordance with established standards;
- To conduct supervisory inspections of environmental protection policies, facility operations, and pollutant discharge at various units; urge the rectification of issues; and oversee the resolution of major safety hazards;
- To establish a regular communication mechanism with environmental protection authorities, implement government environmental protection requirements, and coordinate internal environmental protection matters across units and departments;
- To keep abreast of developments in environmental protection technology, promote advanced technologies, processes, and equipment, and provide environmental protection consulting and services;
- To evaluate the progress of each unit toward achieving environmental protection goals and support the Company's environmental decision-making;
- To take charge of compiling, summarizing, analyzing, and reviewing the Company's environmental data, and submitting relevant forms and reports as required.

ESG-E Coordination Group

- Responsible for the overall management of E-dimension work, including establishing mechanisms, developing plans, conducting research and analysis, coordinating management, driving implementation, evaluating outcomes, and making recommendations for incentives;
- Responsible for compiling, organizing, and reviewing information about E-dimension work; regularly collecting and organizing data, and analyzing progress;
- To coordinate the feasibility studies, design, resolution of technical challenges, and dissemination of results for key projects in the E dimension.

Each unit

- To implement national environmental protection laws, regulations, and policies, and carry out the tasks and requirements assigned by government environmental protection authorities;
- To conduct business operations in compliance with laws and regulations; prevent environmental pollution and ecological damage; implement the Company's environmental protection strategic objectives and accountability requirements; and assume primary responsibility for environmental violations in accordance with the law;
- To obtain approval documents, filing certificates, or permits issued by the competent environmental protection authorities in accordance with the law, and ensure their validity;
- To develop and file emergency response plans for environmental incidents, procure emergency supplies and equipment, and conduct regular emergency drills to enhance emergency response capabilities;
- To organize and carry out inspections and rectification of environmental hazards, actively cooperate with the Company's environmental inspections, and promptly complete the rectification of identified hazards;
- To conduct pollutant discharge testing in accordance with established procedures; submit environmental data and materials to regulatory authorities and the Company on time; and assume responsibility for their authenticity and accuracy;
- To conduct regular environmental protection training to enhance relevant personnel's understanding of regulations, policies, and technical expertise; strengthen environmental awareness among all employees; and ensure they master the necessary environmental protection knowledge.



Environmental Management System of Yunnan Baiyao

Emergency Drill and Training for Sudden Environmental Incidents in the Pharmaceutical Business Group

In September 2025, the Pharmaceutical Business Group of Yunnan Baiyao organized a training session for emergency drill simulating abnormal water levels in a treated wastewater well. As a preparatory step for subsequent emergency drills, this training focused on the functions of reclaimed water wells and the criteria for identifying abnormal liquid levels. It provided an in-depth analysis of the causes of water accumulation in idle reclaimed water wells and the associated environmental risks, thereby enhancing the pollution prevention and control awareness of relevant personnel. This laid a solid theoretical foundation for emergency response drills addressing abnormal liquid levels in reclaimed water wells and confined space operations.



Training site



Qidian Industrial Zone Systematically Strengthened Environmental Safety Measures

In 2025, the Yunnan Baiyao Qidian Industrial Zone conducted a series of environmental protection training sessions and practical activities centered on three key areas: compliance management, proactive risk mitigation, and emergency response capacity building. The industrial park regularly organized specialized training sessions on environmental regulations and standards, inviting experts from regulatory agencies to provide policy interpretations and practical guidance. In addition, the industrial zone conducted an emergency drill to address a sudden environmental incident involving a blocked sewage pipeline and the mixing of stormwater and sewage. Participants strictly followed the "early warning-containment-clearing-monitoring" procedure, swiftly completing risk assessment, sewage diversion, pipeline clearing, and environmental monitoring. Through a series of measures, the Qidian Industrial Zone has effectively enhanced all employees' awareness of environmental compliance and their ability to respond to environmental emergencies.



The drill site

Specialized Training on "Corporate Environmental Responsibility and Risk Management for Environmental Regulations"

In 2025, the Company organized a specialized training session on "Corporate Environmental Responsibility and Risk Prevention and Control in Compliance with Environmental Regulations." The session focused on changes in environmental policies and regulations, as well as methods for identifying, managing, and mitigating environmental risks. It was attended by more than 80 participants, including environmental protection officers, managers, and technical staff. The training enhanced the team's understanding of environmental regulations and their ability to manage risks, laying a solid foundation for the Company's environmental compliance management.

As of the end of the reporting period, Yunnan Baiyao had not experienced any significant incidents involving litigation or penalties resulting from environmental violations, nor had there been any instances where pollutant discharge had adversely affected local residents. The Company and its 12 subsidiaries subject to environmental protection administrative licensing have all completed the necessary pollution discharge procedures in accordance with regulations. In compliance with the requirements of their pollution discharge permits, they conduct self-monitoring on schedule, engage CMA-certified third-party testing agencies to regularly test wastewater, exhaust gases, and noise levels, and issue relevant data reports. They promptly report this data to the National Pollution Source Monitoring System to ensure that all indicators remain within the prescribed limits. In addition, Yunnan Pharma and Wenshan Qihua have successfully passed the ISO 14001 Environmental Management System certification audit following an evaluation by a qualified third-party assessment body.

In 2025, the Company invested RMB **24.0149** million in pollution control and conducted a total of **159** third-party environmental inspections



Environmental Management System Certification for Yunnan Pharma



Environmental Management System Certification for Wenshan Qihua

In 2025, to achieve environmental targets, all units in the Company strictly implemented national laws and regulations on pollution prevention and control, thoroughly identified all pollution discharge points and environmental risks, strengthened the management and maintenance of pollution control facilities, improved pollution treatment efficiency, ensured the compliant discharge and disposal of wastewater, exhaust gases, solid waste, and hazardous waste, and maintained accurate records in relevant ledgers.

Achievement of Environmental Goals by Yunnan Baiyao in 2025

100% compliant discharge of pollutants	100% compliant disposal of general solid waste and hazardous waste	0 occurrence of environmental pollution incident
Achieved	Achieved	Achieved

Yunnan Baiyao Successfully Included in Kunming's 2025 Positive List for Ecological and Environmental Supervision and Law Enforcement

In 2025, Yunnan Baiyao was successfully included in Kunming's 2025 Positive List for Ecological and Environmental Supervision and Law Enforcement, thanks to its outstanding performance in pollutant discharge control and environmentally compliant operations. This selection represents an authoritative endorsement by regulatory authorities of the Company's achievements in emissions control and its environmental management system, confirming that the Company's emissions management meets high environmental standards and has no adverse impact on the working environment of its employees or the living environment of local residents. By leveraging the positive list policy, the Company is able to effectively reduce environmental compliance costs and improve production stability.

Exhaust Gas Management

The exhaust gases generated during Yunnan Baiyao's production and operations primarily consist of sulfur dioxide, nitrogen oxides, and particulate matter. The Company strictly complies with national laws, regulations, and standards such as the *Air Pollution Prevention and Control Law of the People's Republic of China*, the *Comprehensive Emission Standard for Air Pollutants*, the *Emission Control Standard for Volatile Organic Compounds from Industrial Enterprises*, and the *Emission Standard for Air Pollutants from the Pharmaceutical Industry*. All business divisions are required to implement comprehensive control measures throughout the entire exhaust gas emission process, construct and operate the necessary environmental protection facilities in accordance with regulations, establish clear monitoring indicators, and conduct regular inspections and testing at emission points. End-of-pipe treatment equipment must be installed at key locations with high emission volumes and maintained in stable operation. Additionally, qualified third-party organizations must be commissioned to conduct regular monitoring to ensure that exhaust gas emissions consistently meet standards and to eliminate the risk of fugitive emissions. The Company has simultaneously advanced process optimization and the transition to clean energy, such as replacing coal-fired furnaces with natural gas boilers and adopting advanced adsorption catalytic combustion methods for exhaust gas treatment, thereby reducing the generation and emission intensity of exhaust gases at the source.

In 2025, the Company achieved a **100%** compliance rate for exhaust gas emissions

Wenshan Qihua Completed Volatile Organic Compound Emission Collection and Treatment with High Standards

In December 2025, Wenshan Qihua actively embraced green and environmentally friendly principles by launching a compliance initiative to meet the *Standards for Fugitive Emissions of Volatile Organic Compounds*. The Company completed the collection and treatment of volatile organic compound (VOC) emission points at the extraction building, wastewater treatment plant, underground tank farm, and comprehensive quality inspection building, and added four new standard emission points. Monitoring results show that post-treatment VOC emissions met stringent emission standards, marking a significant milestone in the Company's efforts to control volatile organic compound emissions and further enhancing the systematic approach and compliance level of its environmental management.



VOC Treatment System for Underground Tank Farm



VOC Treatment System for Extraction Tower

VOC Treatment System for Extraction Tower

Indicator	Unit	2025
Total exhaust gas emission	10,000 m ³	37,707.64
Particulate matter	Ton(s)	0.80
NOx	Ton(s)	5.41
SOx	Ton(s)	0.29
Volatile Organic Compounds (VOCs)	Ton(s)	4.21
Exhaust gas emission density	10,000m ³ /Operating revenue of RMB 10,000	0.0092

Wastewater Management

Yunnan Baiyao's wastewater mainly comes from discharges generated from the production process of pharmaceuticals and health products and domestic sewage. The Company conducts wastewater treatment operations in strict compliance with national and regional regulatory requirements, including the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*. It has established internal regulations such as the *Detailed Rules for Wastewater Treatment Plant Management*, the *Detailed Rules for the Management of Online Environmental Monitoring Equipment*, and the *Detailed Rules for the Inspection and Management of Stormwater and Sewerage Facilities*, thereby enhancing its wastewater management system. The Company has established a dedicated team to oversee daily operations and inspections, standardize the management of environmental records, and engage in technical exchanges on wastewater treatment with neighboring businesses and relevant organizations, thereby continuously improving operational management capabilities. In terms of end-of-pipe treatment, the Company has constructed dedicated wastewater treatment facilities that reduce pollutant concentrations through processes such as sedimentation, filtration, microbial degradation, and adsorption. These facilities are equipped with online monitoring devices to track key indicators in real time, ensuring that treated wastewater consistently meets regulatory standards and is discharged in accordance with applicable regulations.



Wastewater Reduction Target of Yunnan Baiyao

By 2030, the wastewater discharge intensity per RMB 10,000 of output value will be reduced by at least

7% compared to the 2025 baseline

Wastewater Prevention and Control of Yunnan Baiyao

Building a comprehensive water pollution governance system

- To implement multi-stage treatment processes and degrade various types of pollutants through continuous multiple treatment stages.
- To install automated online monitoring systems for water pollution sources and connect them to national, provincial, and municipal regulatory platforms to transmit monitoring data in real-time, and engage third-party units for regular maintenance and management to ensure the stable operation of the online systems.
- To conduct regular maintenance, upgrades and transformation of wastewater treatment facilities to ensure their long-term, efficient, and stable operation.

Reducing wastewater pollutant concentration

- To strengthen source control, optimize production processes and reduce the generation of pollutants at the source.
- To intensify end-of-pipe treatment, select appropriate treatment technologies based on the characteristics of the wastewater and treatment objectives, and ensure stable and reliable treatment outcomes.

Improving water usage processes

- To promote water recycling technologies and enhance measures for the reuse of treated wastewater (such as reclaimed water) to reduce the volume of wastewater generated.



Implementation of Two-Stage Concentrate Water Recycling in the Pharmaceutical Business Group

In 2025, the Pharmaceutical Business Group of Yunnan Baiyao implemented a secondary concentrated wastewater recycling project, systematically advancing closed-loop water resource management with a focus on reducing wastewater discharge and promoting resource recycling. This project was designed to address the issue of low recovery rates for high-salinity wastewater (secondary concentrate) generated by the reverse osmosis process in pure water production systems. By comprehensively monitoring key water quality parameters such as TDS, COD, and turbidity, the project optimized the recovery process and redirected the secondary concentrate to the pretreatment system for reuse, thereby reducing wastewater discharge at the source. Following the implementation of the project, the secondary concentrate recovery rate increased from less than 30% to over 60%, reducing annual wastewater discharge by approximately 8,000 cubic meters and lowering fresh water consumption by more than 15%. This has simultaneously reduced environmental treatment costs, achieved wastewater reduction and resource recovery, and supported the green, stable, and sustainable operation of the pure water system.



Wenshan Qihua Implemented Purified Water Wastewater Recovery System Upgrade

In 2025, Wenshan Qihua invested in the construction of a wastewater recovery pipeline network to address the issue of approximately 90m³ of wastewater generated daily by three purified water systems. The Company collected wastewater from purified water systems in the raw material, herbal slice, and finished dosage form production areas into a storage tank at the wastewater treatment plant, where it was reused for toilet flushing, sludge thickening, and chemical preparation. Following the renovation, approximately 35,640 cubic meters of wastewater can be recycled annually, directly replacing reclaimed water and tap water. This significantly reduces wastewater discharge and the load on wastewater treatment facilities, thereby achieving the resource recovery of wastewater.



Purified Water Station

In 2025, the Company monitored and reported key water quality indicators in accordance with the requirements of higher-level environmental protection authorities to ensure compliant discharges and prevent any adverse effects on water bodies and soil.

Wastewater Discharge of Yunnan Baiyao in 2025

Indicator	Unit	2025
Total wastewater discharge	Ton(s)	1,493,268.51
COD	Ton(s)	99.02
Ammonia nitrogen	Ton(s)	2.51
Total phosphorus	Ton(s)	2.65
Wastewater discharge density	Ton(s) / Operating revenue of RMB 10,000	0.36

Waste Management

Yunnan Baiyao's solid waste includes hazardous waste and non-hazardous waste. Hazardous waste mainly includes waste drugs, medicines, and experimental waste liquids, etc.; nonhazardous waste mainly consists of medicine residue and sludge generated in the production process. The Company strictly complies with laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, the *National Catalogue of Hazardous Wastes (2016)*, and the relevant industry disposal standards. It has established internal regulations like the *Management Details for Solid Waste Environmental Protection* to establish clear classification standards and management procedures and implement categorized management, record-keeping, and standardized transportation and disposal of solid waste, ensuring that hazardous and non-hazardous waste are strictly separated and remain under control throughout the entire process. Adhering to the management principles of reduction, resource utilization, and harmlessness, the Company continuously strengthens the standardized management and resourceful use of solid waste. In 2025, the Company achieved a 100% compliance rate in the disposal of hazardous waste.

Measures for Solid Waste Treatment and Resource Utilization

Non-hazardous waste

- General solid waste, including household waste, is collected and transported to the sanitation station for incineration.
- Non-hazardous waste with recyclable value, such as discarded TCM materials, fragments of medicinal materials, dust, and packaging cardboard boxes, is collected and regularly sold to recycling companies for recycling. For example, sludge after fermentation is used for soil improvement in landscaping, and medicinal residues after fermentation are used to produce organic fertilizers.

Hazardous waste

- A hazardous waste management plan shall be established and filed with the environmental protection authorities;
- A hazardous waste management ledger shall be established, which includes the following: management accountability system, operating procedures, management plan, emergency response plan, training plan, training records, drill plans, drill summaries, transfer records, and inventory records;
- Hazardous waste generated in production workshops is managed by designated personnel. Clear labels and signs are used. It is stored in designated areas and collected by categories before being handed over to a third party for disposal.
- For laboratory hazardous waste, we have formulated the *Laboratory Hazardous Waste Prevention and Control Responsibility System* and the *Laboratory Environmental Control Procedures* to clarify and strictly implement the laboratory waste treatment standards. Following the principle of "Unified Collection, Classified Disposal, and Elimination of Hidden Dangers," disposal is carried out by third-party professional disposal companies.

Sludge Resource Recovery Project in the Yuhua Industrial Zone

In 2025, the Yuhua Industrial Zone launched a project to utilize dewatered sludge for soil improvement and resource recovery, integrating the principles of "reduction, harmless disposal, and resource recovery" into its daily operations. Through the standardized collection, sun-drying, scientific blending, and fermentation of dewatered sludge from the Qidian and Yuhua industrial zones, the project converted it into landscaping soil that meets the *DB5301/T 41-2019* standard. This soil was specifically used for forest land improvement and landscaping, reducing sludge disposal costs by RMB 90.44 per ton and yielding annual cost savings of approximately RMB 180,000. The converted planting soil is rich in nutrients, which can improve soil fertility, reduce the use of chemical fertilizers, and enhance the area's ecological functions and carbon sequestration capacity.



Project site

Project for the Energy-Based Recycling of TCM Residues in the Qidian Industrial Zone

In 2025, the Qidian Industrial Zone addressed the issues of generating no less than 21,000 metric tons of herbal medicine waste annually, high disposal costs, and a lengthy composting cycle by innovatively establishing a "herbal waste-energy-production" green recycling system. The project converts pharmaceutical waste into biomass fuel, which is used in biomass boilers to generate steam. This steam is then directed back to the Qidian Industrial Zone, creating a closed-loop cycle of "solid waste-recycling-reuse." Once the project is implemented, the Qidian Industrial Zone will achieve zero waste emissions, with an estimated annual reduction of over 10,000 metric tons of carbon dioxide equivalent and annual savings of approximately RMB 2.7 million in pharmaceutical waste disposal costs, thereby delivering both ecological and economic benefits.



Project for the Energy-Based Recycling of TCM Residues in the Qidian Industrial Zone

Waste Discharge of Yunnan Baiyao in 2025

Indicator	Unit	2025
Hazardous waste discharge		
Waste drugs, drugs HW03	Ton(s)	132.00
Experimental liquid waste HW49	Ton(s)	36.53
Other hazardous waste	Ton(s)	32.58
Total amount of hazardous waste	Ton(s)	201.11
Discharge intensity of hazardous waste	Kilogram(s) / Operating revenue of RMB 10,000	0.049
Non-hazardous waste discharge		
Drug residue, sludge	Ton(s)	22,491.13
Household waste	Ton(s)	1,148.80
Total amount of general solid waste	Ton(s)	582.13
Total amount of non-hazardous waste	Ton(s)	24,222.05
Discharge intensity of non-hazardous waste	Ton(s) / Operating revenue of RMB 10,000	0.0059
Total		
Total amount of solid waste	Ton(s)	24,423.17
Discharge intensity of solid waste	Ton(s) / Operating revenue of RMB 10,000	0.0059

Resource Recycling and Efficient Utilization

Yunnan Baiyao incorporates the principle of resource conservation throughout its entire production and operations process. It is committed to the efficient use of resources, and strives to achieve green development. The Company optimizes resource allocation through technological R&D and process improvements, thereby enhancing the efficiency of energy, water, and raw material use and reducing resource consumption. In addition, we actively promote a circular economy, advocate for green office practices, and strive to reduce packaging waste and make it more environmentally friendly, thereby enhancing the systematic and sustainable use of resources.

Energy Management

Yunnan Baiyao places a high priority on the efficient use of energy, continuously improves its energy management system, and deepens its efforts to conserve energy and reduce consumption. The Company strictly complies with laws and regulations such as the *Energy Conservation Law of the People's Republic of China* and the *Measures for Energy Conservation Management of Key Energy-consuming Units*. It has formulated and implemented the *Energy Management Measures*, while each unit has established secondary management systems such as the *Detailed Rules on Energy Conservation Incentives and Penalties*, the *Detailed Rules on Energy Audits and Performance Evaluation*, and the *Detailed Rules on Energy Usage Planning Management*. These measures clarify the division of responsibilities, workflows, and supervision and evaluation mechanisms for energy management. The Company requires each manufacturing unit to establish an organizational structure for energy management to further ensure the orderly implementation of energy management. In 2025, the Company systematically optimized its energy management system in accordance with the *Requirements and Guidelines for Energy Management Systems (GB/T 23331-2020)*, designating the Manufacturing, Safety, and Environmental Operations Center as the lead department for energy management to coordinate and advance energy management efforts across the entire company. The head of each unit was designated as the primary person responsible for energy management within that unit and must ensure that responsibilities are implemented at every level. In addition, energy management officers were appointed and dedicated positions were established to encourage major energy-consuming units to set up dedicated management departments staffed with full-time or part-time personnel, thereby ensuring the effective operation of the system. During the reporting period, Wenshan Qihua underwent an audit by a qualified third-party assessment body and successfully obtained ISO 50001 Energy Management System certification.



Energy Management System Certification of Wenshan Qihua



Energy-Saving Goals of Yunnan Baiyao

By 2030, energy consumption per RMB 10,000 of output value will be reduced by at least

7%

compared to the 2025 baseline

Energy Management Initiatives of Business Groups of Yunnan Baiyao

Pharmaceuticals

- To establish an energy conservation inspection task force to conduct monthly on-site inspections and provide guidance to each energy-consuming unit, identify key areas with energy-saving potential, and organize and implement energy-saving retrofit projects; carry out corrective actions and training to promptly address non-compliant energy usage practices, promote the development of a sustainable energy conservation management mechanism, improve energy efficiency, and reduce energy waste and production costs;
- To incorporate energy-saving targets into the performance evaluation systems for departments and employees, strengthen accountability and incentive mechanisms, enhance the proactive engagement of all staff in resource conservation and environmental management, and promote the development of resource-efficient enterprises;
- To optimize, upgrade, and modernize key energy-consuming equipment, such as compressed air systems and chilled water systems to improve operational efficiency and refine energy consumption management, strengthen control over energy costs, and support the achievement of energy conservation and emissions reduction targets.

Health Products

- To implement an energy management system to achieve precise management that ensures energy usage is "transparent and accurately accounted for;"
- The production workshop shall integrate TPM (Total Productive Maintenance) and lean improvement practices into its daily operations, and systematically reduce lighting energy consumption during non-production hours through measures such as implementing time- and zone-based lighting shutdowns and optimizing lighting layouts;
- To monitor and dynamically adjust air compressor stations and refrigerant stations in real time by incorporating AI-powered control systems, thereby effectively reducing energy consumption.

The Company has consistently regarded energy-saving technological upgrades as a key driver for promoting green development and achieving the "dual carbon" goals. Through systematic optimization of production processes, upgrading of energy-consuming equipment, and the advancement of digital energy management, the Company aims to tap into the potential for energy conservation and consumption reduction, comprehensively improve energy utilization efficiency, and steadily reduce overall energy consumption intensity.



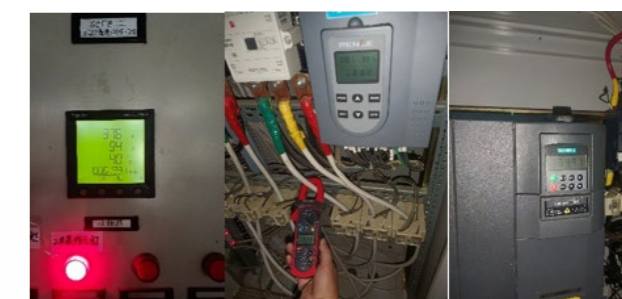
Variable Frequency Drive Retrofit Projects in Multiple Industrial Zones

From February to March 2025, the Qidian Industrial Zone carried out a variable-frequency drive retrofit on the cooling tower fans of the circulating water system in Workshop 3. The project was designed to address the issues of long-term high-speed operation and high energy consumption associated with the existing fan system running at line frequency. We retrofitted the four fans with independent variable-frequency drives while retaining the existing cooling tower structure, and intelligently linked the fan speed to the circulating water temperature, enabling on-demand adjustment of operating power. The control system features an integrated design combining a PLC and a display screen, enabling real-time monitoring of temperature and the operating status of each fan. Following the renovation, electricity consumption is expected to be reduced by approximately 20% annually, resulting in annual electricity cost savings of approximately RMB 47,000.

At the same time, to address issues with the existing circulating water pump system, such as oversized pumps, low operational efficiency, and high energy consumption, the Yuhua Industrial Zone upgraded four circulating water pumps by repurposing a 55 kW variable-frequency drive (VFD) that had been sitting idle in a warehouse. Two of the pumps were converted to VFD-controlled operation, while the other two retained their soft-start mode and were designated as backup units. Electricity meters were also installed simultaneously to monitor and compare energy consumption. After the retrofit was completed, the pump's operating frequency dropped to 40%, saving 20 kWh of electricity per hour and resulting in annual electricity cost savings of approximately RMB 95,000. While saving energy and reducing consumption, the stability and reliability of equipment operation have been improved, thereby lowering system maintenance costs.



Electrical control cabinet before (left) and after (right) the optimization and retrofit



Pump system retrofit

In addition, the Company steadily increased the proportion of renewable energy used, enhanced energy recycling in production processes, and systematically reduced its reliance on traditional fossil fuels and overall energy consumption.

Key Initiatives for Renewable Energy Development of Yunnan Baiyao in 2025

Type of energy	Development initiatives
Biomass energy	The Qidian Industrial Zone and Wenshan Qihua have constructed and authorized the use of biomass boilers to ensure a stable share of biomass energy in the energy supply and to leverage the carbon reduction benefits of renewable energy.
Solar energy	The photovoltaic project commissioned by Wenshan Qihua operates under a "self-generation for self-consumption, with surplus power fed into the grid" model. It generated a total of 3.417 million kilowatt-hours over the course of the year, reducing carbon dioxide emissions by approximately 3,639 tons. At the same time, Wenshan Qihua launched a feasibility study for the second phase of its photovoltaic project, with plans to further expand its solar power generation capacity and increase the share of clean energy in its overall energy consumption.
Waste heat recovery	The Yuhua Industrial Zone and Wenshan Qihua implemented measures to recover and reuse waste heat from the circulating cooling water system, tapping into potential low-temperature heat sources, and optimizing the existing raw material extraction condensate system to maximize the recovery of water and thermal energy.

In addition, the Company conducted diverse and tiered energy-saving training programs for its employees, covering topics such as the interpretation of energy-saving policies, technical applications, and practical guidance. These have comprehensively enhanced employees' energy-saving awareness and skills, thereby providing the human resources needed to build an energy-efficient enterprise.

Specialized Training on Energy Management Measures

From June to July 2025, the Company organized two specialized training sessions on the *Energy Management Measures of Yunnan Baiyao Group*. The training program was tailored to the Company's specific context, providing an in-depth analysis of energy conservation regulations and internal policies, and sharing best practices in energy management within the pharmaceutical manufacturing process. It helped employees integrate energy conservation requirements into their daily work, thereby continuously enhancing energy conservation awareness and on-the-job compliance across the entire workforce.



Energy-saving training session



The Company posted "Everyone Can Save Energy" posters throughout the premises



Energy Consumption of Yunnan Baiyao in 2025⁸

Indicator	Unit	2025	
Diesel	Ton(s)	778.30	
Gasoline	Ton(s)	20.90	
Natural gas	10,000m ³	468.00	
Purchased electricity	MWh	93,424.94	
Purchased steam	Ton(s)	128,473.90	
clean energy	Hydropower	kWh	71,359,094.00
	Solar photovoltaic	kWh	3,112,320.00
Comprehensive energy consumption	Ton(s) of standard coal	30,632.00	
Comprehensive energy density	Ton(s) of standard coal/Operating revenue of RMB 10,000	0.0074	

Water Resource Management

Guided by the principle of "water conservation first, recycling, and system optimization," Yunnan Baiyao remains committed to the conservation and protection of water resource. The Company strictly adheres to the requirements of laws and regulations such as the *Water Law of the People's Republic of China*, and has formulated and implemented internal regulations such as the *Management Procedures for Non-Pharmaceutical Water Systems* and the *Standard Operating Procedures for Secondary Water Supply System Safety*, guiding all production and business departments to strengthen water conservation awareness and water management. Through measures such as energy-saving technological upgrades, management optimization, and recycled water reuse, the Company has enhanced water use efficiency and reduced water resource wastage.



Water Saving Goals of Yunnan Baiyao

By 2030, the water consumption intensity per RMB 10,000 of output value will be reduced by at least

7%

compared to the 2025 baseline

⁸The statistical data follows the reporting standards of the National Bureau of Statistics.

Water Resource Management Initiatives of Business Groups of Yunnan Baiyao

Pharmaceuticals

- To improve the water resource management system by establishing regulations such as the *Water Conservation Management System*, the *Metering Management System* and the *Regular Inspection and Maintenance Management System for Water-Using Equipment*; conduct unscheduled inspections and maintenance at all water usage points, monitor water quality indicators, promptly identify and address any abnormalities, and strictly control the risks of water loss due to leaks, spills, drips, and seepage;
- To establish and standardize water usage management records; conduct regular water balance tests; compile monthly statistics, perform calculations, and analyze water usage at each water point; organize water usage performance evaluations; coordinate water allocation across business units and develop annual water usage plans;
- To incorporate water management performance into performance evaluations, implement a system of rewards for conservation and penalties for overuse, strengthen accountability, and promote continuous improvement in water management standards.

Health Products

- To assign water conservation targets to each water-using department through refined management, raising water conservation awareness among all staff and driving improvements in water management;
- to identify opportunities for water conservation through data analysis, drive the implementation of improvement projects, effectively increase the volume of recycled water, and significantly reduce water consumption and wastewater discharge.

Yunnan Pharma

- To improve the "Four Preventive Measures" safety inspection mechanism across all departments; establish the "Safety Hazard Self-Inspection System"; require all departments to conduct daily inspections to ensure water and power supplies are turned off, and scan a QR code to log the results;
- To strengthen property inspections and patrols, and conduct unscheduled inspections and repairs of utility networks in all buildings within the park;
- To establish a water usage management ledger, conduct monthly statistical calculations and analyses, and coordinate the park's annual water usage plan.

Yuhua Industrial Zone Implemented Full-Process Condensate Recovery

In 2025, the Yuhua Industrial Zone launched a project for the full-process recovery of condensate and the utilization of waste heat to address the issues of condensate waste and low energy efficiency. The project employs a proprietary condensate iron removal unit, a flash steam recovery system, and a digital monitoring platform to establish a closed-loop "recovery-purification-reuse" system. Heat exchange is achieved using plate heat exchangers; the recovered waste heat is utilized in the production process; the purified condensate is used to replenish the circulating water system; and the low-temperature condensate is further utilized for waste heat recovery. The project can recover 21,500 tons of condensate annually, reduce energy consumption in the steam system by 8-10%, conserve water resource, lower the wastewater treatment load, and reduce carbon emissions, thereby achieving synergistic improvements in energy efficiency, water conservation, and environmental performance.



Condensate waste heat recovery system

Reverse Osmosis Brine Reuse Project at the Health Industry Park

In 2025, in response to the issue of water waste caused by the direct discharge of reverse osmosis concentrate from the raw water treatment system, the Health Industry Park implemented a project to retrofit the system for the recycling and reuse of concentrate. Through technological upgrades, the reverse osmosis concentrate is redirected for reuse as makeup water in the plant's wastewater pretreatment system and as recirculating water in the vacuum pump system, thereby enabling the on-site recycling and cascading use of water resource. The project can save 33,600 tons of tap water annually and reduce wastewater discharge by the same amount, effectively improving the overall operational efficiency of the water system.



Reverse Osmosis Brine Reuse System

Water Consumption of Yunnan Baiyao in 2025

Indicator	Unit	2025
Reclaimed water reuse	Ton(s)	92,442.00
Water consumption	Ton(s)	1,869,115.00
Water consumption density	Ton(s) / Operating revenue of RMB 10,000	0.45

Packaging Material Management

Yunnan Baiyao is committed to minimizing the negative environmental impact of its manufacturing processes. The Company continuously optimizes the management of packaging materials and related production resources, encouraging each business division to explore pathways toward greener, lighter, and more sustainable packaging solutions tailored to their specific operations. By optimizing packaging design and material usage, reducing excessive packaging, and implementing recycling and reuse programs for production scraps and packaging materials, we strive to minimize raw material consumption to the greatest extent possible. In 2025, the Company worked with suppliers to promote practices such as reducing packaging materials and recycling, continuously improving the effectiveness of packaging management and reducing packaging waste.

Packaging Material Conservation Measures of Yunnan Baiyao

Products	Packaging Material Optimization Measures	Image
Toothpaste	For toothpaste packaging materials, we replaced the original anti-counterfeit colored fiber paper with white cardstock, reduced the use of chemical dyes during production, improved the paper's recyclability, and lowered carbon emissions per unit of packaging by approximately 10%. Additionally, the raw material supply chain now better aligns with Forest Stewardship Council (FSC) standards, enhancing the environmental sustainability of the packaging process.	 White cardstock
	For certain toothpaste packaging materials, we implemented lightweight optimization by reducing the sheet thickness from the original 275 μm to 220 μm, effectively reducing plastic consumption and putting our commitment to green, low-carbon production and operations into practice.	 Composition of Toothpaste Packaging Materials

Establishing an "Innovative Packaging Display Area" to Create a Platform for Exchanging Cutting-Edge Ideas

In 2025, the Company established an "Innovative Packaging Display Area" focusing on three key dimensions (sustainability, intelligence, and innovation), to showcase packaging solutions that combine environmental benefits with technological advancement. The Company regularly invited suppliers to update their exhibits and participate in on-site exchanges and technical seminars to promote the sharing of packaging expertise and collaborative R&D. Through regular exhibitions and exchange mechanisms, the Company has fostered consensus and collaboration among all stakeholders regarding material selection, structural design, and recycling, gradually building a sustainable packaging ecosystem characterized by synergy among enterprises, suppliers, and the industry, and jointly driving the green and intelligent transformation of the industrial chain.



Innovative Packaging Display Area

Hosting a Thematic Exchange Event on "Green and Sustainable Supply Chains"

In October 2025, the Supply Chain Operations Center held in-depth on-site discussions with partners on the theme of "Green and Sustainable Supply Chains." Focusing on key areas such as design for reduced packaging materials, the use of renewable materials, and improving packaging recyclability, they explored feasible implementation pathways and technical solutions, and engaged in in-depth discussions on how to convey green concepts through product design and respond to consumers' environmental preferences, working together to promote the greening and sustainable upgrading of the packaging sector.



Scene from the exchange event

Packaging Material Consumption of Yunnan Baiyao in 2025

Indicator	Unit	2025
Paper	Ton(s)	18,234.00
Plastic	Ton(s)	3,617.62
Glass	Ton(s)	4,449.87
Aluminum	Ton(s)	2,309.00
Composite soft package	Ton(s)	2,291.00
Packaging material consumption	Ton(s)	30,901.49
Density of packaging material consumption	Ton(s) / Operating revenue of RMB 10,000	0.0075

Green Office

Yunnan Baiyao has integrated the concept of green development into its office operations management and continues to promote the creation of green and low-carbon office environments. The Company combines policy guidance with educational outreach to strengthen employees' awareness of energy conservation and promote responsible behavior. We place signage in office areas to encourage employees to conserve electricity and water, set air conditioning temperatures appropriately, and use air conditioning during designated hours. Additionally, the Company advocates for paper recycling and paperless operations to help make green work practices a routine part of daily operations. At the same time, the Company has stepped up routine inspections and oversight to ensure the effective implementation of all green office requirements.



04

People-Oriented: Employee Development and Workplace Development

Yunnan Baiyao has always adhered to a people-oriented philosophy, integrating our vision into employees' daily lives. By presenting the development blueprint in a visual and tangible way, the Company ensures it resonates deeply with everyone and inspires a sense of shared purpose among all employees. The Company is committed to safeguarding the legitimate rights and interests of its employees, upholding a fair and inclusive approach to employment, promoting diversity and equal opportunity, and continuously improving its human resources management systems. We strive to create a workplace environment that is open, transparent, and characterized by mutual respect and a strong sense of belonging, enabling every employee to feel valued as they grow and to share in the company's success as they advance.

- Protecting Employees' Rights and Interests 97
- Talent Cultivation and Development 99
- Employee Welfare and Incentives 104
- Occupational Health and Safety 107



Protecting Employees' Rights and Interests

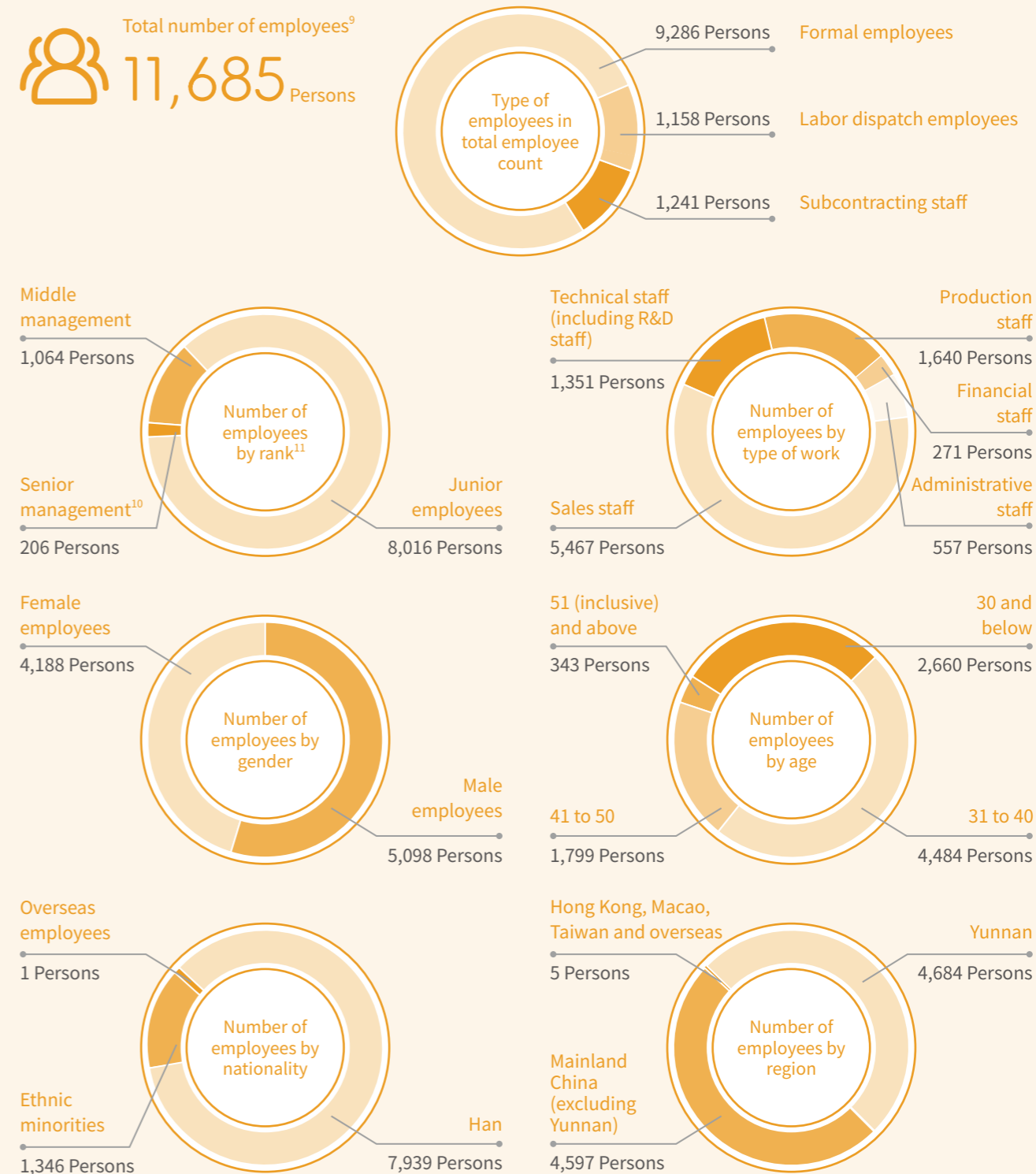
The Company is committed to safeguarding the legitimate rights and interests of its employees. We promote an employment philosophy based on equality and inclusivity, prohibit discrimination in any form, continuously improve our employment practices, and foster a work environment that is open, transparent, and characterized by mutual respect and a strong sense of belonging.

Compliant and Fair Employment

Yunnan Baiyao strictly adheres to laws and regulations such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Law on the Protection of Workers' Rights and Interests of the People's Republic of China*, and the *Regulations on the Prohibition of Child Labor*. The Company resolutely prohibits all forms of child labor and forced labor and effectively safeguards the fundamental rights of workers. The Company has constantly refined its internal management systems by revising and implementing policy documents such as the *Recruitment Management System*, the *Labor Contract Management System* and the *Dual Career Path Management Measures*, and standardized recruitment processes, labor contract management, and the development of career pathways from the outset, ensuring that all aspects of human resources management are conducted in a lawful, compliant, fair, and transparent manner. In 2025, the Company focused on refining key management documents, such as the *Guidance on the Conversion of Probationary Employees to Permanent Status of Yunnan Baiyao Group Co., Ltd.*, and established a more scientific and rigorous talent selection system. The Company has not been involved in any violations such as the use of child labor or forced labor.

The Company actively integrates global intellectual resources to foster an open, inclusive, and innovative talent ecosystem. In response to the need for strategic transformation and business upgrading, we have proactively embraced change, focusing on key areas such as drug R&D and digital transformation, and have established a precise and efficient talent pipeline to attract top-tier professionals. In 2025, the Company was recognized for its outstanding performance in organizational innovation, talent strategy implementation, and sustainable development. It was named to the "Top 30 Employers with the Most Innovative Spirit" list, jointly selected by Zhaopin, the Social Survey Research Center at Peking University, and the National School of Development at Peking University. The Company also received numerous other honors, including Liepin's "2025 Yunnan Extraordinary Employer of the Year" and Emerson's "2025 Employer of the Year Award."

Employment Details of Yunnan Baiyao in 2025



⁹The total employee count includes employees under labor contracts, labor dispatch, and subcontracting staff.

¹⁰The employees by rank only include regular employees.

¹¹They include senior managements of the Company and its subordinate business groups

Promotion of Diversity

Yunnan Baiyao has always upheld the values of fairness, transparency, and diversity and inclusion, and firmly opposes any form of discrimination based on factors such as educational background, gender, ethnicity, religion, region of origin, physical appearance, age, marital status, health, or family planning status. The Company strictly prohibits harassment in any form, including verbal, written, visual, and physical contact, and is committed to fostering a safe, respectful, and friendly work environment. To effectively safeguard employee rights, the Company has established open and efficient channels for complaints and reports, as well as a standardized investigation and resolution process, to ensure that employees can promptly report any misconduct. The Company will respond swiftly and handle such matters appropriately while protecting privacy. In 2025, the Company did not experience any incidents of discrimination or harassment and continued to foster a healthy and positive corporate culture.

The Company actively promotes cross-cultural communication and integration. We organized a visit to Yunnan Baiyao for international students from "Future Leaders" program of Guanghua School of Management, Peking University, where they engaged in discussions under the theme "Yunnan's Model for Innovation and Globalization in Biomedicine and Comprehensive Healthcare," thereby continuing to foster an open, respectful, and trusting corporate culture. The annual employee turnover rate of the company stands at 8.55%.



Cross-Cultural Communication and Integration Event



In 2025, women accounted for **45.10%** of the Company's workforce

while employees from ethnic minority groups made up

14.49%

fully demonstrating the organization's success in promoting diversity

Indicator type	Indicator name	Unit	Data for 2025
Data about employee diversification	The percentage of women in all management positions	%	39.69
	Percentage of women in entry-level management positions	%	41.38
	Percentage of women in top management positions	%	10.00
	The percentage of women in management positions in revenue-generating departments	%	3.13
	Percentage of women in STEM-related positions	%	40.34

Talent Cultivation and Development

Yunnan Baiyao has always placed great emphasis on building a talent development system, continuously refining its talent development strategy, and is committed to establishing a talent system that integrates specialization, professionalism, and market orientation. By optimizing our talent structure, strengthening capacity building, and fostering an inclusive and supportive growth environment, we systematically enhance the overall quality of our team, thereby providing a solid talent foundation for the Company's long-term, high-quality development.

Talent Cultivation

Yunnan Baiyao continues to refine its talent development system, which places equal emphasis on "ideological development and capability building," and adheres to a talent supply chain mechanism driven by both "internal development and external recruitment" to ensure that talent growth aligns with the Company's strategic direction. By building an empowerment network that spans "strategy, operations, organization, and talent," the Company is committed to deeply integrating training into business practices. This approach not only enhances individual capabilities but also stimulates organizational intelligence, effectively driving the implementation of key strategic tasks.

In 2025, the Company used the "Baiyao Academy" as its training base and designed training programs closely aligned with its strategic transformation and business challenges. In response to key challenges such as smart manufacturing, industrial ecosystems, and new retail, we actively promoted a shift in training models from traditional classroom settings to real-world scenarios, adopting an approach that combines "targeted empowerment" with "action learning." During specialized training in the manufacturing sector, by guiding participants to analyze real-world problems, we directly gathered 49 concrete and actionable cost-saving suggestions. These provided valuable input for advancing lean management and enabled the rapid translation of learning outcomes into tangible benefits.

Development of Yunnan Baiyao's Three Teams

Management team	Professional team	Skilled team
We organize programs such as the Peking University Advanced Training Program, the Transition and Empowerment Training for New Cadres, and specialized training for reserve cadres to continuously enhance cadres' strategic vision and leadership skills. More than 10% of participants in the reserve cadre program have been promoted and appointed to positions	We implement targeted small-group training tailored to the specific needs of different professional fields, such as R&D, manufacturing, and supply chain. Throughout the year, we held 12 specialized training sessions, reaching more than 600 participants. We also strengthened our team of internal trainers, certifying 70 internal trainers and developing 80 internal training courses.	Leveraging national-level training bases, we have established a systematic framework for cultivating skilled talent. Through the "New Apprenticeship System" program, we trained 120 highly skilled workers; we organized an innovation and technical skills competition to stimulate innovation among frontline staff; and we continued to implement inclusive skills certification programs such as the "Spread Your Wings," enabling more than 1,300 frontline employees to advance their vocational skill levels throughout the year.





Two-Level Training System and Three-Level Management Mechanism for Talent Development of Yunnan Baiyao for 2025



Yunnan Baiyao has always placed great emphasis on the simultaneous development of employees' personal growth and professional capabilities. The Company is committed to building a systematic, tiered, and categorized training system, continuously refining its talent development mechanisms centered on career advancement pathways. The Company is committed to building management, technical, and highly skilled teams, adhering to a training philosophy centered on "trainee-centered, practice-based" principles, and aiming to create a conducive environment for employee learning and growth.

We strictly adhere to a training approach that emphasizes "training aligned with combat and the integration of training and combat" and actively implement a job rotation policy to help employees gain cross-functional experience through real-world operations. By simulating real-world work scenarios and challenges in our training programs, we are committed to enhancing our employees' diverse skill sets and overall capabilities, thereby fostering a win-win situation that supports both personal growth and the Company's strategic development.

Talent Cultivation System of Yunnan Baiyao for 2025

Employee Hierarchy	Training Plan	Training Objectives	Progress in 2025
 Senior management	Senior Management Training Program	To enhance senior management to deeply understand the Company's overall strategy and business deployment, be more clear about the Company's long-term development plan, and enhance the understanding of the Company's vision and mission, so as to more effectively lead the Company towards achieving its preset goals.	The Company organized and conducted the second session of the Senior Management Training Program - the 2025 Peking University Senior Workshop of Yunnan Baiyao Group.
 Middle management	Middle Management Training Program	To promote the middle management's strategic thinking and leadership skills, deepen their understanding of the Company's business, and develop their decision-making and team management skills, such that they can become an effective backup force for the Company's senior management.	The Company organized the first session of the 2025 Training Program for Newly Promoted Mid-Level Managers of Yunnan Baiyao Group, as well as the 2025 Specialized Development Training Program for Mid-Level Managers of Yunnan Baiyao Group, which was divided into classes for R&D, manufacturing, marketing, supply chain, and finance, totaling 12 sessions.
 Back-up management	Middle Management Successor Training Program	Focusing on the Company's strategy, business development, and organizational capability requirements, the program aims to accelerate the structural and qualitative upgrade of the cadre echelon, stimulate the internal driving force of the cadre team, and cultivate versatile middle management successors to meet future management challenges and leadership tasks.	The Company organized and conducted 4 sessions of the Middle Management Successor Training and Evaluation Program of Yunnan Baiyao Group.
 New employees	New Employee Training Program	To help new comers quickly integrate into the Company culture, enhance their identification with the Company culture, and deepen their understanding of the Company's core business, so as to ensure that they can achieve comprehensive quality expansion in the early stage of their career in the Company, laying a solid foundation for their long-term development.	The Company organized and conducted two sessions of the new employee training program titled "Ambitious Aspirations, Shining Future."

Highlights of 2025 Training Programs of Yunnan Baiyao

2025 Specialized Development Training Program for Mid-Level Managers of Yunnan Baiyao Group

In 2025, Yunnan Baiyao conducted specialized, category-specific training for mid-level managers in R&D, manufacturing, supply chain, marketing, and finance, focusing on the Company's key functional areas. By adopting a model combining "small-class instruction, targeted capacity-building, and action learning," we delivered tailored training for the program. To date, we have held 12 sessions and trained more than 600 participants, thereby enhancing the strategic execution and management capabilities of mid-level managers.



Middle Management Successor Training and Evaluation Program of Yunnan Baiyao Group

To continuously infuse fresh energy into management, the Company has launched a training program for mid-level management candidates. Focusing on areas such as industry insights, capital operations, strategic planning, and innovation management, the program aims to broaden participants' organizational perspectives and enhance their overall management competencies. To date, four sessions have been held. We are committed to building a team of young, well-rounded professionals who possess vision, potential, and a sense of responsibility, thereby cultivating a core workforce to support the Group's long-term development.



Data of Employee Training in 2025

Total Training Duration	Total Number of Participants	Training Duration Per Person
337,162.92 Hours	59,557	36.31 Hours
Annual total training expenses ¹²	Per capita training cost	
742.22 RMB 10,000	710.67 RMB	

¹²Data for annual total training expenses and per capita training cost includes both formal employees and dispatched personnel.



Promotion Mechanism

Yunnan Baiyao continues to build a clear and systematic talent development framework by combining internal cultivation with external recruitment. This system includes position management, career levels, competency standards, performance evaluations, and dual-track career development paths. It effectively supports employees' continuous growth and career advancement, helps them clarify their personal roles and development directions, and broadens their long-term career prospects, thereby enhancing the Company's ability to attract and retain talent.

On this basis, we provide personalized career development support to our employees. Employees can choose a career path that suits their professional expertise, skills, and personal characteristics, and define their growth trajectory within the Company. By participating in career-level evaluations within their respective fields, employees can clearly understand where they stand in their careers. With guidance from their supervisors, employees can identify key areas for skill development and create actionable personal development plans. We encourage our employees to continuously enhance their professional capabilities and work contributions through ongoing learning and practical experience, thereby gaining opportunities for promotion and advancing their professional qualifications, which fosters a virtuous cycle of talent development and company growth.

Performance Management

Yunnan Baiyao has established an integrated "performance-compensation-promotion" system centered on its *Performance Management System*. Performance evaluation plans are designed based on departmental functions and job responsibilities, clearly defining weightings, criteria, and evaluation cycles to establish a solid foundation for fair evaluations. In particular, the compensation system adopts a "position + skills + performance" distribution model, focusing on value-based rewards to channel compensation resources toward high-performing employees and reinforce the incentive principle that "superior performance leads to superior rewards." The results of the performance evaluations are fully incorporated into key processes such as bonus distribution, salary adjustments, and promotion selections, ensuring the fairness and effectiveness of the performance evaluation process through a closed-loop management system.

To ensure the effective implementation of our corporate strategy, we have broken down our overall objectives into specific actions for each department and employee, and established an organization-wide system for goal management and performance evaluation. In collaboration with the Finance and Strategy departments, we have broken down the Company's strategy into a clear roadmap for development and key performance indicators; established a three-tier goal alignment mechanism spanning "senior management-middle management-employees" to ensure alignment across all levels, and organized all employees to sign performance agreements. Throughout the year, we conducted process monitoring, regular evaluations, and post-project reviews as planned, and conducted a comprehensive annual performance review at the end of the year, ensuring that the Company's strategy is ultimately implemented by every employee, thereby ensuring accountability and orderly execution.

Employee Welfare and Incentives

Yunnan Baiyao has established a compensation and performance management system centered on value contribution, ensuring that its incentive mechanisms are both fair and competitive. The Company offers a comprehensive benefits package covering health care, lifestyle conveniences, and family support. It regularly organizes a variety of cultural and recreational activities tailored to the specific needs of different employee groups. Additionally, the Company collects and responds to employee feedback through formal channels, establishing an effective two-way communication mechanism that enhances employees' sense of value and belonging.

Compensation and Benefits

Yunnan Baiyao has always adhered to laws and regulations such as the *Social Insurance Law of the People's Republic of China*, the *Company Law*, the *Securities Law*, the *Measures for the Administration of Equity Incentive Plans for Listed Companies*, the *Shenzhen Stock Exchange Listing Rules*, and the *Guidelines on Pilot Employee Stock Ownership Plans for Listed Companies*. In addition, the Company strictly implements its internal management systems, including the *Compensation Management System of Yunnan Baiyao Group Co., Ltd* and the *Performance Management System of Yunnan Baiyao Group Co., Ltd*, to ensure that management practices such as compensation distribution, performance evaluations, and promotion mechanisms are lawful and compliant. Building on its existing institutional framework, the Company continues to ensure that performance outcomes are effectively linked to salary adjustments, promotion opportunities, and eligibility for long-term incentives, thereby safeguarding the standardization, fairness, and motivational nature of human resources management.

The Company has established a compensation system that benchmarks against the market and reflects both the value of each position and individual contributions, and ensures through performance-based incentives that employees' earnings grow in tandem with the Company's development. We strictly implement relevant national and local regulations to ensure that employees are entitled to statutory holidays, paid annual leave, leave for weddings and bereavement, maternity leave, and breastfeeding breaks, as stipulated by national and local laws. We provide comprehensive coverage for pension, medical, unemployment, work-related injury, maternity, and housing benefits, thereby effectively safeguarding our employees' fundamental rights and interests. In addition, the Company has continued to refine its benefits program, conveying the organization's warmth through festive gestures and gift packages to foster a supportive work environment that promotes a sense of belonging, thereby enhancing employees' overall well-being and sense of fulfillment.



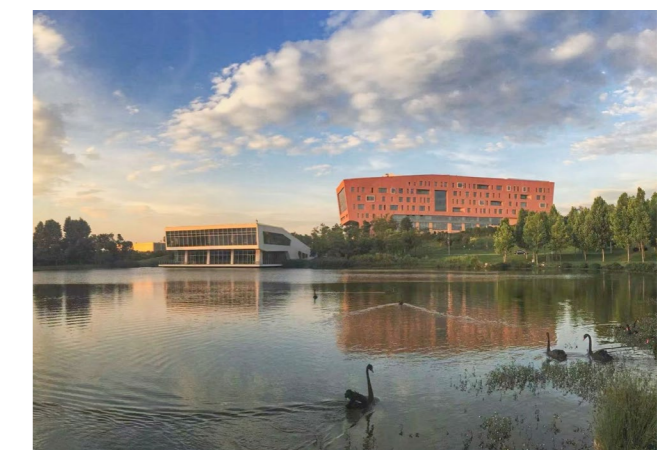
During the reporting period,

The overall salary of grassroots employees at Yunnan Baiyao has achieved double-digit growth year-on-year.

Employee Care

The Company strictly adheres to internal policies such as the *Welfare Management Measures* and the *Leave Management Measures*. By focusing on employees' daily well-being, convenience, and family support, we have established a multidimensional care system that spans "from work to life, and from the individual to the family," helping employees achieve a harmonious balance between work and life.

Yunnan Baiyao continues to enhance its employees' occupational safety, long-term benefits, and health management. In 2025, the Company comprehensively increased the coverage limits for its employees' accidental injury insurance, extended coverage to all employees under labor contracts, temporary agency workers, and outsourced personnel, strengthened protection against accidental risks and alleviated the potential financial burden on employees and their families. In terms of long-term benefits, the Company has optimized its corporate pension plan by changing the eligibility requirement from "two years of service" to "completion of the probationary period," thereby extending coverage to all permanent employees. This allows employees to voluntarily begin saving for retirement at an earlier stage, supports their long-term financial planning, and enables them to share in the Company's success. In addition, the Company has enhanced its health management services by adding three new screening tests to the annual free health checkup package for employees. It has also expanded its service network by opening new high-end health screening centers, offering employees more comprehensive, convenient, and professional health screening options to help them better monitor and maintain their health.



The Company continues to refine its support mechanisms for employees facing financial difficulties, strictly implements the trade union's care package program, and conducts regular visits and special care programs. Eligible employees facing health issues, life challenges, or significant family burdens may apply for early retirement. During the early retirement period, the Company will continue to provide benefits, maintains continuous seniority, and pay social insurance contributions, helping employees focus on their health and balance family responsibilities, thereby demonstrating our genuine care. In addition, the Company will extend its warmth to employees during important milestones such as birthdays, childbirth, and hospital stays, and distribute gifts during traditional holidays, thereby effectively strengthening employees' sense of belonging and identification with the organization.

To promote work-life balance among employees, the Company is actively working to create a healthy, convenient, and enjoyable work environment. In 2025, the Company implemented a parental leave policy and opened its recreational facilities, including basketball courts, tennis courts, and fitness centers, to all employees, to enhance employees' physical and mental well-being and strengthen team cohesion through a variety of extracurricular activities. In addition, the Company has partnered with China National Petroleum Corporation to offer discounts on fuel cards, the signed *Vehicle Annual Inspection Service Cooperation Agreements* with multiple vehicle inspection agencies to provide door-to-door vehicle pickup and drop-off services, and offers employees benefits such as discounted swimming passes and home appliance discounts. Thus, we can effectively alleviate the financial burden on employees, foster a reassuring and supportive work environment, and comprehensively enhance employee satisfaction and well-being.

 **Hosting the Second "Baoliang Cup" Male Employee Basketball Tournament**



The scene of the employee basketball tournament



Care for Female

The Company has always placed a high priority on gender equality and the protection of female employees' workplace rights. We strictly adhere to national policies and regulations regarding the protection of female workers and rigorously enforce our internal regulations outlined in the *Special Collective Agreement on the Protection of Female Employees' Special Rights*, thereby strengthening the safeguarding of female employees' legitimate rights and interests. The contract clearly stipulates various protective measures for female employees, including comprehensive procedures for prevention, reporting, investigation, and resolution of incidents of sexual harassment reported by female employees. These measures ensure a timely response and fair resolution in the event of such incidents, while fully protecting the privacy of those involved. In addition, the Company is actively engaged in women's health support programs. In collaboration with professional medical examination institutions, we organized *Caring for Women's Health* seminars, offering free medical report reviews by physicians and mental health counseling services, thereby demonstrating a genuine commitment to the physical and mental well-being of the female employees.

In 2025, the Company further implemented a more inclusive and supportive leave policy. To address the specific needs of certain employees in caring for their families, the Company proactively implemented policies such as leave for employees with only children. For the employees facing family responsibilities such as caring for their parents, the Company provided ample paid leave support, thereby safeguarding employees' legal rights and interests while demonstrating the Company's commitment to and concern for the well-being of employees' families.

Employee Communication

Yunnan Baiyao has consistently upheld open and transparent internal communication, and continuously promoted the development of grassroots democratic governance and the Company's healthy growth. We are committed to establishing a systematic and diversified framework for employee feedback and democratic participation to fully safeguard employees' rights to information, participation, and expression.

The Company has established a multi-channel communication system that integrates online and offline platforms as well as anonymous and real name-based feedback channels, including the OA system, collaborative documents and forms, suggestion boxes, and dedicated email addresses. This ensures that employees can conveniently and promptly provide feedback and suggestions regarding process optimization, training experiences, system improvements, and day-to-day management. In 2025, the Company incorporated the performance appeal process into its performance management guidelines, along with the corresponding performance appeal forms and performance review forms.



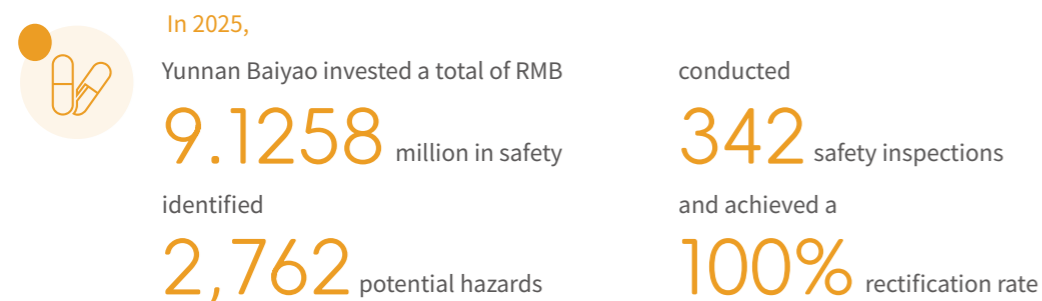
Occupational Health and Safety

Yunnan Baiyao puts employee health and safety production as its top priority, and keeps strengthening safety management across the entire supply chain by establishing a comprehensive system of policies and organizational safeguards. The Company actively promotes the development of a safety culture, systematically conducts training and drills, and effectively enhances the safety awareness and emergency response capabilities of all employees. We are committed to creating a safe and healthy work environment for our employees, thereby laying a solid foundation for the Company's sustainable development.

Health and Safety Management System

Yunnan Baiyao strictly adheres to laws and regulations such as the *Work Safety Law of the People's Republic of China* and the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, and continuously improves its work safety management system. The Company has continuously refined its *Basic Work Safety Management System* and *Emergency Management System* and has established a series of regulations, including the *Work Safety Education and Training Measures*, the *Implementation Measures for Rewards for Internal Work Safety Reporting* and the *Emergency Response Plan for Sudden Environmental Incidents*. These measures systematically delineate responsibilities at all levels and clarify operational standards. Additionally, to address specific production scenarios such as warehouses, tank farms, and hazardous chemicals, the Company has formulated various special rules, such as the *Safety Management System for Warehouses and Tank Farms*, the *Fire Prevention, Explosion Prevention*, and the *No-Fire Management System*, the *Hazardous Chemicals and Major Hazard Sources Management System* and the *Precursor Chemicals Management System*, to strengthen control over critical processes.

The Company has established a Work Safety Management Committee and continues to promote the development of safety management structures tailored to the operational realities of its subsidiaries. It has appointed safety management personnel and is actively encouraging all subsidiaries to simultaneously improve their own safety management frameworks to ensure that safety responsibilities are effectively implemented at every level. To enhance basic safety standards, we have actively implemented safety measures such as interlocking devices, alarm systems, and detection equipment, thereby effectively reducing the risk of accidents at our production sites.



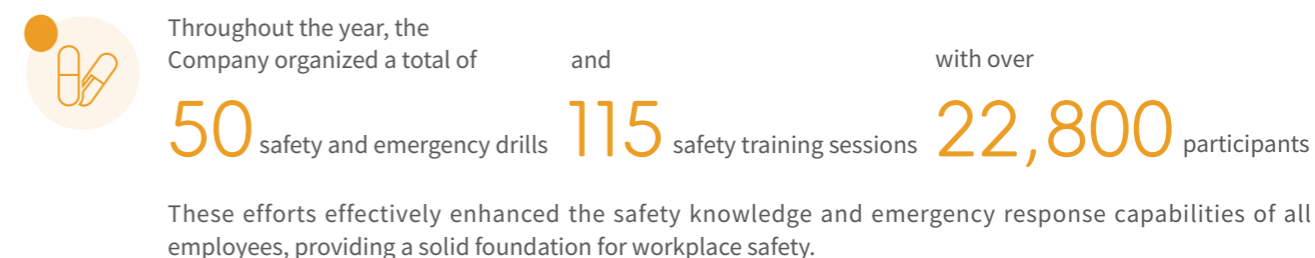
Occupational Safety Performance					
Number of work-related injuries	Number of work-related deaths	Lost working hours due to work-related injuries ¹³	Lost working days due to work-related injuries	Injury rate per million work hours	Number of employees undergoing occupational health examinations
13 Persons	0 Persons	6,288 Hours	42 Days	62.23 %	1,775 Persons

¹³2025 witnessed an increase in the identified number of workers suffered work-related injuries, extension of the identification scope and improved awareness of the employees to safeguard rights, which together led to the increase in the lost working hours.

Construction of Safety Culture

The Company has consistently adhered to the principle of "full participation and comprehensive coverage." By systematically conducting emergency drills, thoroughly identifying potential risks and hazards, and continuously promoting diverse safety training programs that span both online and offline platforms, the Company has established a closed-loop safety management mechanism for routine operations, deeply integrating health and safety awareness into every aspect of its production and business activities.

In 2025, based on actual operational needs, the Company developed and launched a series of courses covering topics such as basic safety, fire safety, emergency response, and laboratory safety. We adopted a blended training and assessment model combining online and in-person sessions to ensure the effectiveness of the training.



Specialized Training on Safety Risk Prevention and Control

In August 2025, the Company organized a specialized training session on safety risk prevention and control, aimed at enhancing employees' awareness of safety responsibilities and their ability to respond to emergencies. This training session centered on regulations such as the *Fire Control Law of the People's Republic of China* and the *Work Safety Law*, focusing on key areas including work at heights, electrical and gas safety, fire safety, and emergency response. Through a combination of policy interpretation, analysis of typical cases, and hands-on drills, the training systematically strengthened participants' safety knowledge and risk prevention skills. The trainees fully understood the responsibilities of each position regarding workplace safety and expressed their commitment to incorporating the principle of "Safety for All, Preparedness for All" into their daily work, thereby working together to strengthen the Company's safety defenses.



Specialized Training on Safety Risk Prevention and Control

05

Social Contribution: Creating Shared Value and Promoting Harmonious Development

Yunnan Baiyao actively fulfills its corporate social responsibilities and supports the national rural revitalization strategy. By participating in community development, supporting local growth, and continuously organizing diverse public welfare and charitable activities, the Company gives back to society and contributes to the prosperity of local communities. At the same time, the Company continues to strengthen its leadership in the industry and actively fosters an open and collaborative industrial ecosystem to support the pharmaceutical industry's transition toward digitalization, sustainability, and modernization.

- Serving the Rural Revitalization Strategy 111
- Community Collaboration 112
- Public Welfare and Charity 113
- Industry Leadership and Industrial Synergy 113



Serving the Rural Revitalization Strategy

Yunnan Baiyao actively supports the national rural revitalization strategy and, leveraging its industrial resources and professional expertise, systematically plans and implements rural revitalization projects. The Company has established a comprehensive operational framework covering organizational development, Party-building collaboration, technological empowerment, leadership development, talent cultivation, and consumer support. By focusing on mutual empowerment of both the industry and talent, the Company is committed to promoting the sustainable development of the rural economy and improving the quality of life for residents. In 2025, the Company actively participated in the "Golden Autumn Campaign for Consumption-Based Poverty Alleviation" and the "Spring Festival Campaign for Consumption-Based Poverty Alleviation." Through the "832 Platform," we purchased a total of 8,862 units of agricultural and sideline products from Weixi County, amounting to RMB 886,200, thereby actively helping farmers increase their income and contributing to rural revitalization.

2025



Through the "832 Platform," we purchased a total of **8,862** units of agricultural and sideline products from Weixi County



amounting to RMB **886,200**

Vigorously Promoting Educational Assistance and Continuing the "Golden Autumn Scholarship" Program

Yunnan Baiyao has always upheld the belief that "rural revitalization depends on talent, and to foster talent, education must come first." In 2025, the Company continued its "Golden Autumn Scholarship" program in Pantiang Township, Weixi County, allocating RMB 164,000 in scholarships to support 92 students from across the township who were admitted to undergraduate and vocational programs. Since 2015, the Company invested a total of RMB 1.915 million to help nearly 600 students successfully study in the universities and colleges, offering talent support for the long-term development of Pantiang Township.

Promoting the "Grain-Medicinal Materials" Intercropping Model, Improving Farmers' Cultivation Skills

In 2025, Yunnan Baiyao leveraged Weixi's natural resources to actively promote the "grain-medicinal materials" intercropping model. The Company revised and improved the *Specialized Technical Solution for the Cultivation of Dolomiaea costus of Yunnan Baiyao*, and conducted 10 training sessions that reached 180 participants, thereby enhancing farmers' cultivation skills. The Company invested RMB 101,500 in incentive subsidies for farmers in the two villages who practice intercropping corn with *Dolomiaea costus*, encouraging 140 farming households (including 96 households that have been lifted out of poverty and those under monitoring) to develop the *Dolomiaea costus* cultivation industry. Intercropping of *Dolomiaea costus* was promoted across more than 500 mu in Chazhiluo Village and Xinle Village, increasing output value by RMB 1.05 million and boosting average household income by RMB 5,000. Several media outlets, including xuexi.cn and Diqing Learning Platform, have published in-depth reports on the case study titled *Chazhiluo Village Overcame Challenges and Boosted Income Through the "Three Ones."*



Intercropping of grain and medicinal materials boosted yields and income

Community Collaboration

Yunnan Baiyao always places great emphasis on fulfilling its corporate social responsibilities. By forging close, long-term collaborations with the community, the Company has actively carried out a variety of care activities, successfully responding to residents' practical needs and driving harmonious development and continuous improvement within the community.

Organizing a Photography Event to Convey Social and Humanitarian Concern

In 2025, Yunnan Baiyao organized a public welfare campaign for "Filial Piety and Respect for the Elderly" in rural communities to celebrate the Double Ninth Festival. Under the theme "Fulfilling Dreams in the Capital," the campaign provided free photography services to 151 elderly villagers, capturing their heartwarming moments and presenting them with the photos. The campaign aimed to enrich the spiritual and cultural lives of the elderly and tangibly enhance their sense of well-being.



Free Photography Event for the Double Ninth Festival to Honor Parents and Respect the Elderly

Promoting Community Health and Providing Care for People of All Ages

In 2025, Yunnan Baiyao launched the "Healthy Rejuvenation, Good Times" series of activities, taking the celebration of Double Ninth Festival as an opportunity. Through cultural reimagining, the Company has expanded the connotation of festivals into all-age health care. By collaborating with the community to organize activities such as health walks and free medical clinics, we have effectively integrated health concepts into public spaces, demonstrating that the Company is not only a product provider but also a champion and practitioner of healthy lifestyles within the community.



"Healthy Rejuvenation, Good Times" series

Public Welfare and Charity

Yunnan Baiyao actively fulfills its corporate social responsibility, deeply integrating charitable donations and volunteer services into its sustainability strategy. The Company strictly adheres to the internal regulations set forth in the *Management Measures for Charitable Donations of Yunnan Baiyao Group Co., Ltd.* We have established a comprehensive management system for charitable activities to ensure that donations and public welfare activities are conducted in a standardized, transparent, and efficient manner, thereby continuously enhancing the cohesion of our corporate culture and our social influence. During the reporting period, the Company actively participated in numerous public welfare activities and widely encouraged employees to join volunteer programs. The Company made external donations totaling approximately RMB 3.56 million, including approximately RMB 2.6 million in charitable donations and approximately RMB 960,000 in donations related to rural revitalization and harmonious neighborhood-building activities. Through these concrete actions, the Company gave back to society and contributed to community development and improvements in people's livelihoods.



In 2025
The Company made external donations totaling approximately RMB

3.56 million

Active Participation in the "HER HEALTH" Public Welfare Activities to Effectively Raise Health Awareness Among Young People

In 2025, Yunnan Baiyao actively participated in the "HER HEALTH Women's Public Welfare Activities" organized by Meituan Medicine & Health. The Company provided key support for the "Girls, Go for It!" donation campaign at the Liude Township Central School in Yongsheng County, Lijiang, and hosted the "Care for Her Goodness" health fair and campus outreach events at Yunnan Minzu University to help raise health awareness and improve the well-being of women and young students.



"HER HEALTH Women's Public Welfare Activities"

Industry Leadership and Industrial Synergy

Guided by its mission of "to guard life and health," Yunnan Baiyao actively fulfills its role as an industry leader while pursuing high-quality development. Through technological innovation and knowledge sharing, the Company actively fosters an open industry ecosystem and collaborative partnerships, while deeply integrating itself into local development. It is committed to advancing the modernization and sustainable development of the pharmaceutical industry, thereby achieving a harmonious balance between industrial and social value.

Building Platforms Together, Sharing Knowledge

Yunnan Baiyao is committed to accelerating the modernization of the TCM industry. By establishing high-level dialogue platforms, sharing cutting-edge practices, and promoting technology transfer, the Company is leading the industry toward a future characterized by digitalization and intelligent development.

Hosting a High-Level Industry Forum to Bring Together Expert Insights

As a strategic partner, Yunnan Baiyao was deeply involved in and hosted the core events of the 2025 Tengchong Scientists Forum series. The Company co-hosted the "Entrepreneur Innovation Forum" with Tsinghua University. Centered on the theme of "AI-Driven Industrial Innovation," the forum showed the Company's explorations and practices in areas such as the standardization of TCM materials, intelligent supply chain management, and AI-assisted drug R&D. The Company's collaborative research project with Peking University, titled "High-Throughput Analysis of Small Molecules from Natural Products of Medicinal Plants and the R&D and Application of Key Technologies for AI-Assisted Rapid Drug Screening," was honored as one of the forum's "Top Ten Technology Transfer Cases," laying a solid foundation for the establishment of a regional technology transfer hub.



Entrepreneur Innovation Forum



In addition, the Company successfully hosted the *Pharmaceutical Innovation and Technology Frontier Forum 2025*, inviting seven academicians from the Chinese Academy of Sciences and the Chinese Academy of Engineering to provide guidance and promote cutting-edge industry dialogue.



Pharmaceutical Innovation and Technology Frontier Forum 2025



Building a Collaborative Expert Service Platform to Support Industry Innovation

During the reporting period, Yunnan Baiyao formally signed an agreement with the Yunnan Provincial Expert and Talent Industry Service Group. The Company conducted a total of 23 expert consultations and assessments, led the development of one industry standard, collaborated to resolve two key technical challenges, published one high-level scientific paper, and established one innovation platform, one expert workstation, and one engineering research center. These efforts comprehensively advanced the upgrade of the scientific research capabilities and innovation system of the Central Research Institute, while continuing to strengthen the foundation for high-level R&D support.



Exchange Meeting of the Yunnan Provincial Expert and Talent Industry Service Group

Empowering Industries, Promoting Collaborative Development

Yunnan Baiyao is actively building and integrating into an open, mutually beneficial, and diverse industrial ecosystem. By participating in the formulation of industry standards, sharing management systems, expanding cooperation models, and promoting scientific principles, the Company is continuously enhancing the innovation and sustainability of the industrial chain.

Integrating Industry, Academia, and Research to Lead the Development of Industry Standards

- In 2025, Yunnan Baiyao established collaborative research and innovation platforms, partnering with the Yunnan Provincial Institute for Food and Drug Control to apply for the designation of the "Yunnan Provincial Key Laboratory for the Quality and Standards of TCM materials," and collaborating with Yunnan University of TCM to apply for the "Yunnan Provincial Key Laboratory for the Processing and Preparation of TCM materials." Through the integration of industry, academia and research, the Company aims to overcome bottlenecks in quality standards and processing technologies, thereby injecting new momentum into industrial R&D.
- We took the lead in developing the group standard *Seeds of Yunnan Paris polyphylla*, participated in the formulation of the national standard of *Technical Specifications for the Production of Poria cocos Strains*, and spearheaded the release of four group standards, including the *Technical Specifications for Determining the Shelf Life of TCM Decoction Pieces* and the *Technical Specifications for the Production of Yunnan Paris polyphylla: On-Site Processing (Fresh-Cut Processing)*, covering key stages such as seeds, processing, and quality control. These standards have filled technical gaps in the industry and provide unified guidelines for enterprise production.

Participating in the Development of Industry Standards to Enhance Industry Best Practices

In 2025, Yunnan Baiyao participated in the development of the industry standard *Functional Toothpaste*, helping to standardize the evaluation of the efficacy of oral care products. At the same time, the Company's experts were appointed as members of the National Expert Committee of the ISO Technical Committee on Dental Science and Technology. They participated in its annual meetings, actively discussed international standards for oral care products, and helped enhance the influence of Chinese companies in the development of international standards.

Appendix

Performance Table

Dimension	Indicators	Unit	2025	
Governance	Business Ethics			
	Compliance training	Compliance training sessions	Time	20
		Compliance training coverage of employees	%	100
	Addressing Climate Change			
GHG emissions	Direct greenhouse gas emissions (Scope I)	Ton(s) of CO ₂ equivalent	34,718.58	
	Indirect greenhouse gas emissions (Scope II)	Ton(s) of CO ₂ equivalent	56,028.10	
	Total greenhouse gas emissions	Ton(s) of CO ₂ equivalent	90,746.68	
	Density of greenhouse gas emissions	Ton(s) of CO ₂ equivalent/ Operating revenue of RMB 10,000	0.022	
Environmental	Environmental Management			
	Exhaust ga	Total exhaust gas emissions	10,000m ³	37,707.64
		Fume (dust)	Ton(s)	0.80
		NOx	Ton(s)	5.41
		Sox	Ton(s)	0.29
		VOCs	Ton(s)	4.21
	Exhaust gas intensity	10,000m ³ /Operating revenue of RMB 10,000	0.0092	
	Wastewater management	Total wastewater discharge	Ton(s)	1,493,268.51
		COD	Ton(s)	99.02
		Ammonia nitrogen	Ton(s)	2.51
		Total phosphorus	Ton(s)	2.65
		Wastewater discharge intensity	Ton(s)/Operating revenue of RMB 10,000	0.36
		Waste drugs, drugs HW03	Ton(s)	132.00
Experimental liquid waste HW49		Ton(s)	36.53	
Other hazardous wastes		Ton(s)	32.58	
Total discharge of hazardous wastes	Ton(s)	201.11		
Intensity of hazardous waste	Kg/Operating revenue of RMB 10,000	0.049		
Drug residue, sludge	Ton(s)	22,491.13		
Domestic garbage	Ton(s)	1,148.80		

Dimension	Indicators	Unit	2025
Environmental	Other general solid waste	Ton(s)	582.13
	Total discharge of non-hazardous waste	Ton(s)	24,222.05
	Intensity of non-hazardous waste	Ton(s)/Operating revenue of RMB 10,000	0.0059
	Total discharge of solid waste	Ton(s)	24,423.17
	Discharge intensity of solid waste	Ton(s)/Operating revenue of RMB 10,000	0.0059
	Total waste recycled/reused	Ton(s)	18,924.736
	Total waste recycled/reused per million RMB revenue	Ton(s)/Operating revenue of RMB 1 million	0.46
	Percentage of waste recycled/reused	%	77.49
	Total waste disposed	Ton(s)	24,423.17
	-Landfill	Ton(s)	849.80
	-Incineration with energy recovery	Ton(s)	678.34
	-Incineration without energy recovery	Ton(s)	0.00
	-Other disposal methods	Ton(s)	22,895.03
	-Unknown disposal method	Ton(s)	0.00
	-Total hazardous waste recycled/reused	Ton(s)	0.00
	-Total hazardous waste disposed	Ton(s)	201.11
	-Hazardous waste to landfill	Ton(s)	0.00
	-Hazardous waste incinerated with energy recovery	Ton(s)	169.67
	-Hazardous waste incinerated without energy recovery	Ton(s)	0.00
	-Hazardous waste disposed through other methods	Ton(s)	31.44
-Hazardous waste with unknown disposal method	Ton(s)	0.00	
Resources Utilization			
Energy management	Diesel	Ton(s)	778.30
	Gasoline	Ton(s)	20.90
	Natural gas	10,000m ³	468.00
	Purchased electricity	MWh	93,424.94
	Purchased steam	GJ	128,473.90
	Water and electricity	kWh	71,359,094.00
	Solar PV	kWh	3,112,320.00
	Comprehensive energy consumption	Ton(s) of standard coal	30,632.00
Density of comprehensive energy consumption	Ton(s) of standard coal / Operating revenue of RMB 10,000	0.0074	

Dimension	Indicators	Unit	2025	
Environmental	Water resource management	Reclaimed water reuse	Ton(s)	92,442.00
		Water consumption	Ton(s)	1,869,115.00
		Water consumption intensity	Ton(s)/Operating revenue of RMB 10,000	0.45
	Packaging material usage	Paper	Ton(s)	18,234.00
		Plastic	Ton(s)	3,617.62
		Glass	Ton(s)	4,449.87
		Aluminum	Ton(s)	2,309.00
		Composite soft package	Ton(s)	2,291.00
		Packaging material usage	Ton(s)	30,901.49
		Intensity of packaging material consumption	Ton(s)/Operating revenue of RMB 10,000	0.0075
Supply Chain Management				
	Total number of suppliers	/	310	
	Key suppliers	/	154	
	Yunnan Province	/	45	
Chinese suppliers	Chinese suppliers (in other provinces and regions in Mainland China except Yunnan Province)	/	263	
	Overseas suppliers (including Hong Kong, Macao and Taiwan)	/	2	
Compliant Recruitment				
Social		Total number of employees ¹⁴	Persons	11,685
	Type of employees in total	Formal employees	Persons	9,286
		Labor dispatch employees	Persons	1,158
	employee count	Subcontracting staff	Persons	1,241
		Senior management ¹⁵	Persons	206
	Number of employees by rank	Middle management	Persons	1,064
		Junior employees	Persons	8,016
	Number of employees by type of work	Sales staff	Persons	5,467
		Technical staff (including R&D staff)	Persons	1,351
		Production staff	Persons	1,640
Financial staff		Persons	271	
	Administrative staff	Persons	557	

¹⁴The total employee count includes employees under labor contracts, labor dispatch, and subcontracting staff.

¹⁵They include senior managements of the Company and its subordinate business groups.

Dimension	Indicators	Unit	2025	
Social	Number of employees by gender	Male employees	Persons	5,098
		Female employees	Persons	4,188
	Number of employees by age	30 and below	Persons	2,660
		31 to 40	Persons	4,484
		41 to 50	Persons	1,799
	Number of employees by nationality	51 and above	Persons	343
		Han	Persons	7,939
		Ethnic minorities	Persons	1,346
	Number of employees by region	Overseas employees	Persons	1
		Yunnan	Persons	4,684
		Mainland China (excluding Yunnan)	Persons	4,597
		Hong Kong, Macao, Taiwan and overseas	Persons	5
Employee Training				
Employee Training	Total Training Duration	Hours	337,162.92	
	Total Number of Participants	/	59,557	
	Training Duration Per Person ¹⁶	Hours	36.31	
	Annual total training expenses	RMB 10,000	742.22	
	Per capita training cost	RMB	710.67	
Occupation Safety Performance	Number of work-related injuries	Persons	13	
	Number of work-related deaths	Person	0	
	Lost working hours due to work-related injuries ¹⁷	Hours	6,288	
	Lost working days due to work-related injuries	Days	42	
	Injury rate per million work hours	%	62.23	
Safety Management	Number of employees participating in occupational disease examination	Persons	1,775	
	Safety investment	RMB 10,000	912.58	
Safety Inspection	Safety inspection sessions	Sessions	342	
	Number of safety hazard inspections	/	2,762	
Safety Training	Safety emergency drill sessions	Sessions	50	
	Safety education training sessions	Sessions	115	
	Safety training attendances	/	22,801	

¹⁶Data for annual total training expenses and per capita training cost includes both formal employees and dispatched personnel.

¹⁷2025 witnessed an increase in the identified number of workers suffered work-related injuries, extension of the identification scope and improved awareness of the employees to safeguard rights, which together led to the increase in the lost working hours.

Dimension	Indicators	Unit	2025	
Social	Quality and Safety of products			
	Quality and safety training	Number of quality and safety training sessions	/	1,973
	R&D Innovation			
	R&D investment		RMB 100 million	4.23
	The amount of expenses incurred due to the filing of intellectual property rights registration		RMB 10,000	107.56
	Number of patent applications filed during the year	Invention patent	/	42
		Utility model patent	/	12
	Number of patent grants during the year	Invention patent	/	30
		Utility model patent	/	12
	Number of valid patents during the year	Invention patent	/	132
		Utility model patent	/	232
		Patent for appearance design	/	69
		Total	/	433
	Public Welfare			
	External donations		RMB 10,000	356

Shenzhen Stock Exchange Guidelines

Dimension	Series No.	Topic	Corresponding Article	Corresponding Section
Environmental	1	Addressing climate change	Articles 21 to 28	Green Transformation:Environmental Management and Ecological Protection Addressing Climate Change
	2	Pollutant discharge	Article 30	Green Transformation:Environmental Management and Ecological Protection Addressing Climate Change
	3	Waste disposal	Article 31	Green Transformation:Environmental Management and Ecological Protection Addressing Climate Change
	4	Ecosystem and biodiversity protection	Article 32	Green Transformation:Environmental Management and Ecological Protection Addressing Climate Change
	5	Environmental compliance management	Article 33	Green Transformation:Environmental Management and Ecological Protection Addressing Climate Change
	6	Energy utilization	Article 35	Green Transformation:Environmental Management and Ecological Protection Addressing Climate Change
	7	Water resource utilization	Article 36	Green Transformation:Environmental Management and Ecological Protection Addressing Climate Change
	8	Circular economy	Article 37	Green Transformation:Environmental Management and Ecological Protection Addressing Climate Change
Social	9	Rural revitalization	Article 39	Social Contribution: Creating Shared Value and Promoting Harmonious Development Serving the Rural Revitalization Strategy
	10	Social contribution	Article 40	Social Contribution: Creating Shared Value and Promoting Harmonious Development Serving the Rural Revitalization Strategy
	11	Innovation driven	Article 42	Innovation Empowerment: Product Excellence and Industry Collaboration R&D Innovation

Dimension	Series No.	Topic	Corresponding Article	Corresponding Section
Social	12	Technology ethics	Article 43	Innovation Empowerment: Product Excellence and Industry Collaboration R&D Innovation
	13	Supply chain safety	Article 45	Innovation Empowerment: Product Excellence and Industry Collaboration R&D Innovation
	14	Equal treatment for small and medium-sized enterprises	Article 46	Innovation Empowerment: Product Excellence and Industry Collaboration Supply Chain Management
	15	Safety and quality of products and services	Article 47	Innovation Empowerment: Product Excellence and Industry Collaboration Full Lifecycle Quality Management
	16	Data security and customer privacy protection	Article 48	Governance as Foundation: Strategic Leadership and Sound Operations Risk and Compliance Management
	17	Employees	Article 50	People-Oriented: Employee Development and Workplace Development Protecting Employees' Rights and Interests Talent Cultivation and Development Employee Welfare and Incentives Occupational Health and Safety
Sustainability related governance	18	Due diligence	Article 52	Governance as Foundation: Strategic Leadership and Sound Operations
	19	Anti-commercial bribery and anti-corruption	Article 55	Governance as Foundation: Strategic Leadership and Sound Operations
	20	Business Ethics and Integrity Building	Article 55	Governance as Foundation: Strategic Leadership and Sound Operations
	21	Anti-unfair competition	Article 56	Governance as Foundation: Strategic Leadership and Sound Operations

Feedback Form

Dear Readers,

Thank you very much for your attention and support for Yunnan Baiyao's sustainable development. To provide you with more professional and valuable information on environmental, social, and governance aspects, and to further enhance the quality of our sustainability report, we invite you to respond to the relevant questions in the feedback form.

1.Are you satisfied with the report? Please provide your evaluation.

2.Do you believe that our fulfillment of social responsibility has been fully disclosed?

3.Is the information you wish to know fully disclosed in the report?

4.What suggestions do you have for improving the report?

Your Information

Name:

Fax:

Organization:

Phone Number:

Position:

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