

Company code:603939

Company abbreviation: Yifeng Pharmacy

# **Yifeng Pharmacy Chain Co., Ltd.**

## **2023 Annual Report**

## Important Notes

- I. The Board of Directors, Board of Supervisors, directors, supervisors and senior management of the Company hereby guarantee that the contents are authentic, accurate, and complete, without false records, misleading representations or material omissions in the Annual Report, and shall take all the joint and several legal liabilities.**
- II. All the directors have attended the meeting of the Board of Directors.**
- III. Pan-China Certified Public Accountants (special general partnership) has issued a standard unqualified audit report for the Company.**
- IV. Gao Yi, the Company's responsible person, Deng Jianqin, responsible person in charge of accounting work, and Guan Changfu, the accounting firm's responsible person (accounting superintendent) hereby declare and warrant that the financial report in the Annual Report is authentic, accurate, and complete.**
- V. The profit distribution plan or the capital reserve capitalization plan for the Reporting Period has been approved by the Board of Directors**

In 2023, the Company achieved a net profit attributable to the parent company amounting to CN¥ 1,411,985,024.41. After adding the undistributed profit from the beginning of 2023, which was CN¥ 3,717,157,469.99, and deducting the statutory surplus reserve of CN¥66,216,102.98 extracted at the end of the year, along with a dividend payout of CN¥ 288,681,972.00 for 2023, the profit available for distribution to shareholders totaled CN¥4,774,244,419.42.

The Company plans to distribute a cash dividend of CN¥ 0.50 per share (tax included) to all shareholders, based on the total share capital as recorded on the equity distribution date of 2023. Additionally, it will increase the share capital by 0.20 shares per share from the capital reserve, without issuing any bonus shares. The estimated cash dividend payout amounts to CN¥ 505,289,898.50 (tax included). It is expected that 202,115,959 shares will be issued for capital conversion. After the capital conversion, the total share capital of the Company will increase to 1,212,695,756 shares. If the total share capital of the Company changes due to matters such as share repurchases or cancellations related to equity incentives from the date of approval of this plan by the Board of Directors to the implementation of the equity distribution on the registration date, the Company will maintain the distribution ratio (capital conversion) per share unchanged and make adjustments to the total distribution (capital conversion) amount. The profit distribution plan above is subject to approval by the Company's shareholders at the general meeting before implementation.

**VI. Risk statement on forward-looking statements**

Applicable"  Not applicable"

The forward-looking statements such as future plans and development strategies in the Annual Report do not constitute a substantive commitment of the Company to investors. Investors should therefore make rational investment based on an awareness of risk factors.

**VII. Are there cases of non-operational fund occupancy by the controlling shareholder and other related parties**

No

**VIII. Have there been any breaches of established decision-making procedures in providing guarantees to external parties**

No

**IX. Has there been a situation where more than half of the directors cannot guarantee that the Annual Report disclosed by the Company is authentic, accurate, and complete**

No

**X. Significant risk warnings**

During the Reporting Period, no significant risks had a substantial impact on the Company's production and operation activities. The Company has extensively elaborated on potential risks in this report. For more details, please refer to Subsection "Potential Risks" under Section 3 "Management Discussion and Analysis".

**XI. Others**

Applicable"  Not applicable"

If there is any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

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Contents of Reference File	Accounting statements with the signatures and seals of the Company's responsible person, the responsible person in charge of accounting work, and the responsible person of the accounting firm (accounting superintendent)
	The original copies of all documents and announcements publicly disclosed by the Company in the newspapers designated by the China Securities Regulatory Commission (CSRC) during the Reporting Period, including <i>Shanghai Securities News</i> , <i>China Securities Journal</i> , <i>Securities Times</i> , and <i>Securities Daily</i>

## Section I. Explanation

### I. Explanation

In this report, unless stated otherwise, the following terms shall be interpreted as follows:

Common terms and their definitions		
The Company, Company, and Yifeng Pharmacy	Means	Yifeng Pharmacy Chain Co., Ltd.
Houxin	Means	Controlling shareholder of Ningbo Meishan Free Trade Port Area Houxin Venture Capital Partnership (Limited Partnership)
Yizhifeng	Means	Ningbo Meishan Free Trade Port Area Yizhifeng Enterprise Management Partnership (Limited Partnership), a shareholder of the Company
Yirentang	Means	Ningbo Meishan Free Trade Port Area Yirentang Enterprise Management Partnership (Limited Partnership), a shareholder of the Company
CSRC	Means	China Securities Regulatory Commission
<i>Company Law</i>	Means	<i>Company Law of the People's Republic of China</i>
<i>Securities Law</i>	Means	<i>Securities Law of the People's Republic of China</i>
ERP	Means	Enterprise Resource Planning (ERP) is a type of enterprise management software that integrates the management of material resources (material flow), human resources (personnel flow), financial resources (financial flow), and information resources (information flow).
O2O	Means	Online To Offline (O2O) integrates offline business opportunities with the Internet, thus effectively making the Internet a platform for offline transactions.
B2C	Means	Business To Customer (B2C) is an e-commerce model in which enterprises directly sell their products or services to consumers. This type of e-commerce typically relies on network retail.
CRM	Means	Customer Relationship Management (CRM) is a system that enterprises use to manage relationship with their customers.
SAP	Means	Systems Applications and Products in Data Processing (SAP) is a software used to manage solutions.
WMS	Means	Warehouse Management System (WMS) is a system used for warehouse management.
MES	Means	Manufacturing Execution System (MES) is a system used for manufacturing execution.
AGV	Means	Automated Guided Vehicle (AGV) refers to a vehicle used for material handling and transportation with automated guide.
IQVIA	Means	It is a world-leading company merged by Quintiles and IMS Health, two medical information service companies, and is committed to delivering medical market information, and technical and service solutions.
GSP	Means	Good Supply Practice
During the Reporting Period and within the Reporting period	Means	January 1, 2023 to December 31, 2023
CN¥, CN¥10,000	Means	Chinese Yuan, Chinese Yuan 10,000
Shanghai Stock	Means	www.sse.com.cn

Exchange website		
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## Section II. Company Profile and Major Financial Indicators

### I. Company information

Chinese name	Yifeng Pharmacy Chain Co., Ltd.
Chinese abbreviation	Yifeng Pharmacy
English name	Yifeng Pharmacy Chain Co., Ltd.
English abbreviation	Yifeng Pharmacy
Legal representative	Gao Yi

### II. Contact person and contact information

	Secretary of the Board of Directors	Securities Affairs Representative
Name	Fan Wei	Luo Gongzhao
Address	No.68, Jinzhou Avenue, Lugu High-tech Zone, Changsha City, Hunan Province	No.68, Jinzhou Avenue, Lugu High-tech Zone, Changsha City, Hunan Province
Tel.	0731-89953989	0731-89953989
Fax	0731-89953989	0731-89953989
E-mail	ir@yfdyf.com	ir@yfdyf.com

### III. Basic information

Registered address	No.2638, Renmin Road, Fuqiang Community, Baimahu Subdistrict, Wuling District, Changde City, Hunan Province
Alteration of registered address	None
Office address	No.68, Jinzhou Avenue, Lugu High-tech Zone, Changsha City, Hunan Province
Post code of office address	410000
Website	www.yfdyf.cn
E-mail	ir@yfdyf.com

### IV. Information disclosure and storage location

The name and website of the media where the Company discloses the annual report	<i>China Securities Journal, Securities Times, Shanghai Securities News, and Securities Daily</i>
Website of the stock exchange to which the Company's Annual Report is disclosed	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Place where the Company's Annual Report is formulated	Office of the Board of Directors

### V. Company stock

Company stock				
Stock type	Stock exchange	Stock abbreviation	Stock code	Stock abbreviation before change
A share	Shanghai Stock Exchange	Yifeng Pharmacy	603939	/

### VI. Other related information

Accounting firm employed by the Company (domestic)	Name	Pan-China Certified Public Accountants (special general partnership)
	Office address	Block B, China Resources Building, No.1366, Qianjiang

		Road, Jianggan District, Hangzhou City, Zhejiang Province
	Names of undersigned accountants	Wei Wujun and Jiang Fengfeng

## VII. Main accounting data and financial indicators in recent three years

### (I). Main accounting data

Unit:CN¥ Currency:CNY

Main accounting data	2023	2022		Increase/Decrease over the previous year (%)	2021	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Operating revenue	22,588,227,402.22	19,886,395,835.95	19,886,395,835.95	13.59	15,326,305,266.09	15,326,305,266.09
Net profit attributable to shareholders of the listed company	1,411,985,024.41	1,261,841,039.80	1,265,609,879.99	11.90	888,790,679.99	887,884,497.85
Net profit attributable to shareholders of the listed company after deduction of non-recurring profits and losses	1,361,512,589.23	1,227,426,490.98	1,230,293,584.85	10.92	860,353,756.47	858,719,649.09
Net cash flow from operating activities	4,623,740,795.60	3,920,267,304.15	3,920,267,304.15	17.94	2,149,969,972.35	2,149,969,972.35
	At the end of 2023	At the end of 2022		Increase/Decrease over the end of the previous year (%)	At the end of 2021	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Net assets attributable to shareholders of the listed Company	9,804,432,476.56	8,553,215,869.87	8,556,078,527.92	14.63	7,482,212,247.62	7,481,306,065.48
Total assets	24,136,539,194.64	21,036,023,981.99	21,038,886,640.04	14.74	17,052,943,056.72	17,052,036,874.58

**(II). Major financial indicators**

Major financial indicators	2023	2022		Increase/Decrease over the previous year (%)	2021	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Basic earnings per share (CN¥/share)	1.40	1.26	1.26	11.11	0.89	0.89
Diluted earnings per share (CN¥/share)	1.40	1.25	1.26	12.00	0.89	0.89
Basic earnings per share with non-recurring profits and losses deducted (CN¥/share)	1.35	1.22	1.22	10.66	0.86	0.86
Weighted average return on equity (%)	15.44	15.78	15.82	-0.34	13.04	13.03
Weighted average return on net assets with non-recurring profits and losses deducted (%)	14.89	15.35	15.38	-0.46	12.62	12.60

Description of the Company's main accounting data and financial indicators for the previous three years at the end of the Reporting Period  
 Applicable  Not applicable"

Reason for adjustment: Since January 1, 2023, the Company has adhered to the "Accounting Treatment for Deferred Income Taxes Related to Assets and Liabilities Arising from Individual Transactions that Are Not Subject to Initial Recognition Exemption," as outlined in Interpretation No. 16 of the Enterprise Accounting Standards issued by the Ministry of Finance. Accordingly, the financial statements for the earliest reporting period have been adjusted to reflect this provision for applicable individual transactions. This adjustment includes lease liabilities and right-of-use assets recognized during this period due to these transactions, along with recognized disposal-related obligations and corresponding assets that generate taxable and deductible temporary differences. The cumulative impact amount has been adjusted in accordance with this provision and the provisions of Accounting Standards for Enterprises No. 18—Income Taxes. This affects the retained earnings and other related financial statement items as of the start of the earliest reporting period.

**VIII. Differences in accounting data under domestic and foreign accounting standards****(I). Differences in net profits and net assets attributable to shareholders of the listed Company in the financial statements disclosed under international accounting standards and that disclosed under domestic accounting standards**

Applicable  Not applicable"

**(II). Differences in net profits and net assets attributable to shareholders of the listed Company in the financial statements disclosed under overseas accounting standards and that disclosed under domestic accounting standards**

Applicable  Not applicable"

**(III). Explanation of differences in overseas and domestic accounting standards:**

Applicable  Not applicable"



**IX. Quarter-based main financial indicators in 2023**

Unit: CN¥ Currency: CNY

	Quarter 1 (Jan - Mar)	Quarter 2 (Apr - Jun)	Quarter 3 (Jul - Sept)	Quarter 4 (Oct- Dec)
Operating revenue	5,266,053,201.98	5,440,509,806.07	5,181,484,438.58	6,700,179,955.59
Net profit attributable to shareholders of the listed company	336,477,177.44	368,676,376.22	294,030,212.68	412,801,258.07
Net profits attributable to shareholders of the listed Company after deduction of non-recurring profits and losses	321,446,423.67	357,321,543.25	287,360,171.58	395,384,450.73
Net cash flow from operating activities	1,288,846,164.43	118,886,600.05	1,474,159,094.77	1,741,848,936.35

Description of differences between quarterly data and periodic report data disclosed

"□ Applicable" "√ Not applicable"

**X. Non-recurring profit and loss items and amounts**

"√ Applicable" "□ Not applicable"

Unit: CN¥ Currency: CNY

Non-recurring profit and loss items	Amount in 2023	Note (if applicable)	Amount in 2022	Amount in 2021
Profit and loss on disposal of non-current assets (including the write-off of provision for impairment of assets)	29,092,610.09		12,763,439.78	5,416,507.68
Governmental subsidies included in the current profits and losses (excluding the governmental subsidies closely relating to the normal business operations of the Company, conforming to national policies and regulations, enjoyed in accordance with a certain standard,	44,930,209.02		32,820,333.05	34,050,871.35

and having a lasting impact on the profits and losses of the Company)				
Profits and losses from changes in fair value arising from financial assets and financial liabilities held by non-financial institutions, and profits and losses from the disposal of financial assets and financial liabilities, except for the effective hedging business related to the normal business operations of the Company	13,074.67			
Fund possession cost collected from the non-financial institution and included in the current profits and losses				
Profits and losses from entrusting others to invest or manage assets				
Profits and losses from external entrusted loans				
Losses of various assets made due to force majeure factors, such as natural disasters				
Reversal of impairment reserves for the receivables under independent impairment test				
Gains arising from the identifiable net assets at fair value of the investee at the time of acquisition when the cost of acquiring investments in subsidiaries, joint				

ventures, and associates is less than the investment amount				
The current net profits and losses of a subsidiary from the beginning of the Reporting Period to the date of consolidation under the same control.				
Profits and losses from non-monetary asset exchange				
Profits and losses from debt restructuring				
Non-recurring expenses incurred by the enterprise due to the cessation of business activities, such as employee relocation expenses				
One-time impact on the current profits and losses due to the adjustments of tax, accounting, and other laws and regulations				
Non-recurring share-based payment expenses due to cancellation or modification of equity incentive plan				
For cash-settled share-based payments, profits and losses arising from changes in fair value of employee compensation payable after the vesting date				
Profits and losses arising from changes in fair value for investment properties measured using the fair value				

model for subsequent measurement				
Profits from transactions where the transaction price has an excess or deficit compared to fair value				
Profits and losses arising from contingent items unrelated to the Company's normal business operations				
Fees earned from entrusted operations				
Other non-operating revenue and expenditure in addition to those mentioned above	-5,060,038.31		2,172,359.49	471,195.18
Other profit and loss items conforming to the definition of non-recurring profits and losses				
Less: Income tax effect	16,885,907.38		12,124,610.41	10,970,197.86
Amount affected by minority equity (after tax)	1,617,512.91		1,216,973.09	531,452.83
Total	50,472,435.18		34,414,548.82	28,436,923.52

The Company shall provide explanations for defining profits and losses not listed in the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profits and Losses* as non-recurring profits and losses with significant amounts, and defining non-recurring profits and losses listed in this document as recurring profits and losses.

" Applicable" " Not applicable"

Unit: CN¥ Currency: CNY

Item	Amount	Reason
Investment income	24,958,558.90	Related to regular operational activities

Impact of implementing the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profits and Losses (2023 Revision)* on non-recurring profits and losses for 2022

Item	Amount
Net amount of non-recurring profits and losses attributable to the parent company owners for 2022	35,316,295.14

Net amount of non-recurring profits and losses attributable to the parent company owners for 2022 as per <i>Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profits and Losses (2023 Revision)</i>	34,414,548.82
Difference	-901,746.32
Impact of implementing the <i>Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profits and Losses (2023 Revision)</i> on non-recurring profits and losses for 2021	
Item	Amount
Net amount of non-recurring profits and losses attributable to the parent company owners for 2021	29,164,848.76
Net amount of non-recurring profits and losses attributable to the parent company owners for 2021 as per <i>Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profits and Losses (2023 Revision)</i>	28,436,923.52
Difference	-727,925.24

**XI. Items measured by fair value**

Applicable  Not applicable

Unit: CN¥ Currency: CNY

Item name	Opening balance	Closing balance	Current change	Amount of impact on the current profit
Investment in other equity instruments	327,379,600.00	432,225,200.00	104,845,600.00	17,084,000.00
Trading financial assets	50,045,139.45	1,630,720,887.94	1,580,675,748.49	24,958,558.90
Receivables financing	1,784,671.86	11,889,888.58	10,105,216.72	
Total	379,209,411.31	2,074,835,976.52	1,695,626,565.21	42,042,558.90

**XII. Others**

Applicable  Not applicable

## Section III. Management Discussion and Analysis

### I. Discussion and analysis of the Company's operations

During the Reporting Period, the gradual implementation of policies that integrated designated retail pharmacies into outpatient management significantly advanced healthcare reform of medical care, government basic medical insurance (BMI) and pharmaceutical industry. Such integration accelerated the separation of prescribing and dispensing while increasing the external flow of hospital prescriptions. This highlighted the channel value of retail pharmacies in the external pharmaceutical market. Concurrently, advancements in internet technology and enhancements in digital operational management matured the integrated online-offline model of "new pharmaceutical retail." Moreover, with China's ongoing GDP growth and an intensifying aging population, consumer healthcare expenditures and demand for health management steadily rose, further expanding development opportunities for the industry.

Over the past year, under the collective efforts of the Board of Directors, management team, and all employees, the Company adhered to its "regional concentration and steady expansion" strategy established at the beginning of the year. Through the "new openings + M&A + franchising" model for store expansion, the Company achieved a net increase of 2,982 stores. By implementing a focused product strategy and continually advancing the national optimal project, the Company refined its differentiated strategically-focused product system, deepened manufacturer collaborations, and continuously improved its supply chain and product category structure. The development of an ecological new pharmaceutical retail system based on membership, big data, internet healthcare, and health management allowed the Company to swiftly enhance its new media operations and content management capabilities, bolstering store operations and ensuring stable company performance. By establishing comprehensive digital connections from customers to the business, products, operations, and marketing, the Company transitioned from product management to customer value management. By reconstructing the human resources foundation and optimizing organizational structures, and integrating online and offline in a differentiated hybrid talent development model, the corporate culture was deeply embedded into the Company's training programs, continuously boosting organizational management efficiency and cultural soft power.

#### 1. Steadily growing operating results

During the Reporting Period, the Company maintained a steady increase in operating revenue and operating profit. The Company generated operating revenue of CN¥22,588.2274 million, representing a year-on-year growth of 13.59%. The net profit attributable to shareholders of the listed Company reached CN¥1,411.9850 million, registering a year-on-year increase of 11.90%. The net profit attributable to shareholders of the listed Company, with non-recurring profits and losses excluded, was CN¥1,361.5126 million, up 10.92% year-on-year growth. The weighted average return on net assets was 15.44%, with earnings per share of CN¥1.40. As of December 31, 2023, the Company's total assets amounted to CN¥24,136.5392 million, representing an increase of 14.74% compared to CN¥21,036.0240 million at the end of the previous year. The equity attributable to owners of the parent company totaled CN¥9,804.4325 million, indicating a 14.63% increase compared to CN¥8,553.2159 million at the end of the previous year.

#### 2. Basically achieving store expansion targets

During the Reporting Period, the Company pursued its "regional concentration and steady expansion" strategy through the "new openings + M&A + franchising" model, deeply cultivating the markets in South Central, East, and North China, and adding 3,196 stores, including 1,613 self-built stores, 559 acquisitions, and 1,024 franchises. Additionally, during the Reporting Period, the Company relocated 61 stores and closed 153 stores. As of the end of the Reporting Period, the total number of the Company's stores is 13,250 (including 2,986 franchise stores), registering a net increase of 2,982 stores compared to the end of the previous period.

3. Continuing to advance the controllable premium strategy, and vigorously introducing product varieties via centralized purchasing

During the Reporting Period, the Company continually optimized its product structure and supply chain systems through a triple evaluation system assessing product quality and efficacy. By proactively submitting products for inspection, reviewing efficacy, and evaluating cost-effectiveness, the Company selected high-quality manufacturers as core suppliers. By the end of 2023, the Company had established premium strategic partnerships with nearly 600 manufacturers, selecting over 1,800 varieties for inclusion in the Company's strategically-focused product repository, thus establishing a more comprehensive strategically-focused product system. The Company closely monitored national bulk purchasing progress, vigorously introducing nationally procured items through manufacturer cooperation. By the end of 2023, the Company managed over 98% of the items in the national procurement catalog, accumulating more than 2,200 SKUs of nationally procured items.

#### 4. Operating the new pharmaceutical retail system efficiently

During the Reporting Period, the Company continued to develop its ecological new pharmaceutical retail system based on membership, big data, internet medical services, and health management. It actively improved digital chronic disease management and online medical services, achieving significant progress in deep member services. The capabilities in new media operations and content management were rapidly enhanced, and the pharmaceutical e-commerce operations were progressively upgraded to a group-level new pharmaceutical retail system. O2O operations launched direct-sale stores exceeding 9,000, with over 600 stores offering 24-hour delivery services. This covered all major cities offline and rapidly extended to acquired and franchised project stores, leading the industry in picking efficiency, delivery timeliness, order fulfillment rate, and personnel efficiency. Supported by the triple-engine strategy of O2O, B2C and prescription circulation, relying on the Company's regional concentration strategy, intelligent supply chain system, and refined operation, the Company's O2O and B2C business achieved sales revenue of CN¥1,817.8471 million (tax excluded). It includes sales revenue from O2O (franchise stores excluded) of CN¥1,398.7383 million and sales revenue from B2C of CN¥419.1092 million.

#### 5. Undertaking hospital prescription outflow online and offline

Driven by national policies, the external flow of hospital prescriptions accelerated during the Reporting Period. In response, the Company actively explored new models for comprehensively receiving hospital prescription outflows through both online and offline channels.

In the offline domain, the Company has strategically located its stores near hospitals to actively develop DTP specialized pharmacies, "dual-channel" BMI designated outlets, and pharmacies specializing in chronic diseases and outpatient integrated management. This approach enhances collaborations with relevant manufacturers and actively incorporates pharmaceuticals covered under the government BMI scheme. As of the end of this Reporting Period, the Company operates 675 stores within 100 meters of secondary and higher-level hospitals, 305 DTP specialized pharmacies, of which 246 are dual-channel government BMI outlets, and over 4,200 outpatient integrated management pharmacies. The Company manages over 250 government BMI-negotiated pharmaceuticals and more

than 800 types of medications for external hospital prescriptions and has established deep partnerships with over 150 specialized prescription drug suppliers.

In the online domain, the Company has established its electronic prescription transfer business using a digital prescription service platform and a fulfillment delivery system. This system connects public health services, government BMI authorities, hospitals, and leading national third-party internet hospital platforms, streamlining the entire pharmaceutical production, wholesale, and logistics chain. Leveraging existing hospital-adjacent stores and central warehouses, the Company has created a closed-loop service system for chronic disease patients, integrating medical, patient, pharmaceutical, and insurance services. It currently interfaces with more than ten provincial and municipal government BMI and public health prescription transfer platforms, directly or indirectly managing prescription transfers for over 100 tertiary hospitals and internet hospitals.

#### 6. Making remarkable progress in digital transformation

Centered on the customer, the Company has established a fully digital linkage from customers to industries involving personnel, medicines, and scenarios across all channels, progressively transitioning from a product-oriented to a customer-oriented operation. During the Reporting Period, the Company made significant digital advancements in areas such as membership, operations, merchandise, new retail, and logistics:

In terms of membership, through refined member operations, channel development, and targeted marketing activities, the Company has advanced its chronic disease and online medical services, enhancing customer repurchase rates and effectively bolstering customer loyalty and reliance on Yifeng's expertise using customer profiling. In terms of operations, by employing new technologies and data capabilities to transform operations, the Company has deeply cultivated regional markets, enhanced the in-store customer experience, and improved operational management efficiency. By empowering frontline staff with an online applet, the Company achieves comprehensive online management of store operations, marketing, data analysis, and salary performance, delivering precise professional services to members, including medication inquiries, chronic disease management, and diagnostic testing;

In terms of merchandise, the Company focuses on creating the industry's most efficient and agile digital merchandising system, achieving comprehensive online, digital, and intelligent transformation of merchandise center operations, and significantly improving merchandise fill rate and inventory turnover efficiency;

In terms of new retail, with an integrated approach, the Company fully supports the strategic upgrade to "new retail + core retail", developing a series of digital products tailored to new retail business scenarios, which have accelerated the digital transformation of its retail operations. The Company's online market share has rapidly increased, maintaining industry-leading levels in picking efficiency, delivery timeliness, order fulfillment, and workforce efficiency;

In terms of human resources, by delving into digitalization in HR, the Company has aligned with its online, digital, and intelligent management strategies, achieving breakthroughs in recruitment, contracting, performance, pay, promotion, scheduling, attendance, talent inventory, and development.



In terms of finance, the Company has deeply integrated finance with business operations, establishing a financial system that empowers business capabilities, ensuring high-quality financial services and control during rapid expansion, and implementing multiple measures to reduce costs and increase benefits. This integration has been facilitated by the automation and digitization of various functions, including budgeting, cost management, reimbursements, ledger maintenance, sales reconciliations, electronic invoicing, financial management, and leasing.

In terms of logistics, guided by data transparency, the Company has improved specific nodes in warehouses and upgraded its digital logistics framework to manage all warehouse operations online. Through developing its own TMS system, which includes dispatch management, freight calculation, temperature and humidity monitoring, and turnover box management, the Company has successfully implemented a full-process closed-loop management of logistics information, consistently increasing delivery volumes and efficiency.

#### 7. Enhancing the training system and professional service capabilities continuously

Continuously enhancing professional service capabilities remains a long-term driver of organic growth within the Company's stores and a core competitive edge in achieving industry leadership. During the Reporting Period, the Company's training department developed 65 new training modules covering service philosophy, behavioral habits, professional skills, and pharmaceutical knowledge. It conducted 132 offline training sessions, with an average of approximately 70 hours per employee. Additionally, the Company prepared over 4,000 employees to participate in the national qualification exam for licensed pharmacists, thereby building a reservoir of professional talent for future development. Partnerships were established with nearly 30 universities nationwide to create "Yifeng classes" and build talent cultivation and employment internship bases. The Company also conducted more than 20 corporate visits and employment expansion activities. Throughout the year, nearly 3,000 recent graduates were recruited, earning recognition as a "Key Employer for University Graduates" by the Education Department of Hunan Province. Concurrently, by developing and refining standardized training materials and establishing dedicated and part-time lecturer teams at stores, the Company set up training bases for new employees and store manager reserves, continuously advancing its "management trainee" program and various training models that integrate online and offline approaches with a credit-based assessment system. This initiative has led to continuous improvements in employees' professional service capabilities, customer satisfaction, and repurchase rates, and has steadily advanced its talent development framework.

## II. Industry of the Company during the Reporting Period

With the ongoing advancement of the "Healthy China 2030" national strategy and reforms in the healthcare and pharmaceutical systems, alongside consistent GDP growth, rising disposable incomes, and increasing levels of social consumption, per capita healthcare spending by Chinese residents grew annually, reaching CN¥2,460 in 2023, accounting for 9.2% of per capita consumer spending. Influenced by multiple social factors such as the aging population, the three-child policy, urbanization, and

population migration, the demand for medical resources has continually risen, enhancing the industry expansion and societal value of retail pharmacies as a critical channel for pharmaceutical sales. Amid market and policy influences, the retail pharmacy industry has continually optimized its network layout and innovated its business models during the Reporting Period. Digital transformation, industry integration, and the management and service capabilities of retail pharmacies have all seen significant enhancements.

In October 2021, the Ministry of Commerce issued the "Guiding Opinions on Promoting the High-Quality Development of the Pharmaceutical Distribution Industry During the 14<sup>th</sup> Five-Year Plan Period". The document envisions that (1) five to ten specialized and diversified pharmaceutical retailers with a revenue of more than CN¥50 billion will be nurtured by 2025; (2) the annual sales of the top 100 enterprises in the pharmaceutical retail industry will account for more than 65% of the total market value of the pharmaceutical retail industry; and (3) pharmaceutical retail chain stores will account for nearly 70% of all stores.

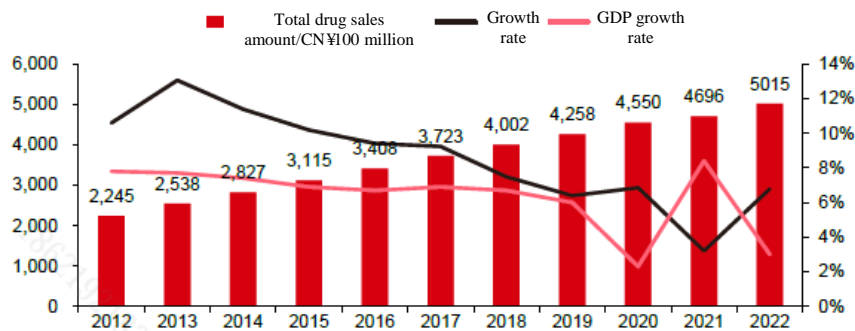
In September 2022, the State Administration for Market Regulation released the "Measures for the Supervision and Administration of Online Sale of Medicinal Products," further standardizing online pharmaceutical sales and services on pharmaceutical online trading platforms. These regulations clarified the management of online pharmaceutical sales, platform responsibilities, supervisory measures, and legal liabilities, further standardizing online pharmaceutical circulation and promoting regulated development and healthy competition within the industry.

In February 2023, the National Healthcare Security Administration issued the "Notice on Further Integrating Designated Retail Pharmacies into the Outpatient Management Fund System." This notification emphasized the importance of including designated retail pharmacies in outpatient fund management, using the outpatient fund to expand medical and pharmaceutical service supply, and thus releasing benefits of the reform of medicine and healthcare system. It urged government BMI authorities at all levels to take effective measures to encourage eligible designated retail pharmacies to voluntarily offer outpatient management services. The notification also specified improvements to the payment policies for outpatient management at designated retail pharmacies and clarified supporting policies for inclusion.

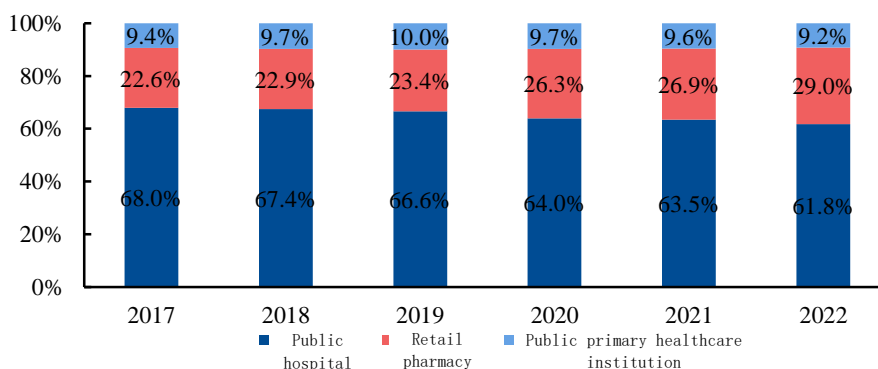
#### 1. Increasing retail sales, and growing market share

According to statistics, over a decade from 2013 to 2022, the sales from China's three major pharmaceutical terminals across six markets increased from CN¥1,089.4 billion to CN¥1,793.6 billion, with a compound annual growth rate of 5.6%. The compound growth rates for public hospital terminals, retail pharmacy terminals, and public primary healthcare institution terminals were 4.3%, 8.2%, and 7.4%, respectively. By the end of 2022, the market share of public hospital terminals was 61.8%, retail pharmacy terminals 29%, and public primary healthcare institution terminals 9.2%. The market share of retail pharmacy terminals has been on rise over the years.

#### **2012-2022 Steadily Increasing Drug Retail Sales**



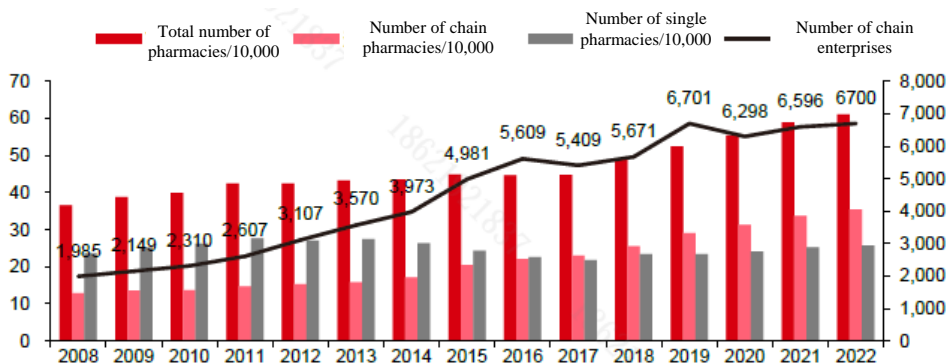
Ratios of Three Major Sales Channels



## 2. Increasing pharmacy chains and enhancing centralized development

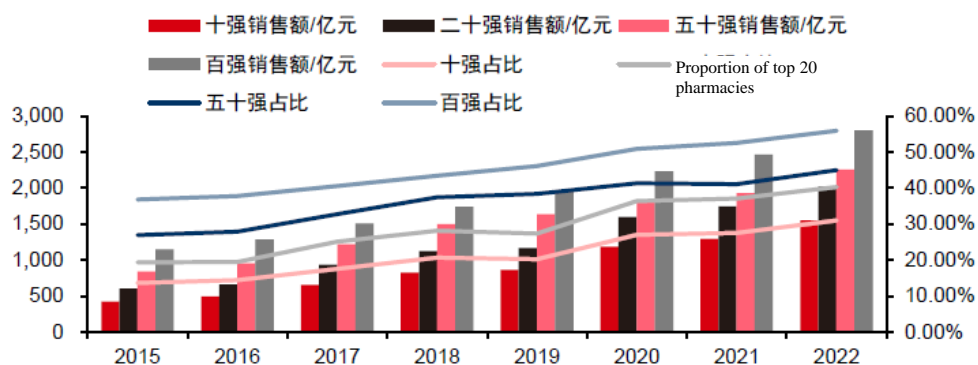
Driven by industrial policies, capital involvement, and competitive dynamics, the rate of chain operations and industry concentration in the retail pharmacy sector have continuously increased. As of the end of 2022, there were a total of 623,300 retail pharmacies in China, with the rate of chain operations rising to 57.76%. The market shares of the CR10, CR50, and CR100 retail pharmacies increased to 30.91%, 44.95%, and 55.83%, respectively. Both national and regional leaders have accelerated their integration efforts, positioning chain pharmacies as a mainstream development within the industry.

Total Number of Pharmacies in China, and Changes in Pharmacy Chains

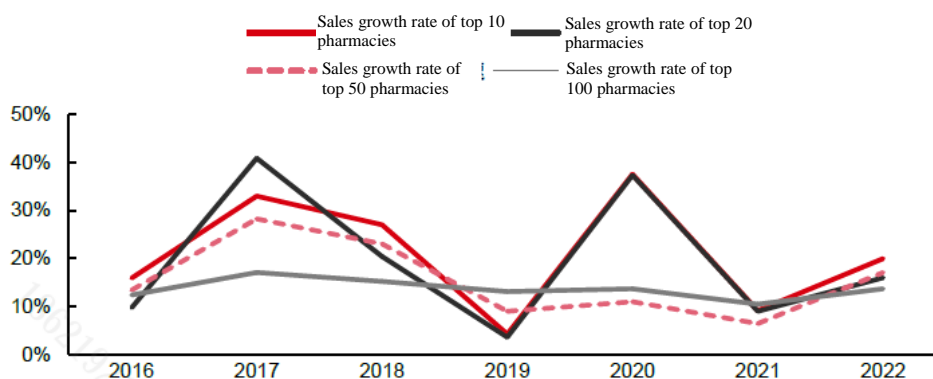


Changes in Sales Amounts and Proportions of Top 10, 20, 50, and 100 Pharmacies

Sales amount of top 10 pharmacies/CN¥100 million	Sales amount of top 20 pharmacies/CN¥100 million	Sales amount of top 50 pharmacies/CN¥100 million
Sales amount of top 100 pharmacies/CN¥100 million	Proportion of top 10 pharmacies	Proportion of top 100 pharmacies
Sales amount of top 50 pharmacies/CN¥100 million	Proportion of top 100 pharmacies	



Changes in Sales Growth Rate of Top 10, 20, 50, and 100 Pharmacies



Additionally, according to data from IQVIA, the chain operation rate for pharmacies in the United States rose from under 40% in 1990 to 90% in 2021, with the top three chains accounting for nearly 37% of all pharmacies in the U.S. Compared with mature markets such as the U.S. and Japan, China’s pharmaceutical retail sector is still at a relatively low level, and there is still much room for development.

### 3. Periodic industrial characteristics

The pharmaceutical distribution industry is a critical sector vital to national and public welfare. Since pharmaceutical consumption addresses basic human needs, it remains relatively unaffected by macroeconomic fluctuations, demonstrating minimal economic cyclicality. Only a select few products exhibit seasonal variations, primarily due to extreme weather conditions during the summer and winter months. Compared to other sectors within general retail, the pharmaceutical retail industry exhibits weaker economic cyclicality. However, due to the time-sensitivity, convenience, and regional variations in consumer habits associated with pharmaceuticals, the industry displays distinct regional characteristics. Enterprises boasting extensive store networks, standardized management, and robust systematic replication capabilities enjoy significant competitive advantages in the market.

### 4. Position of the Company in the industry

The Company's primary business operations are concentrated in ten provinces and cities: Hunan, Hubei, Shanghai, Jiangsu, Jiangxi, Zhejiang, Guangdong, Hebei, Beijing, and Tianjin. By the end of the Reporting Period, it operated 13,250 chain pharmacies, including 2,986 franchise stores, within these regions. This extensive network has secured significant regional competitive advantages and broad recognition from investors, the public, and consumers. During this period, the Company received

multiple accolades including "Top 100 Listed Companies on China's Main Board," "2023 Hurun China Top 300," "2022-2023 Top 100 Most Valuable Pharmacies in China," "Top 10 Online Pharmaceutical Retailers of 2023," "Top 100 Private Enterprises in Hunan of 2023," "China's Most Promising Listed Companies of 2023," "2023 Pharmaceutical Retail Profit Leader," second place in the "2023 Top 100 Competitive Pharmaceutical Retailers in China," and "Top 500 Service Enterprises in China of 2023," in addition to receiving the "Golden Ginkgo Award" for the Most Socially Responsible Listed Company and the highest brand value in the national pharmaceutical retail industry on the Hurun Most Valuable China Brands.

### III. Main business of the Company during the Reporting Period

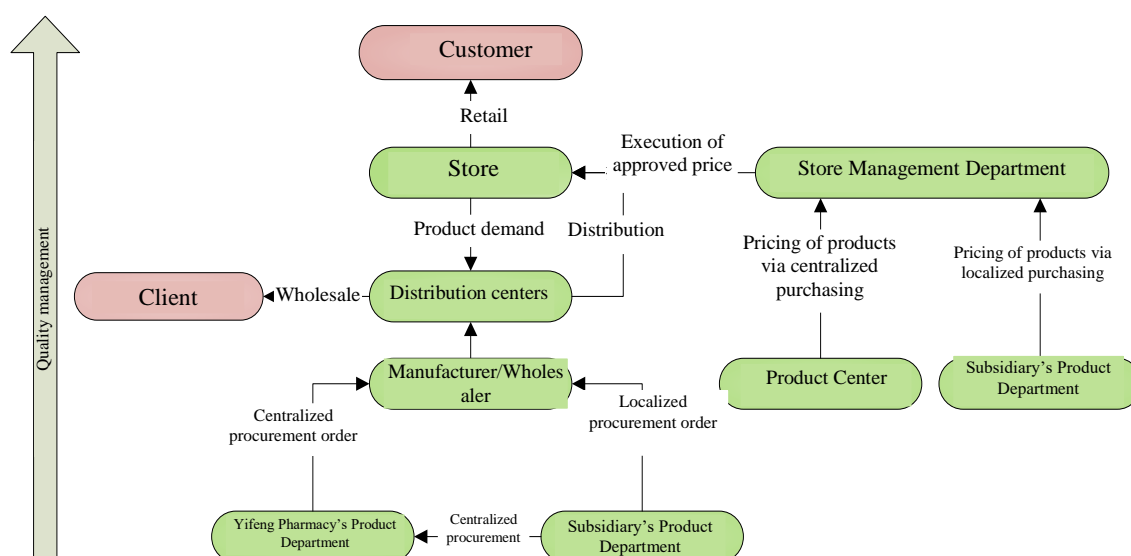
#### (I) Overview of main business

The Company is one of the leading chain retail enterprises in the domestic pharmaceutical sector, primarily engaged in the retail of pharmaceuticals, health products, medical devices, and other health-related daily convenience items. Its subsidiary, Yifeng Pharmaceutical, acts as the internal procurement platform for the Company, managing internal goods distribution, franchise distribution, and a modest amount of external pharmaceutical wholesale. Another subsidiary, Hengxiutang Pharmaceuticals Company, focuses on the R&D and production of Chinese medicinal slices, mainly to satisfy the Company's internal needs.

During the Reporting Period, no significant changes occurred in the Company's main business.

#### (II) Main operating modes

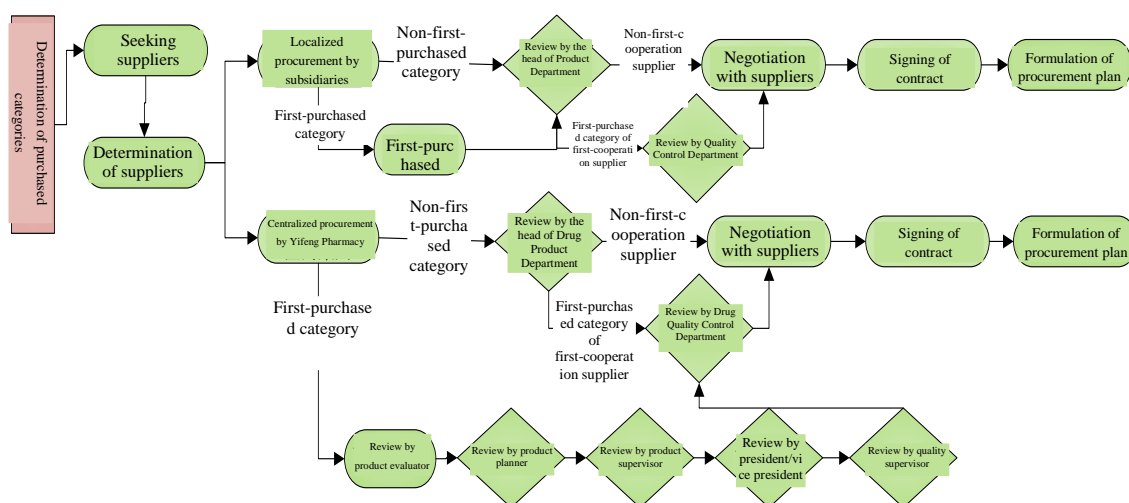
The Company's main operating modes includes product procurement, logistics distribution, warehouse management, and store sales. It is shown as follows:



#### 1. Procurement mode

The Company has set up a Product Center responsible for aggregating the demand for products purchased by all the stores in a centralized manner, coordinating subsidiaries' procurement plans, and formulating category assortment plans. The subsidiary's Product Department is responsible for aggregating the procurement requirements of all the Company's stores, submitting centralized procurement plans to the Company's Product Center, managing localized purchasing needs, and executing procurement. After understanding the store's demands, product departments at different levels perform tasks such as product evaluation, price inquiries, price comparisons, negotiations, and price determination. They also engage in discussions with suppliers to formalize procurement contracts.

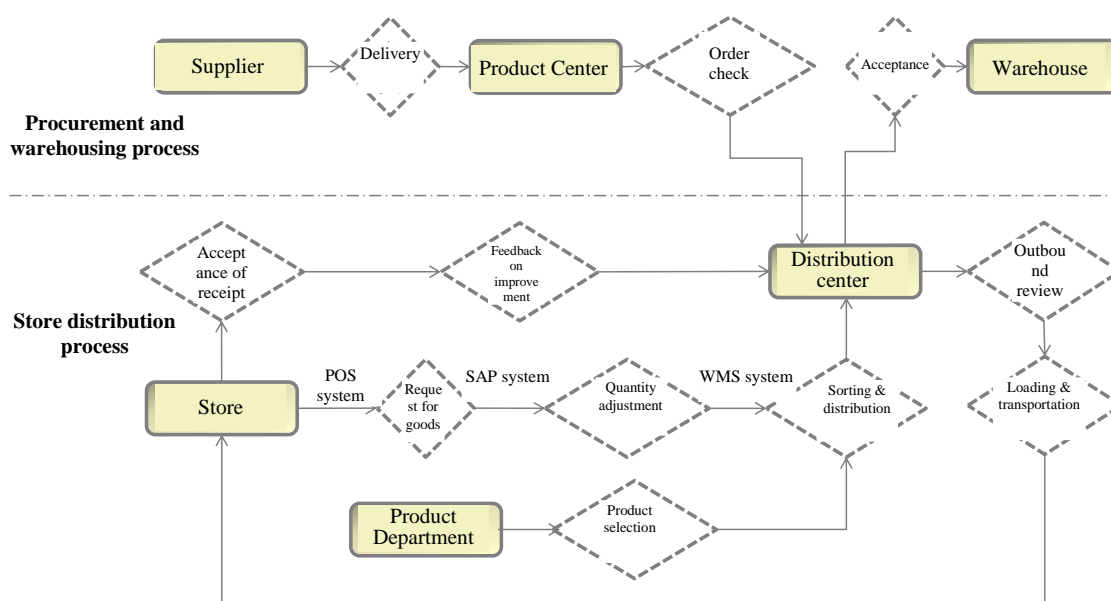
The Company's procurement process is as follows:



## 2. Warehouse management and logistics distribution

The Company has established the modern logistics centers in Hunan, Hubei, Jiangsu, Shanghai, Jiangxi, Guangdong, and Hebei. Currently, the Company boasts advanced equipment, technologies, and business management models in the logistics industry, including stereoscopic warehouses, automated conveyor systems, automated sorting systems, AGV for order picking, Miniload for intelligent automatic replenishment, electronic labeling systems, multi-level shuttles, crossbelts, robotic arms, wireless RF picking, acceptance systems, and intelligent consolidation systems. These capabilities provide enhanced support for digital operations of Yifeng's supply chain. All products in the stores owned by the Company are independently distributed by the logistics centers of the Company or its subsidiaries. The Company's robust distribution capabilities provide strong logistical support for its rapid expansion.

The logistics distribution process is as follows:



### 3. Sales mode

#### (1) Retail

As of December 31, 2023, the Company owns a total of 13,250 chain drugstores (including 2,986 franchise stores) across ten provinces and municipalities in China, including Hunan, Hubei, Shanghai, Jiangsu, Jiangxi, Zhejiang, Guangdong, Hebei, Beijing, and Tianjin. These stores offer customers a wide range of products, including Western and Chinese patent medicine, traditional Chinese medicine herbal pieces, medical devices, health supplements, personal care products, and daily convenience items related to health.

The Company tailors product assortments for each store, formulating pricing mechanisms and marketing strategies based on the competitive environment. Products are primarily procured and distributed by the Company headquarters, with store pricing guided by headquarters directives. The Company's operational system manages the entire process from goods procurement to sales and inventory. Customers can pay for their purchases using cash, UnionPay cards, government BMI cards, and various internet payment methods. All sales data are centrally uploaded to the Company's SAP system to facilitate sales analysis and meet customer demands.

#### (2) Franchise distribution and wholesale business

Franchise distribution involves purchasing products from suppliers and then distributing them to the franchised stores of the Company and its subsidiaries. The wholesale business involves the distribution of entrusted products to third-party entities.

#### (3) Pharmaceutical e-commerce

To adapt to the rapid e-commerce development, the Company began to engage in e-commerce business and established an e-commerce business group in 2013. Empowered by CRM and big data, the Company has been seeking innovation in Internet healthcare and prescription circulation to create new online and offline retail business models. The Company's online sales model primarily relies on its

logistics distribution centers and physical stores, operating a system where consumers place orders online, with fulfillment handled by either the logistics centers or the physical stores.

#### **IV. Core competitiveness analysis during the Reporting Period**

Applicable"  Not applicable"

##### **1. Development strategy of regional concentration and steady expansion**

During the Reporting Period, the Company adhered to the development strategy of “regional concentration and steady expansion” and the operational policy of “key penetration and intensive marketing”. By strategically establishing a reasonable layout of the scope and depth of store networks, fostering a positive brand image, enhancing professional service capabilities, ensuring standardized operations, continuously optimizing the supply chain and product portfolio, and upgrading the membership management system, the Company has kept enhancing customer satisfaction and repeat purchase rates, leading to a sustained growth in store sales revenue. While leveraging regional competitive advantages, the Company has also improved its bargaining power through the growing economies of scale and reduced logistics and operational costs. This has ensured the continuous growth of profitability.

The strategy of “regional concentration” has enabled the Company to occupy regional markets rapidly, achieve profits surpassing the industry average, and significantly increase its sales and profits. As of December 31, 2023, the Company owned 13,250 chain drugstores in ten provinces and cities, including Hunan, Hubei, Shanghai, Jiangsu, Jiangxi, Zhejiang, Guangdong, Hebei, Beijing, and Tianjin. During the Reporting Period, the Company added 2,982 new stores, leading to a year-on-year increase of 13.59% in operating revenue and 11.90% in net profit attributable to shareholders of the listed Company.

##### **2. An efficient and agile operating system and outstanding cross-province operations and chain replication capabilities**

The Company is one of the few companies in the industry whose major provincial subsidiaries are all profitable. It presents prominent advantages in cross-regional store control, replication, and cultural heritage. The Company has always prioritized refined, standardized, and systematic operations and management. It has established a digital, connected, and intelligent system management platform that covers six core operation systems: new store expansion, store operations, merchandise management, information services, customer satisfaction, and performance assessment. With digital business handling and the IT-enabled operational process, the Company has created an efficient and agile operating system, which effectively supports it in cross-regional operations, rapid and efficient replication, and industry merger and acquisition (M&A) and integration.

During the Reporting Period, the Company has witnessed continued improvements in its business operations, management efficiency, and profitability through organizational structure optimization, business process innovation, as well as business development empowered by digitalization. At the end of the Reporting Period, the Company had a total of 13,250 stores, with a net increase of 2,982 for the year. From 2018 to 2023, the number of the Company’s stores increased at a compound annual growth rate of



29.69%. Rapid and efficient chain replication and industry integration capabilities have rewarded the Company with an increasingly mature store network and enhanced advantages in industry competition.

### 3. Mature proprietary brand category model and comprehensive training system

During the Reporting Period, the Company continuously advanced its controlled strategic focus of certain products and its national optimal engineering system, enhanced and expanded a strategically-focused product portfolio that includes proprietary brands, exclusive categories, and categories developed in cooperation with manufacturers. By delivering high-quality, effective, cost-efficient, and channel-controllable strategically-focused products to customers, the Company have established a competitive barrier in the market and achieved differentiated competition compared to its peers.

By strengthening specialized employee service training and conducting customer satisfaction assessments, the Company has achieved a balance between profit growth and customer satisfaction. Over 95% of the frontline employees in its stores are graduates in medicine and pharmacy. The Company has established a robust employee training and talent development system. Throughout the Reporting Period, on the foundation of a professional, credit-based curriculum, the Company created corporate universities, including a Retail Academy and a Business School. These institutions encompass a broad spectrum from talent cultivation to corporate management research, thus forging a sustainable human resources framework. By partnering with educational institutions, the Company has deepened the integration of industry and academia, standardized training materials, assembled dedicated and part-time instructor teams at stores, and established training bases for new employees and prospective store managers. This initiative has propelled the "management trainee" program and various training models that blend online and offline elements with a credit-based evaluation system forward. As the Company rapidly grows, the comprehensive employee training system ensures the ongoing improvement of employees' professional service capabilities and meets its increasing demand for human resources, thereby serving as a long-term driver for endogenous growth.

### 4. Premium membership service system.

Based on business needs and market trends, the Company continuously upgrades the member benefit system with customer-centric approaches. Through refined operations including the classification and grading of members, the Company has created personalized and intelligent marketing and service systems for its members. By leveraging information technology and Internet technology, the Company has gradually realized centralized management functions, including efficient and intelligent management of member information, integrated online and offline marketing, user health record management, and online pharmacist consultation. By utilizing intelligent robots on the back end, the Company accurately assigns specialized member service tasks to employees, aiming to enhance customer satisfaction and improve word-of-mouth among customers. By offering free health checks and comprehensive professional health services, along with methods such as medical records establishment, follow-ups, tracking, assessment, and reexamination, the Company strives to improve medication adherence for members with chronic diseases and comprehensive health management services throughout their life

cycle. As of the end of the Reporting Period, the Company had a total of 87.1 million registered members, marking a year-on-year increase of 23.21%, with sales to members constituting 77.4% of total sales, an increase of 2.89% from the previous year. The Company's official public social media account has attracted over 16.87 million followers.

5. “Fleet-type” store layout and unique location selection model

To cater to the population, market demand, and consumer characteristics of different regions, the Company has established a network of stores covering different cities and business districts, as well as formed a “fleet-type” store layout consisting of flagship stores, regional central stores, medium-sized community stores, and small-sized community stores. Based on years of site selection experience and big data analysis, the Company has developed a comprehensive “business district positioning method” for store location selection. This involves analyzing the population, population density, and consumer spending power and habits in new cities, pinpointing potential business districts, determining store types and location ranges for prospective stores based on specific district characteristics, and employing a sophisticated store selection model, a consumer flow testing system and a sales forecasting model to finalize precise locations. By promoting and implementing the models above, the Company’s capabilities in selecting new store locations and ensuring the quality of these new stores consistently improve, and its brand penetration continues to strengthen.

6. Advanced digital operational management and efficient back-end support system.

The Company has set up a competent digital technology research and development (R&D) and application team dedicated to creating customized digital and intelligent systems tailored to its operational requirements. Through the use of various digital platforms such as the Yifeng Health App, mini-programs, WeChat stores, WeChat official accounts, and precise member marketing, the Company has continuously increased the number of orders and customers for offline stores. Additionally, by offering convenient services such as Internet hospitals, public and private domains, prescription platforms, remote consultations, and prepaid cards, it has enhanced user loyalty and corporate brand. The online mini-program (Yidianzhang) has been used by frontline staff. The comprehensive digitalization of frontline store operations management has enhanced operational efficiency and service quality. Moreover, the implementation of a digitized product management system has enabled precise and intelligent control of products and the supply chain, resulting in improved coordination efficiency. Lastly, master data governance, big data platform, cloud-native technology platform, and CI/CD system have further improved the efficiency of the internal digital transformation process, facilitating the Company's agile response to market changes.

With the aid of the back-end shared digital infrastructure, the Company has achieved digital capabilities, such as financial sharing, asset sharing, IT sharing, human resource sharing, and administrative sharing, thus significantly improving the efficiency of back-end support collaboration and service delivery. By enhancing warehouse operational efficiency and guiding precise improvements in warehouse nodes with data transparency, the Company has refined its digital framework for logistics operations. The Company has established and continuously upgraded seven modern logistics centers in

Hunan, Hubei, Jiangsu, Shanghai, Jiangxi, Guangdong, and Hebei. Currently, the Company boasts advanced equipment and technologies in the logistics industry, including stereoscopic warehouses, automated conveyor systems, automated sorting systems, AGV for order picking, Miniload for intelligent automatic replenishment, electronic labeling systems, multi-level shuttles, crossbelts, robotic arms, wireless RF picking, acceptance systems, and intelligent consolidation systems. These capabilities provide enhanced support for digital operations of Yifeng's supply chain.

#### 7. Outstanding corporate culture and mentor-based talent team

The Company places significant emphasis on the development of its corporate culture, embedding it deeply within cooperate training and educational programs to continuously strengthen the Company's cultural soft power. The Company upholds the core values of “customer first, results-oriented, innovative efficiency, diligence & pragmatism, responsibility & cooperation, as well as growth & care”. This fosters a team atmosphere of responsibility, cooperation, and transparent interpersonal relationships. In addition to prioritizing customer value and maintaining a results-oriented approach, the Company facilitates the personal career development and positive work experiences of its employees through its robust training system and talent echelon construction. As a result, the Company has significantly improved its executive capabilities and cohesion. Since its founding, middle-level and senior management were appointed by the headquarters. After a period of mentorship, the Company gradually transitioned to a localized talent approach, thus ensuring the inheritance and replication of the corporate culture. Through the cultivation of a mentor-based talent team, employee career planning, and a comprehensive training system, the Company has built a powerful talent pool, thereby meeting the human resource demands of its rapid growth.

## V. Operation status during the Reporting Period

During the Reporting Period, the Company maintained a steady increase in operating revenue and operating profit. The Company generated operating revenue of CN¥22,588.2274 million, representing a year-on-year growth of 13.59%. The net profit attributable to shareholders of the listed Company reached CN¥1,411.9850 million, registering a year-on-year increase of 11.90%. The net profit attributable to shareholders of the listed Company, with non-recurring profits and losses excluded, was CN¥1,361.5126 million, up 10.92% year-on-year growth. The weighted average return on net assets was 15.44%, with earnings per share of CN¥1.40. As of December 31, 2023, the Company's total assets amounted to CN¥24,136.5392 million, representing an increase of 14.74% compared to CN¥21,036.0240 million at the end of the previous year. The equity attributable to owners of the parent company totaled CN¥9,804.4325 million, indicating a 14.63% increase compared to CN¥8,553.2159 million at the end of the previous year.

### (I). Analysis of Main Business

#### 1. Analysis of Changes in Income Statement and Cash Flow Statement Items

Unit: CN¥ Currency: CNY

Item	Amount in the current period	Amount in the same period last year	Percentage of change (%)
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Operating revenue	22,588,227,402.22	19,886,395,835.95	13.59
Operating costs	13,957,598,854.74	12,025,564,042.05	16.07
Sales expense	5,487,450,160.02	4,878,272,940.17	12.49
Management expenses	962,424,859.48	904,060,660.30	6.46
Financial expenses	86,184,603.08	104,812,475.83	-17.77
R&D expenses	33,549,984.91	25,309,639.00	32.56
Net cash flow from operating activities	4,623,740,795.60	3,920,267,304.15	17.94
Net cash flows from investing activities	-2,980,321,075.21	-1,274,001,208.50	-133.93
Net cash flow from financing activities	-2,093,039,229.23	-1,655,266,933.76	-26.45

Explanation of changes in operating revenue: The first is the year-on-year endogenous growth of operating revenue of existing stores. The second is the continued expansion through new store openings, industry M&A, as well as the development of franchise and distribution businesses.

Explanation of changes in operating costs: The main reason for the changes in operating costs is the year-on-year growth in sales revenue.

Explanation of changes in sales expenses: This is mainly because the sales expense increased with the operating revenue during the Reporting Period. In addition, the newly opened and acquired stores experienced a period of cultivation or integration during which there were higher amortization costs and promotional expenses. Furthermore, the development of new customers also further increased the sales expense.

Explanation of changes in administrative expenses: First, the administrative expense increased with the operating revenue during the Reporting Period. Second, there was an increase in amortization of costs associated with equity incentives during the Reporting Period.

Explanation of changes in financial expenses: This is mainly due to increased interest income from investments in fixed-rate financial products using idle funds.

Explanation of changes in R&D expenses: This is mainly due to the higher amortization amount after the capitalization of R&D expenditure into intangible assets.

Explanation of changes in net cash flows from operating activities: This is mainly due to the increase in the Company's sales and the increase in settlement of notes payable.

Explanation of changes in net cash flows from investment activities: This is mainly due to the purchase of more bank wealth management products in the current period.

Explanation of changes in net cash flows from financing activities: This is mainly due to higher payments for store rent and shareholder dividends during the period.

Detailed description of any significant changes in business type, composition of profit or profit source of the Company during the current period

Applicable"  Not applicable"

## 2. Revenue and cost analysis

Applicable"  Not applicable"

### (1). Main business by industry, product, region, and sales mode

Unit: CN¥ Currency: CNY

Main business by industry						
By industry	Operating revenue	Operating costs	Gross profit margin (%)	Operating revenue increase/decrease from the previous year (%)	Operating cost increase/decrease from the previous year (%)	Gross profit margin increase/decrease from the previous year (%)
Retail	20,185,078,131.34	12,193,594,911.77	39.59	12.00	13.60	-0.85

Wholesale	1,892,484,367.32	1,715,306,468.77	9.36	39.23	39.39	-0.11
Total	22,077,562,498.66	13,908,901,380.54	37.00	13.91	16.25	-1.27
Main business by product						
By product	Operating revenue	Operating costs	Gross profit margin (%)	Operating revenue increase/decrease from the previous year (%)	Operating cost increase/decrease from the previous year (%)	Gross profit margin increase/decrease from the previous year (%)
Chinese and Western patent medicine	17,094,686,214.86	11,145,804,284.09	34.80	15.93	16.73	-0.45
Traditional Chinese medicine	2,180,366,779.78	1,152,773,656.91	47.13	23.30	22.54	0.33
Non-drug	2,802,509,504.03	1,610,323,439.54	42.54	-2.30	9.14	-6.02
Total	22,077,562,498.66	13,908,901,380.54	37.00	13.91	16.25	-1.27
Main business by region						
By region	Operating revenue	Operating costs	Gross profit margin (%)	Operating revenue increase/decrease from the previous year (%)	Operating cost increase/decrease from the previous year (%)	Gross profit margin increase/decrease from the previous year (%)
Central and South China	10,379,720,621.51	6,388,491,769.01	38.45	17.44	18.96	-0.79
East China	9,227,739,118.05	5,887,330,928.57	36.20	7.29	10.27	-1.72
North China	2,470,102,759.10	1,633,078,682.96	33.89	27.14	30.07	-1.49
Total	22,077,562,498.66	13,908,901,380.54	37.00	13.91	16.25	-1.27

Explanation of the main business by industry, product, region and sales mode

By industry, the Company's main business is drug retail, which accounts for 91.43% of the revenue. During the Reporting Period, the gross profit margin of the Company's main business was 37.00%, a decrease of 1.27% compared to the previous year. The primary reasons are an increase in the proportion of wholesale revenue, which has decreased the overall gross profit margin, and a decline in the gross profit margin of the retail business.

By category, the categories with the fastest-growing income include Chinese and Western patent medicine and traditional Chinese medicine, with growth rates of 15.93% and 23.30%, respectively.

By region, the Central and South China covers Hunan, Hubei, and Guangdong; East China covers Jiangsu, Shanghai, Zhejiang, and Jiangxi; and North China covers Hebei, Beijing, and Tianjin.

## (2). Production and sales analysis table

Applicable"  Not applicable"

## (3). Performance of major procurement contracts and major sales contracts

Applicable"  Not applicable"

## (4). Cost analysis table

Unit:CN¥

By industry							
By industry	Cost composition items	Amount for the current period	Proportion of the amount for the current period to total cost (%)	Amount for the same period of the previous year	Proportion of the amount of the same period of the previous year to total cost (%)	Percentage of change of the current amount compared to the same period of the previous year	Details Description
Retail	Sales cost	12,193,594,911.77	87.67	10,733,898,814.90	89.71	13.60	
Wholesale	Sales cost	1,715,306,468.77	12.33	1,230,552,979.27	10.29	39.39	
Total	Sales cost	13,908,901,380.54	100.00	11,964,451,794.17	100.00	16.25	
By product							
By product	Cost composition items	Amount for the current period	Proportion of the amount for the current period to total cost (%)	Amount for the same period of the previous year	Proportion of the amount of the same period of the previous year to total cost (%)	Percentage of change of the current amount compared to the same period of the previous year	Details Description
Chinese and Western patent medicine	Sales cost	11,145,804,284.09	80.13	9,548,232,660.40	79.81	16.73	
Traditional Chinese medicine	Sales cost	1,152,773,656.91	8.29	940,755,926.55	7.86	22.54	
Non-drug	Sales cost	1,610,323,439.54	11.58	1,475,463,207.22	12.33	9.14	
Total	Sales cost	13,908,901,380.54	100.00	11,964,451,794.17	100.00	16.25	

Explanation of other situations in cost analysis  
None

## (5). Changes in the equity of major subsidiaries during the Reporting Period arising from changes in the scope of consolidation

Applicable"  Not applicable"

## (6). Significant changes or adjustments to the Company's business, products or services during the reporting period

Applicable"  Not applicable"

**(7). Information regarding major customers and primary suppliers****A. Information regarding major customers**

Applicable"  Not applicable"

The sales amount from the top five customers totaled CN¥57,575,000, accounting for 0.25% of the total annual sales. The sales amount of related parties from the top five customers was CN¥19,093,500 accounting for 0.08% of the total annual sales.

S/N	Customer name	Sales amount (CN¥10,000)	Percentage of annual sales (%)
1	Customer A	1,909.35	0.08
2	Customer B	1,221.18	0.05
3	Customer C	926.29	0.04
4	Customer D	862.30	0.04
5	Customer E	838.38	0.04
Total		5,757.50	0.25

During the Reporting Period, the sales to a single customer accounted for more than 50% of the total, and there were cases where new customers are among the top 5 customers or there was a significant dependence on a small number of customers.

Applicable"  Not applicable"

**B. Information regarding primary suppliers**

Applicable"  Not applicable"

The procurement amount from the top five suppliers totaled CN¥6,028,813,900, accounting for 43.12% of the total annual procurement. The procurement amount from related parties of the top five suppliers was CN¥0.00, accounting for 0.00% of the total annual procurement.

S/N	Supplier name	Procurement amount (CN¥10,000)	Percentage of annual procurement amount (%)
1	Supplier A	194,318.60	13.90
2	Supplier B	153,338.21	10.97
3	Supplier C	146,731.30	10.49
4	Supplier D	64,362.13	4.60
5	Supplier E	44,131.15	3.16
Total		602,881.39	43.12

During the Reporting Period, the sales to a single supplier accounted for more than 50% of the total, and there were cases where new suppliers are among the top 5 suppliers or there was a significant dependence on a small number of suppliers.

Applicable"  Not applicable"

Other explanations

None

**3. Costs**

Applicable"  Not applicable"

Item	Amount incurred in the current period (CN¥)	Amount incurred for the previous period (CN¥)	Percentage of change (%)
Sales expense	5,487,450,160.02	4,878,272,940.17	12.49
Management expenses	962,424,859.48	904,060,660.30	6.46
R&D expenses	33,549,984.91	25,309,639.00	32.56
Financial expenses	86,184,603.08	104,812,475.83	-17.77

The reasons for the changes in sales expenses: The increase is mainly due to the rise in selling expenses, proportional to the growth in operating revenue.

The reasons for the changes in administrative expenses: First, the administrative expense increased with the operating revenue during the Reporting Period. Second, there was an increase in amortization of costs associated with equity incentives during the Reporting Period.

The reasons for the changes in R&D expenses: This is mainly due to the higher amortization amount after the capitalization of R&D expenditure into intangible assets

The reasons for the changes in financial expenses: This is mainly due to increased interest income from investments in fixed-rate financial products using idle funds.

#### 4. R & D investment

##### (1). Details of R&D investment

Applicable"  Not applicable"

	Unit:CN¥
Expensed R&D investment in the current period	19,439,582.87
Capitalized R&D investment in the current period	33,193,214.40
Total R&D investment	52,632,797.27
Total R&D investment as a percentage of operating revenue (%)	0.23
Share of capitalized R&D investment (%)	63.07

##### (2). Details of R&D personnel

Applicable"  Not applicable"

Number of the Company's R&D Personnel	340
Number of R&D personnel as a percentage of the Company's total workforce (%)	0.86
Educational Background of R&D Personnel	
Academic Degree	Number
Doctorate degree	0
Master's degree	12
Undergraduate	216
College degree	112
High school and below	0
Age of R&D Personnel	
Age Group	Number
Under 30 (excluding 30)	103
30 – 40 (including 30 but excluding 40)	195
40 – 50 (including 40 but excluding 50)	38
50 – 60 (including 50 but excluding 60)	4
60 and above	0

##### (3). Description

Applicable"  Not applicable"

##### (4). Reason(s) for major changes in the composition of R&D personnel and their impact on the Company's future development

Applicable"  Not applicable"



**5. Cash flow**

"√ Applicable" "□ Not applicable"

Item	Amount incurred in the current period (CN¥)	Amount incurred for the previous period (CN¥)	Percentage of change (%)
Net cash flow from operating activities	4,623,740,795.60	3,920,267,304.15	17.94
Net cash flows from investing activities	-2,980,321,075.21	-1,274,001,208.50	-133.93
Net cash flow from financing activities	-2,093,039,229.23	-1,655,266,933.76	-26.45

Explanation of changes in net cash flows from operating activities: This is mainly due to the increase in the Company's sales and the increase in settlement of notes payable.

Explanation of changes in net cash flows from investing activities: This is mainly due to the purchase of more bank wealth management products in the current period.

Explanation of changes in net cash flows from financing activities: This is mainly due to higher payments for store rent and shareholder dividends during the period.

**(II). Notes on major changes in profits due to non-principal business**

"□ Applicable" "√ Not applicable"

**(III). Analysis of assets and liabilities**

"√ Applicable" "□ Not applicable"

**1. Assets and liabilities**

Unit:CN¥

Item name	Current Period's Closing Balance	Current Period's Closing Balance as a Percentage of Total Assets (%)	Prior Period's Closing Balance	Prior Period's Closing Balance as a Percentage of Total Assets (%)	Change in Current Period's Closing Balance over Prior Period (%)	Description
Trading financial assets	1,630,720,887.94	6.76	50,045,139.45	0.24	3,158.50	Primarily due to an increase in the purchase of bank wealth management products with idle funds in the current period
Receivables financing	11,889,888.58	0.05	1,784,671.86	0.01	566.22	Primarily due to an increase in notes receivable in the current period
Prepayments	141,493,810.64	0.59	225,472,636.75	1.07	-37.25	Primarily due to a decrease in prepayments for procurement
Debt investments	154,167,777.78	0.64	0.00	0.00	100.00	Due to the purchase of three-year, high-value fixed deposit

						certificates
Investment in other equity instruments	432,225,200.00	1.79	327,379,600.00	1.56	32.03	Due to increased investments in other equity instruments and year-end fair value adjustments
Other non-current financial assets	1,010,000.00	0.00	1,460,000.00	0.01	-30.82	Due to disposal of some investments in the current period
Other non-current assets	30,269,025.79	0.13	7,230,498.45	0.03	318.63	Primarily due to an increase in prepaid deposits for equity transfers
Advance receipts	15,959,550.59	0.07	6,078,020.28	0.03	162.58	Primarily due to an increase in advance receipts for subletting properties
Contract liabilities	80,166,931.03	0.33	60,685,079.13	0.29	32.10	Primarily due to increase in advance receipts on pre-paid cards
Long-term borrowings	133,617,147.68	0.55	228,668,070.87	1.09	-41.57	Due to repayment of some loans in the current the period
Paid-in capital (or share capital)	1,010,579,797.00	4.19	721,704,930.00	3.43	40.03	Primarily due to conversion of capital reserves to share capital in the current the period
Treasury stock	42,238,481.15	0.17	77,410,952.00	0.37	-45.44	Primarily due to unlocking of restricted stock, recovering the initially confirmed repurchase obligations
Other comprehensive income	21,416,709.49	0.09	-17,001,709.05	-0.08	225.97	Due to year-end fair value changes in other equity instrument investments
Surplus reserves	198,282,150.00	0.82	132,066,047.02	0.63	50.14	Due to an increase in the statutory surplus reserve

						provisioned from the net profit growth of the current period
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Other explanations

None

## 2. Overseas assets

Applicable"  Not applicable"

## 3. Restrictions on major assets as of the end of the Reporting Period

Applicable"  Not applicable"

Item	Closing book value	Reason for restriction
Monetary funds	1,096,521,187.18	Principal and interest of deposit to bills of exchange
Monetary funds	30,283.77	Deposit to government platforms
Monetary funds	774,128.26	Judicially frozen funds
Debt investments	102,729,722.22	Large certificate of deposit pledges
Total	1,200,055,321.43	

## 4. Other explanations

Applicable"  Not applicable"

## (IV). Analysis of industry operational information

Applicable"  Not applicable"

### Analysis of operational information about the retail industry

#### 1. Distribution of operating stores as of the end of the Reporting Period

Applicable"  Not applicable"

Region	Business Format	Stores in Self-owned Properties		Stores in Leased Properties	
		Number of Stores	Floor Area (10,000 m <sup>2</sup> )	Number of Stores	Floor Area (10,000 m <sup>2</sup> )
Central and South China	Pharmaceutical retail chain	10	0.36	4,887	66.07
East China	Pharmaceutical retail chain	1	0.035	3,797	57.30
North China	Pharmaceutical retail chain	2	0.065	1,567	23.74
Total		13	0.46	10,251	147.11

## 2. Other explanations

Applicable"  Not applicable"

(1) The Company's store network during the Reporting Period

The Company adheres to the development strategy of "regional concentration and steady expansion" and aims its market expansion at "consolidating the share in Central South, East, and North China while expanding across the country". Through the layout of "new openings + M&A + franchising" in the

above regions, it has formed a multi-tiered store network comprising flagship stores, regional central stores, medium-sized community stores, and small-sized community stores. The Company has been deeply engaged in the regional market and gained a leading position in the market through refined operation and brand penetration. During the Reporting Period, the Company saw 2,982 new stores.

Unit: store

Region	2023				
	Beginning of the Period	Net growth	Closed	Relocated	End of the Period
Central and South China	5,414	1,322	79	32	6,736
East China	3,795	927	58	26	4,722
North China	1,059	733	16	3	1,792
Total	10,268	2,982	153	61	13,250

Note: During the Reporting Period, a total of 214 stores were closed or relocated, primarily due to location optimization, renovation of old urban areas, and strategic adjustments, among other factors.

#### (2) Changes in the Company's store network

As of December 31, 2023, the Company had a net increase of 9,639 stores compared to the end of 2018. Over the past five years, the Company's stores have increased at a compound annual growth rate of 29.69%. Details are as follows:

Unit: store

Year	At the end of 2018	At the end of 2019	At the end of 2020	At the end of 2021	At the end of 2022	At the end of 2023
Central and South China	1,633	2,159	2,858	3,824	5,414	6,736
East China	1,482	2,035	2,456	3,194	3,795	4,722
North China	496	558	677	791	1,059	1,792
Total	3,611	4,752	5,991	7,809	10,268	13,250

#### (3) Business of the Company's direct-sale stores during the Reporting Period

As of December 31, 2023, the Company had 10,264 directly-managed stores. The business of the direct-sale stores is as follows:

Store Type	Number of Stores (store)	Store Operating Area (m <sup>2</sup> )	Average Daily Sales per Square Meter (tax included; CN¥/m <sup>2</sup> )
Flagship store	26	17,940	146.53
Regional central store	95	33,253	70.95
Medium-sized community store	1,023	194,280	60.18
Small-sized community store	9,120	815,403	60.81
Total	10,264	1,060,875	61.06

Note: Average daily sales per square meter = Average daily operating revenue/Store operating area

Average daily operating revenue = Store's annual operating revenue (tax included)/Store's business days

Operating area refers to the actual area of the store for business operations.

(4) Stores licensed for government BMI

As of December 31, 2023, 8,970 (87.39%) among the Company's 10,264 direct-sale chain stores had been licensed as BMI Designated Retail Pharmacies.

Region	Number of Stores (store)	BMI Designated Retail Pharmacies (store)	Percentage of Government BMI Pharmacies
Central and South China	4,897	4,505	92.00%
East China	3,798	3,229	85.02%
North China	1,569	1,236	78.78%
Total	10,264	8,970	87.39%

(5) Online business operation

During the Reporting Period, relying on offline stores and members, the Company proceeded with its new pharmaceutical retail system based on the ecosystems of omni-channel membership, online and offline medical services, and whole-lifecycle health management. It also continued to empower the M&A system and franchising system. Meanwhile, the new media operation and content operation capabilities saw rapid improvement.

As of the end of the Reporting Period, the Company's registered membership totaled 87.1 million, and the Company's WeChat official account had more than 16.87 million followers. O2O multi-channel and multi-platform online direct-sale stores exceeded 9,000, covering all major cities in the presence of the Company. Supported by the dual-engine strategy of O2O and B2C, relying on the Company's regional concentration strategy, intelligent supply chain system, and refined operation, the Company's Internet business achieved sales revenue of CN¥1,817.8471 million (tax excluded). It includes sales revenue from O2O (franchise stores excluded) of CN¥1,398.7383 million and sales revenue from B2C of CN¥419.1092 million.

**(V). Analysis of investment status****Overall analysis of outbound equity investments**

Applicable  Not applicable

During the Reporting Period, the Company participated in 22 M&A investments within the industry, successfully completing 19 of these transactions. Details are as follows:

(1) In November 2022, the Company's holding subsidiary, Tangshan Xinxing Deshuntang Pharmaceuticals Chain Co., Ltd., entered into the "Equity Transfer Agreement" with Yin Hui and other individuals to acquire 100% equity of Tangshan Xinxing Deshengtang Pharmaceutical Co., Ltd. at a price of CN¥113 million, which involved 54 stores and 8 clinics. The project's equity delivery procedures were completed in March 2023.

(2) In October 2022, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into the "Equity Transfer Agreement" with Shang Yong and other individuals to acquire 70% equity of Qinhuangdao Xinxing Minle Pharmaceuticals Chain Co., Ltd. at a price of CN¥63 million, which involved 89 stores. The project's equity delivery procedures were completed in March 2023.

(3) In December 2022, the Company entered into an asset acquisition framework agreement to be assigned the assets and business of Longshan County Laobaixing New and Special Medicine Health Pharmacy and other 10 pharmacies. The project's asset delivery procedures were completed in February 2023, and the final asset acquisition price was CN¥6million.

(4) In February 2023, the Company's wholly-owned subsidiary, Hubei Yifeng, entered into the "Equity Transfer Agreement" with Li Qionghua and other individuals, to acquire 70% equity of Guangshui Yifeng Kangji Pharmacy Chain Co., Ltd. at a price of CN¥8.54 million, which involved 11 stores. The project's equity delivery procedures were completed in April 2023.

(5) In March 2023, the Company's wholly-owned subsidiary, Jiangsu Yifeng, entered into an asset acquisition framework agreement to be assigned the assets and business of 37 stores of Changzhou Renmin Baixing Pharmacy Co., Ltd. The project's asset delivery procedures were completed in June 2023, and the final asset acquisition price was CN¥35 million.

(6) In April 2023, the Company's holding subsidiary, Ganxi Yifeng, entered into the "Equity Transfer Agreement" with Chen Zhilin and other individuals, to acquire 60% equity of Yichun Yifeng Pharmacy Chain Co., Ltd., at a price of CN¥24.6 million, which involved 30 stores. The project's equity delivery procedures were completed in July 2023.

(7) In May 2023, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into the "Equity Transfer Agreement" with Wang Yunqiang and other individuals to acquire 80% equity of Handan Xinxing Baixinkang Pharmaceuticals Chain Co., Ltd. at a price of CN¥23.344 million, which involved 58 stores. The project's equity delivery procedures were completed in August 2023.

(8) In May 2023, the Company's wholly-owned subsidiary, Hubei Yifeng, entered into an asset acquisition framework agreement to be assigned the assets and business of 64 pharmacies of Hubei Zhonglian Pharmacy Co., Ltd. at a price not exceeding CN¥20 million. The delivery procedures of 41 pharmacies in the project were completed in July 2023, and these pharmacies were re-established upon

renewal of all business approval procedures. Zhonglian has not performed the framework agreement completely yet, and both parties are still proceeding with this agreement.

(9) In June 2023, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into an asset acquisition framework agreement to be assigned the assets and business of 39 stores of Xingtai Dongda Pharmaceuticals Chain Co., Ltd. The project's asset delivery procedures were completed in July 2023, and the final asset acquisition price was CN¥26.32 million.

(10) In July 2023, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into the "Equity Transfer Agreement" with Sun Shuzhi and other individuals to acquire 80% equity of Langfang Xinxing Dekunyuuan Pharmaceutical Retail Chain Co., Ltd. at a price of CN¥27.19 million, which involved 69 stores. The project's equity delivery procedures were completed in December 2023.

(11) In August 2023, the Company's wholly-owned subsidiary, Jiangxi Yifeng, entered into the "Equity Transfer Agreement" with Wang Yang and other individuals, to acquire 65% equity of Yingtan Yifeng Pharmacy Chain Co., Ltd., at a price of CN¥19.5 million, which involved 29 stores. The project's equity delivery procedures were completed in October 2023.

(12) In August 2023, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into the "Equity Transfer Agreement" with Wang Ruimin and other individuals to acquire 70% equity of Handan Xinxing Huakang Pharmacy Chain Co., Ltd. at a price of CN¥52.5 million, which involved 50 stores. The project's equity delivery procedures were completed in December 2023.

(13) In September 2023, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into the "Equity Transfer Agreement" with Zhang Weizhe and other individuals to acquire 70% equity of Chengde Xinxing Baixing Pharmacy Chain Co., Ltd. at a price of CN¥30.24 million, which involved 20 stores. The project's equity delivery procedures are still in progress.

(14) In September 2023, the Company's holding subsidiary, Jingzhou Guangshengtang, entered into an asset acquisition framework agreement to be assigned the assets and business of Jiangling Miaoyuan Pharmacy and other 9 pharmacies. The project's asset delivery procedures were completed in October 2023, and the final asset acquisition price was CN¥6.88 million.

(15) In October 2023, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into the "Equity Transfer Agreement" with Zhang Zhen and other individuals to acquire 70% equity of Chengde Xinxing Xinyu Pharmacy Chain Co., Ltd. at a price of CN¥23.1 million, which involved 31 stores. The project's equity delivery procedures were completed in December 2023.

(16) In October 2023, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into the "Equity Transfer Agreement" with Ma Limin and other individuals to acquire 70% equity of Pingquan Xinxing Limin Pharmacy Chain Co., Ltd. at a price of CN¥36.96 million, which involved 55 stores. The project's equity delivery procedures were completed in January 2024.

(17) In November 2023, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into the "Equity Transfer Agreement" with Wang Tao and other individuals to acquire 70% equity of Nangong Xinxing Huakang Pharmacy Chain Co., Ltd. at a price of CN¥22.4 million, which involved 67 stores. The project's equity delivery procedures were completed in March 2024.

(18) In November 2023, the Company's holding subsidiary, Wuxi Jiuzhou, entered into an asset acquisition framework agreement to be assigned the assets and business of Wuxi Shenzhou Pharmacy Co., Ltd. and other 3 pharmacies. The project's asset delivery procedures were completed in January 2024, and the final asset acquisition price was CN¥11.5 million.

(19) In December 2023, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into the "Equity Transfer Agreement" with Lu Dezhi and other individuals to acquire 70% equity of Handan Xinxing Shengde Pharmacy Chain Co., Ltd. at a price of CN¥15.4 million, which involved 25 stores. The project's equity delivery procedures were completed in March 2024.

(20) In December 2023, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into the "Equity Transfer Agreement" with Yuan Lijuan and other individuals to acquire 70% equity of Handan (Yongnian District) Xinxing Wankang Pharmaceuticals Chain Co., Ltd. at a price of CN¥17.50 million, which involved 15 stores. The project's equity delivery procedures are still in progress.

(21) In December 2023, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into the "Equity Transfer Agreement" with Qin Wei and other individuals to acquire 70% equity of Jize Renkang Xinxing Pharmacy Chain Co., Ltd. at a price of CN¥5.39 million, which involved 15 stores. The project's equity delivery procedures were completed in March 2024.

(22) In December 2023, the Company's holding subsidiary, Shijiazhuang Xinxing, entered into the "Equity Transfer Agreement" with Tan Hong'en and other individuals to acquire 70% equity of Handan Xinxing Kangheng Baixing Pharmaceuticals Chain Co., Ltd. at a price of CN¥16.1 million, which involved 35 stores. The project's equity delivery procedures are still in progress.



**1. Substantial equity investments**

Applicable"  Not applicable"

**2. Substantial non-equity investments**

Applicable"  Not applicable"

**3. Financial assets measured at fair value**

Applicable"  Not applicable"

Investments in securities

Applicable"  Not applicable"

Investments in securities

Applicable"  Not applicable"

Investments in private equity funds

Applicable"  Not applicable"

Investments in derivatives

Applicable"  Not applicable"

**4. Progress details of material asset restructuring and consolidation during the Reporting Period**

Applicable"  Not applicable"

**(VI). Material assets and equity sales**

Applicable"  Not applicable"

**(VII). Analysis of major companies controlled or held by the Company**

Applicable"  Not applicable"

S/N	Subsidiary	Shareholding (%)	Main business	Registered Capital (CN¥10,000)	Total assets (CN¥10,000)	Net assets (CN¥10,000)	Operating Revenue (CN¥10,000)	Operating Profit (CN¥10,000)	Net Profit (CN¥10,000)
1	Yifeng Pharmaceutical	100.00	Pharmaceutical wholesale	15,000.00	555,130.81	179,759.40	563,521.35	62,474.80	53,767.15
2	Jiangsu Yifeng	100.00	Pharmaceutical retail	15,000.00	739,594.91	158,370.64	559,063.52	52,425.02	39,094.25

Note: The above major companies controlled or held by the Company include subsidiaries whose net profit accounts for more than 10% of the Company's total net profit.

The Company's wholly-owned subsidiary, Yifeng Pharmaceuticals, wholly owns Hengxiutang Pharmaceuticals Company;

The Company's wholly-owned subsidiary, Jiangsu Yifeng, wholly owns Jiangsu Yifeng Medicine, Nantong Yifeng Outpatient Clinic, and Wuyi Clinic Company, and controls Wuxi Jiuzhou Pharmaceuticals, Jiuzhou Pharmacy, Taizhou Bao'ai, Rudong Yifeng, Wuxi Kangjian, Nanjing Zhilin, Xuzhou Enqi, Dongtai Kaixin Pharmaceuticals, and Yuehai Tong'ankang.

**(VIII). Structured entities controlled by the Company**

Applicable"  Not applicable"

**VI. The Company's discussion and analysis of its future development****(I). Industry landscape and trends**

Applicable"  Not applicable"

As policies for the reform of medical care, BMI and pharmaceutical industry are implemented and rolled out, the structural adjustment of the pharmaceutical industry is facing substantial changes, and industry trends are constantly changing, which is affected by multiple factors, such as an aging population, advancement of Internet technology, and capital driving. These activities have contributed to the continuous expansion of the healthcare and medical industry's overall scale. Moreover, the terminal sales of retail pharmacies has accounted for a bigger share, along with more pharmacy chains. The pharmaceutical industry has witnessed increasingly centralized development. The medicine retail industry has ushered in a continuous expansion. Medicine retailing has increasingly distinguished itself as being standardized, large-scale, specialized, and differentiated. The abilities to deliver professional management services catering to the diverse health needs of consumers have been enhanced. Digital

transition and upgrading of businesses accelerated integration in the industry, and the service model of “online + offline” whole-lifecycle health management has become new trends of the industry.

(1) Health expenditure has been rising year by year, and the health industry as a whole has been expanding. According to the "Report on the Execution of the Central and Local Budgets for 2022 and the Draft Budgets for 2023" issued by the National People's Congress, the total national general public budget expenditure for 2023 is planned to be CN¥27.513 trillion, with health and wellness expenditures accounting for 8.8%, totaling CN¥2.4211 trillion. According to the "Statistical Communiqué of the People's Republic of China on the 2023 National Economic and Social Development" by the National Bureau of Statistics of China, per capita healthcare expenditure among residents in 2023 was CN¥2,460, accounting for 9.2% of total consumer spending and ranking fifth. By the end of 2023, the total number of individuals enrolled in BMI nationwide reached 1,333.87 million, with 370.94 million covered under employee BMI and 962.93 million under urban and rural residents' BMI; 249.07 million were enrolled in maternity insurance.

(2) The healthcare reform oriented towards “separation of prescribing and dispensing” has brought a new incremental market for the pharmaceutical retail industry. As the reform of medical care, BMI and pharmaceutical industry is being rolled out, policies on public hospital reform, expense control of government BMI, drug consistency evaluation, volume-based procurement, and Internet + medical care have been introduced and implemented. The policy of including designated retail pharmacies in the overall outpatient service management has been carried out widely. Hospital prescription outflow (from public hospitals into pharmaceutical retail channel) is speeding up. The separation of prescribing and dispensing starts gaining results, and the pharmaceutical retail industry has ushered in a new incremental market.

(3) The industry is witnessing higher concentration driven by industrial policies and capital. The "Guiding Opinions of the Ministry of Commerce on Promoting the High-Quality Development of the Pharmaceutical Distribution Industry During the 14<sup>th</sup> Five-Year Plan Period" envisions that (1) five to ten specialized and diversified pharmaceutical retailers with a revenue of more than CN¥50 billion will be nurtured by 2025; (2) the annual sales of the top 100 enterprises in the pharmaceutical retail industry will account for more than 65% of the total market value of the pharmaceutical retail industry; and (3) pharmaceutical retail chain stores will account for nearly 70% of all stores. These Guiding Opinions provide strong policy support for increasing concentration in China's pharmaceutical retail industry.

(4) As the Internet Plus action plan is rolled out and cross-cover integration models are applied, pharmaceutical distribution channels and development models have been continuously improved and innovated. The new pharmaceutical retail model, which develops both online and offline, is led by offline physical pharmacies and centered on big data and member management, bringing new vitality to the industry. Retail pharmacies are actively pursuing specialized, digital, and intelligent transformation pathways, broadening their service offerings to include health check-ups, chronic disease self-testing, pharmaceutical services, and chronic disease management. They provide consultation services and

follow-up visits for patients requiring specialty medications, gradually transitioning from a commodity sales-centered model to a consumer service-centered approach.

### **(II). The Company's development strategy**

Applicable"  Not applicable"

The Company will carry forward the corporate mission of “enhancing Chinese people’s physical and mental health” and focus on the core strategies of “professional services, controllable and strategically focused products, new retail, focused expansion, efficient operation system, talent and culture”. It focuses on Central South, East, and North China, while expanding in the national market. It seeks new development space through business model innovation and increasing upstream and downstream channels. The Company continues to improve its core competitiveness through building its brand image, enhancing professional services, establishing a system of differentiated and strategically-focused products, and implementing digital technology innovation. The Company employs new concepts and new technologies to serve customers and empower stores and employees. By consolidating the basic system of human resources and optimizing its organizational structure, it improves its business efficiency and organizational efficiency. Through constructing a new model of omni-channel whole-lifecycle health management services, the Company makes more substantial contributions to people’s physical and mental health, and becomes a choice pharmacy worthy of customers’ trust and confidence.

### **(III). Business plan**

Applicable"  Not applicable"

#### **1. Store network expansion plan**

Under the strategic framework of "regional concentration and steady expansion," the Company continues to refine and extend its strategies through the synchronized development of "new openings + M&A + franchising". By leveraging iterative site selection mechanisms (commercial area positioning method), customer flow testing systems, and sales forecast models, the Company persistently enhances the precision of store locations, improving the efficiency and quality of site selection. This approach deepens and broadens the store network's coverage, achieving a rational and efficient store network layout and steadily increasing regional market share and concentration.

#### **2. Innovating the Company's business model**

The Company will continue innovating the online-offline-integrated efficient operating system for expansion, operations, merchandises, manpower, and IT. The Company will create an industry-leading new retail e-commerce business model and supply chain system; build an omni-channel membership operation system and private domain operation system that are warm, professional, accurate, and efficient; strengthen the establishment of the direct-sales franchise system; and comprehensively innovate in the new business model of healthcare products and services.

#### **3. Creating efficient merchandise category and supply chain management systems**

By establishing a robust national optimal engineering system, the Company will continue to optimize the structure of product categories, and introduce new products, ultimately establishing a controllable and strategically focused product selection system that covers all categories, and features differentiation. It will establish a management system of merchandise-led promotion and strengthen the mechanism to remove inferior merchandises. Focusing on the planning system of product varieties, it will adopt the full-cycle management of products. In addition, it will enhance the merchandise fill rate and reduce inventory turnover to build efficient and intelligent category and supply chain management systems.

#### 4. Creating a human resources supply system that can be replicated at scale

To meet the demand of human resources for the Company's rapid development, the Company will promote the corporate culture in every aspect, integrate cultural orientation in appointment and incentives, and guide employees to be self-motivated. By reconstructing the human resources foundation, optimizing organizational structures, embracing digital drive, and refining the compensation incentive system, it will open up career paths for its employees. Through cultivating senior talents and building talent teams, enhancing talent density, and optimizing the ecosystem for talent development, it strives to create a human resources supply system that can be replicated at scale.

#### 5. Creating an efficient digital system for quality services

Based on the store service model, the Company will build a digital pharmaceutical online operation model that integrates people, merchandises, and venues to create a high-quality service network and improve work efficiency. By applying digital means in new store expansion, M&A, and franchising, the Company will complete the digitalization of the business of Yifeng Pharmaceuticals and Hengxiutang. This move will open up the upstream and downstream chains of the pharmaceutical industry, provide digital support for the construction of the pharmaceutical industry network, create an intelligent and efficient e-commerce operation and medical prescription system, improve operational efficiency, and reduce fulfillment costs.

### (IV). Potential risks

"√ Applicable" "□ Not applicable"

#### 1. Industry policy risk

The development of the pharmaceutical retail industry is regulated and affected by national policies. As China's administration standards for the pharmaceutical retail industry have been raised year by year, business operations are facing higher requirements. As the new healthcare reform goes deeper, policies such as the public hospital reform, public hospital zero drug market-ups, the two-invoice system, BMI payment methods, and the reform of personal BMI accounts have been rolled out in full swing. At the same time, industry regulation is increasingly stringent. If the Company's business management and internal operation system cannot be promptly adjusted against regulatory and industry policies, the Company is likely to face business risks.

Responses: The Company will closely monitor changes in national policies and enhance the understanding of industry guidelines. It will plan and respond in a forward-looking way. It will seize the

opportunities and rise to the challenges from changes in the industry by (1) adjusting its business and management model, (2) upgrading its internal standardized governance, and (3) promoting professional services among employees and innovating in merchandises and the business model.

## 2. Drug safety risks

Drug safety encompasses all stages of drug production, sales, distribution, and use, with potential risks arising at any stage. The procurement of drugs from numerous manufacturers and wholesalers presents a risk if the Company fails to promptly detect quality or safety issues. This could result in liabilities and adversely affect the Company's brand reputation.

Response measures include continuously enhancing and strictly enforcing the Company's inventory management systems and strengthening GSP quality management standards. Through proactive testing and other measures, the Company intensifies the quality assessment and management of suppliers, particularly for newly introduced products. The Company's quality management department consistently bolsters training, coaching, inspection, and evaluation of store employees.

## 3. Risk of more intense market competition

China's pharmaceutical retail industry is characterized by a low market concentration, and the industry is highly competitive. In particular, in recent years, large-scale pharmacy chains in the industry have expanded their marketing network to other regions through organic expansion and M&A. The industry has seen higher market concentration, and the competition among retail pharmacies has become fiercer. Some large national and regional chains are emerging. They are growing rapidly on the back of their advantages in capital, brand, and supply chain management. At the same time, with the continuous development of primary-level healthcare institutions, consumer groups that shop most on the Internet and mobile terminals are gradually coming into being. Competition among retailers is becoming increasingly fierce. Through the years, the Company has accumulated numerous consumers, marketing channels, and upstream suppliers, gained high brand visibility and reputation, and achieved a leading edge in the markets of Central South, East, and North China. However, with market changes and intensified competition, it is a new challenge for the Company to further expand its market share and profitability in its dominant regions.

Responses: First, the Company will continue to strengthen its advantage: refined, systematic and digital management. Secondly, the Company will accelerate the expansion of its store network and focused development through "new openings + M&A + franchising". At the same time, the Company will embrace market changes and innovate its business model. It will seek development both online and offline through the trials and promotion of the online-offline-integrated new retail model. It will pilot initiatives such as developing the new business format of health pharmacy through health management services and business extension, so as to continuously improve the Company's overall competitive strength and maintain and expand its regional competitive advantages.

## 4. Risk of rapid expansion affecting short-term performance

The Company's business is still concentrated in Central South, East, and North China. It may face the risks of saturated markets and intensified competition in the proposed expansion regions. In

proposed expansion regions that are unsaturated, it may face the risk of declining average store sales revenue as the regions are remote or have a small market or a poor business environment. In the future, the Company intends to implement the development strategy of “expanding across the country.” In expanding its business beyond Central South, East, and North China, it may face challenges in brand promotion, marketing, store location, merchandise procurement, logistics, and distribution. There is uncertainty as to whether the above business expansion can achieve the expected results. Moreover, in the early stage of investment, the Company’s expenses in this regard may grow faster than revenue, which may have a negative impact on the Company’s short-term financial performance.

Responses: Firstly, the Company will consolidate its basic capabilities to continue to improve its systematic, standardized, intelligent, and refined management system and to enhance its control and replication ability in cross-regional operations. Secondly, the Company will continue to improve store profitability by optimizing the merchandise structure, reducing procurement costs, and innovating in the business model. At the same time, the Company will develop appropriate business expansion plans based on the scale of development to balance business expansion and current earnings growth.

#### 5. Risk of acquired stores’ business failing expectations

Against the general trend of M&A in the industry, the Company has developed the expansion strategy of “new openings + M&A + franchising”. The Company’s previous M&A projects have all achieved performance expectations. Nevertheless, the profitability of M&A projects is affected by multiple factors such as the policy environment, market demand, and operations. In the event of significant adverse changes in policies, changes in the purchasing habits of consumers, or major adverse events that cannot be resisted in the future, the acquired stores’ business may fail expectations, resulting a risk of goodwill impairment, which will adversely affect the Company’s performance and cause losses to all shareholders.

Responses: First, the Company will strengthen the audit and assessment of the M&A targets, and strictly select M&A targets that present excellent qualifications and complement with the Company in the market. Secondly, the Company will establish a professional M&A integration team to standardize and streamline M&A integration and operational management in later stages. In this way, it will seamlessly integrate the M&A target with the Company’s team culture, management system, and supply chain system, and ensure the continuous improvement of the operating performance of the acquired stores.

#### 6. Risk of dilution of human resources as a result of the Company’s rapid development

A professional management team is one of the core elements of the Company’s sustainable, healthy, and efficient operation. In the course of rapid development, if the Company fails to meet the needs of its future rapid development in talent introduction and personnel training, or if there are failures in talent appointment, pooling, or management leading to a loss of talent, it will adversely affect the Company’s future expansion and business operations.

Responses: The Company will intensify its efforts in recruitment, talent pooling, and personnel training. It will co-host the Yifeng Pharmacy Class with universities and colleges to meet the demand for

frontline professional workers at stores. It will launch the Management Trainee program to meet the demand for middle and senior managers for the rapid development of the Company. It will improve its employee career development channels and equity incentive mechanism to retain and attract experts. It will improve the training system and nurture professionals and people with compound capabilities in pharmacy, marketing, information, logistics, and management to meet the demand for human resources for the Company's rapid development.

**(V). Others**

Applicable"  Not applicable"

**VII. Information not disclosed by the Company as per the guidelines due to non-applicability of the guidelines or for special reasons such as state secrets or trade secrets and the reasons thereof**

Applicable"  Not applicable"

## Section IV. Corporate Governance

**I. Overview of corporate governance**

Applicable"  Not applicable"

During the Reporting Period, the Company regulated its operations by continuously improving its corporate governance structure and internal control system in strict accordance with the *Company Law*, the *Securities Law*, the *Code of Corporate Governance of Listed Companies*, the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, and other laws, regulations, and rules. The Company's General Meeting of Shareholders, Board of Directors, and Board of Supervisors operated against standards, and its directors, supervisors, and senior management performed their duties diligently.

1. Shareholders and the General Meeting of Shareholders. During the Reporting Period, the Company held 4 General Meetings of Shareholders, where voting was performed both on site and online. The General Meetings of Shareholders were convened and held in strict accordance with the *Articles of Association* and the *Rules of Procedure for General Meeting of Shareholders*, ensuring all shareholders' legitimate rights and interests, in particular, to ensure that minority shareholders enjoy equal status and fully exercise their rights. The Company takes shareholders' visits and inquiries seriously and provides them convenient access to information about the Company's operations.

2. Controlling shareholders and the listed Company. The Company and its controlling shareholders maintain independence in terms of personnel, assets, finance, institutions, and business. The Company's Board of Directors, Board of Supervisors, and internal control institutions operate independently. The controlling shareholders observe rules and have not intervened directly or indirectly in the Company's decision-making or operating activities beyond the General Meeting of Shareholders.

3. Directors and the Board of Directors. The Company's Board of Directors consists of 9 directors, including 3 independent directors. It comprises an Audit Committee, a Strategy and Sustainable Development Committee, a Remuneration and Appraisal Committee, and a Nomination Committee, all of whose members are directors. The Company's Board of Directors strictly observes the *Company Law*,



the *Articles of Association*, and the *Rules of Procedure of the Board of Directors*. The directors attend the meetings of the Board of Directors and the General Meetings of Shareholders attentively and responsibly. They are familiar with relevant laws and regulations; understand directors' rights, obligations, and responsibilities; and fulfill their duties, giving full play to the key role of directors in the Company's operations and management. During the Reporting Period, thirteen meetings of the Board of Directors were convened.

4. Supervisors and the Board of Supervisors. The Company's Board of Supervisors consists of 3 supervisors, one of whom is an employee representative supervisor. The Company's Board of Supervisors strictly observes the *Company Law*, the *Articles of Association*, and the *Rules of Procedure of the Board of Supervisors*. It conscientiously fulfills its duties, acts responsibly to the shareholders, and supervises the Company's day-to-day operations, the directors and senior management's conduct, the legal compliance of the Company's finance. During the Reporting Period, ten meetings of the Board of Supervisors were convened.

5. Performance appraisal and incentive and restraint mechanism. The Company has established an effective performance appraisal system and improved it. The Company has also developed a compensation and performance appraisal management system and a fair and transparent incentive and restraint mechanism for directors, supervisors, and senior management.

6. Information disclosure and investor relations management. The Company has developed an Information Disclosure Management System and an Investor Relations Management System, and has set up the Securities and Investment Department pursuant to the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*. It fulfills its information disclosure obligations in accordance with the law and ensures that its disclosure is timely, accurate, and complete, thus practically safeguarding minority shareholders' interests. The Company continuously improves its investor relations management and enhances its communication with investors through various online and offline methods, such as conducting performance briefings, hosting visits to listed companies, receiving shareholder visits, and responding to shareholder inquiries over the phone.

Presence of significant differences between corporate governance and the law, administrative regulations, and the CSRC's regulations on the governance of listed companies; if yes, please specify the reason(s)  
 Applicable"  Not applicable"

**II. Specific measures taken by the Company's controlling shareholder and actual controller to ensure the independence of the Company's assets, personnel, finances, institutions, and business, as well as solutions for the impact on the Company's independence, their progress, and subsequent work plans**

Applicable"  Not applicable"

The Company's controlling shareholder, Ningbo Meishan Free Trade Port Area Houxin Venture Capital Partnership (Limited Partnership), and its actual controller, Gao Yi, fulfill their obligations in strict accordance with the *Securities Law* and other applicable laws and regulations and maintain their independence in terms of assets, personnel, finance, institutions, and business.

(I) Asset independence

The Company possesses a complete operational management system and logistics facilities for its business operations, legally owns or has the right to use assets related to its business operations including land, properties, and equipment, and has independent merchandise procurement, distribution, and sales systems. The ownership of assets of the Company and its controlling shareholder, actual controller, and other related parties is clear. The Company has full control and dominance over all of its assets. The Company does not have any funds or assets tied up by its shareholders, actual controller, and other companies under their control.

(II) Personnel independence

The Company's directors, supervisors, and senior management are all elected or appointed in strict accordance with the procedures set out in the *Company Law* and the *Articles of Association* of the Company. The Company's President, Vice President, Assistant President, Chief Financial Officer, Secretary of the Board of Directors, and other senior management are all working full-time at the Company (including its subsidiaries) and receiving remuneration. None of them (1) holds positions other than director and supervisor at the Company's controlling shareholder, actual controller, and other companies under their control; (2) receives remuneration from the Company's controlling shareholder, actual controller, and other companies under their control; or (3) serves at other companies with the same or similar business as the Company. The Company's financial personnel do not hold any part-time jobs at the Company's controlling shareholder, actual controller, and other companies under their control.

The Company has an independent workforce and has established an independent labor relations, personnel, and wage management system. The Company has signed labor contracts with all employees. Its Human Resources Department is independently responsible for employees' employment, assessment, rewards, and penalties. The Company is independent from its controlling shareholder, actual controller, and other companies under their control in employees' social insurance and compensation, and manages them in separate books.

(III) Financial independence

The Company has set up an independent Financial Department with full-time financial staff and established an independent financial accounting system. It makes financial decisions independently and has a standardized financial accounting system and a financial management system for its subsidiaries. The Company pays taxes independently and opens independent bank accounts in accordance with the law, and does not mix taxes or share bank accounts with its controlling shareholder, actual controller, and other companies under their control. The Company has not provided guarantees for its controlling shareholder, actual controller, and other companies under their control, and has no funds tied up by its controlling shareholder, actual controller, and other companies under their control by way of borrowing, repayment of debts, advancement of funds, or otherwise.

(IV) Institutional independence

The Company has established a complete corporate governance structure comprising the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, and the management. The

Company has established independent and complete internal management institutions in line with its status and needs in operations and development. It has defined the functions of each institution and developed respective internal management and control systems. These institutions exercise their powers and functions independently in accordance with the *Articles of Association* and the internal management system. There is no superior-subordinate relationship between them and the Company's controlling shareholder, actual controller, and other companies under their control and their functional departments, nor is there any institutional confusion or co-location.

(V) Business independence

The Company has an independent and complete business system, with every segment, including procurement, logistics, distribution, and sales, independent from its controlling shareholders, actual controllers, and other companies under their control. There is no horizontal competition and unfair connected transactions.

The Company's controlling shareholder, actual controller, and other entities under their control engaging in the same or similar business as the Company, as well as the impact of horizontal competition or significant changes in such competition on the Company, resolutions taken and their progress, and subsequent resolving plans

"□ Applicable" "√ Not applicable"

### III. Overview of the General Meeting of Shareholders

Session	Date of convening	Query Index on the Designated Publishing Website of the Resolution	Disclosure Date of Resolution Publishing	Resolution of the Meeting
1 <sup>st</sup> Extraordinary General Meeting of Shareholders in 2023	2023-3-13	Notice on the Resolution of the 1 <sup>st</sup> Extraordinary General Meeting of Shareholders in 2023 of Yifeng Pharmacy (2023-012) on the website of the Shanghai Stock Exchange	2023-3-14	Details to be found in "Details of the General Meeting of Shareholders"
Annual General Meeting of Shareholders for 2022	2023-5-18	Notice on the Resolution of the Annual General Meeting of Shareholders for 2022 of Yifeng Pharmacy (2023-042) on the website of the Shanghai Stock Exchange	2023-5-19	Details to be found in "Details of the General Meeting of Shareholders"
2 <sup>nd</sup> Extraordinary General Meeting of Shareholders in 2023	2023-7-17	Notice on the Resolution of the 2 <sup>nd</sup> Extraordinary General Meeting of Shareholders in 2023 of Yifeng Pharmacy (2023-057) on the website of the Shanghai Stock Exchange	2023-7-18	Details to be found in "Details of the General Meeting of Shareholders"
3 <sup>rd</sup> Extraordinary General Meeting of Shareholders in 2023	2023-9-12	Notice on the Resolution of the 3 <sup>rd</sup> Extraordinary General Meeting of Shareholders in 2023 of Yifeng Pharmacy (2023-081) on the website of the Shanghai Stock Exchange	2023-9-13	Details to be found in "Details of the General Meeting of Shareholders"

Extraordinary General Meeting of Shareholders requested by preferred shareholders whose voting rights have been restored

Applicable"  Not applicable"

Details of the General Meeting of Shareholders

Applicable"  Not applicable"

1. The Company held the 1st Extraordinary General Meeting of Shareholders in 2023 on March 13, 2023. The meeting was attended by 30 shareholders and proxies, who held a total of 495,461,732 voting shares, accounting for 68.6515% of the total number of valid voting shares. At the meeting, 3 proposals were passed: (1) Proposal on the Feasibility Report on Issuing Convertible Corporate Bonds to Unspecified Recipients, (2) Proposal to Request the General Meeting of Shareholders to Authorize the Board of Directors to Handle Specific Matters Related to the Issuance of Convertible Corporate Bonds to Unspecified Recipients, and (3) Proposal on Changing the Business Scope and Amending the Articles of Association. Details can be found in the Notice on the Resolution of the 1<sup>st</sup> Extraordinary General Meeting of Shareholders in 2023 (2023-012) disclosed at the Shanghai Stock Exchange on March 14, 2023.

2. The Company held the Annual General Meeting of Shareholders for 2021 on May 18, 2023. The meeting was attended by 36 shareholders and proxies, who held a total of 487,281,753 voting shares, accounting for 67.5181% of the total number of valid voting shares. At the meeting, 11 proposals were deliberated and passed: (1) the Proposal on the Report of the Board of Directors for Year 2022, (2) the Proposal on the Report of the Board of Supervisors for Year 2022, (3) the Proposal on the Annual Report for Year 2022 and Its Summary, (4) the Proposal on the Report on the Financial Accounts for Year 2022, (5) the Proposal on the Special Report on the UoP from the Company's Previous Fund-Raising (as of December 31, 2022), (6) the Proposal on Profit Distribution and Capital Reserve Capitalization Plans, (7) the Proposal on Renewing the Current Accounting Firm for Year 2023, (8) the Proposal on Renewing the Current Accounting Firm for Year 2022, (9) the Proposal on Providing Guarantees for Subsidiaries' Application for Bank Credits, (10) the Proposal on Revising the *Articles of Association*, and (11) the Proposal on the Assurance Report on the Company's Weighted Average Returns on Net Assets and Non-recurring Profits and Losses in the Last Three Years,. Details can be found in the Notice on the Resolution of the Annual General Meeting of Shareholders for 2022 (2023-042) disclosed at the Shanghai Stock Exchange on May 19, 2023.

3. The Company held the 2<sup>nd</sup> Extraordinary General Meeting of Shareholders in 2023 on July 17, 2023. The meeting was attended by 30 shareholders and proxies, who held a total of 690,087,865 voting shares, accounting for 68.2993% of the total number of valid voting shares. At the meeting, 1 proposal was passed: the Proposal on Amending the *Articles of Association* and Changing the Business Registration. Details can be found in the Notice on the Resolution of the 2<sup>nd</sup> Extraordinary General Meeting of Shareholders in 2023 (2023-057) disclosed at the Shanghai Stock Exchange on July 18, 2023.

4. The Company held the 3rd Extraordinary General Meeting of Shareholders in 2023 on September 12, 2023. The meeting was attended by 20 shareholders and proxies, who held a total of

683,198,743 voting shares, accounting for 67.6245% of the total number of valid voting shares. At the meeting, 4 proposals were passed: (1) Proposal on Extending the Validity Period of the Plan to Issue Convertible Corporate Bonds to Unspecified Recipients, (2) Proposal to Request the General Meeting of Shareholders to Extend the Authorization for the Board of Directors to Handle Matters Related to the Issuance of Convertible Corporate Bonds to Unspecified Recipients, (3) Proposal on the Special Report on the UoP from the Company's Previous Fund-Raising (as of June 30, 2023), and (4) Proposal on Providing Guarantee for Subsidiary's Bank Credit Applications. Details can be found in the Notice on the Resolution of the 3<sup>rd</sup> Extraordinary General Meeting of Shareholders in 2023 (2023-081) disclosed at the Shanghai Stock Exchange on September 13, 2023.

#### IV. Details of directors, supervisors, and senior management

##### (I). Changes in shareholdings and remuneration of incumbent and outgoing directors, supervisors, and senior management during the Reporting Period

"√ Applicable" "□ Not applicable"

Unit: Share

Name	Position	Gender	Age	Starting Date of Office	Term end date	Number of Shares Held at the Beginning of the Year	Number of Shares Held at the End of the Year	Increase/decrease in Shares During the Year	Reason for the Increase/decrease	Total Pre-tax Remuneration Received from the Company During the Reporting Period (CN¥10,000)	Whether remuneration was obtained from the affiliates of the Company
Gao Yi	Chairman and President	Male	56	2021-3-29		84,215,040	117,901,056	33,686,016	Profit distribution and conversion of capital reserve into equity capital	287.00	No
Gao Feng	Director	Male	53	2021-3-29		0	0	0		140.00	No
Gao Youchen	Director and Executive President	Male	56	2021-3-29		120,000	168,000	48,000	Profit distribution and conversion of capital reserve into equity capital	252.99	No
Xu Xin	Director	Female	57	2021-3-29		0	0	0		0	No
Chai Mingang	Director	Male	55	2021-3-29		0	0	0		20.00	No
Ye Weitao	Director	Male	51	2021-3-29		0	0	0		20.00	No

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Yan Aimin	Independent Director	Male	61	2021-3-29		0	0	0		12.00	No
Wang Hongxia	Independent Director	Female	45	2021-3-29		0	0	0		12.00	No
Yi Languang	Independent Director	Male	48	2021-3-29		0	0	0		12.00	No
Chen Bin	Chairman of the Board of Supervisors	Male	58	2021-3-29		0	0	0		0	No
Liu Yi	Supervisor	Male	51	2021-3-29		0	0	0		10.00	No
Zhang Enbo	Employee Representative Supervisor	Male	29	2021-3-29		1,430	2,002	572	Profit distribution and conversion of capital reserve into equity capital	38.44	No
Wang Fei	Vice President	Male	39	2021-3-29		252,900	354,060	101,160	Profit distribution and conversion of capital reserve into equity capital	182.65	No
Wan Xuemei	Vice President	Female	51	2023-4-26		30,000	94,850	64,850	Increase in holdings on the secondary market; profit distribution and conversion of capital reserve into equity capital; share incentive grant	135.97	No
Zhang	Vice	Male	43	2022-7-2		100,000	140,000	40,000	Profit	156.11	No

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Jia	President			1					distribution and conversion of capital reserve into equity capital		
Wang Yonghui	Vice President	Male	49	2021-3-29		358,000	501,200	143,200	Profit distribution and conversion of capital reserve into equity capital	216.62	No
Zhang Zhaoxu	Vice President	Male	51	2023-3-30		0	67,500	67,500	Share Incentive Grant	186.96	No
Tian Wei	Vice President (off-office)	Male	42	2021-3-29	2024-1-29	93,490	98,286	4,796	Share reduction, profit distribution and conversion of capital reserve into equity capital	179.16	No
Xiao Zaixiang	Vice President	Male	67	2021-3-29		172,750	212,300	39,550	Share reduction, profit distribution and conversion of capital reserve into equity capital	122.07	No
Yan Jun	Associate President	Male	42	2023-5-18		72,000	83,000	11,000	Profit distribution and conversion of capital reserve into equity capital; equity incentive grant	118.30	No
Hu	Associate	Femal	43	2024-1-2		-	-	-		-	No



Jianxia	President	e		9							
Fan Wei	Secretary of the Board of Directors	Male	43	2021-3-29		30,000	42,000	12,000	Profit distribution and conversion of capital reserve into equity capital	83.71	No
Deng Jianqin	Chief Financial Officer	Female	44	2021-3-29		85,540	119,756	34,216	Profit distribution and conversion of capital reserve into equity capital	102.04	No
Total	/	/	/	/	/	85,531,150	119,784,010	34,252,860	/	2,288.02	/

Note: The total pre-tax remuneration received from the Company during the reporting period is the total remuneration received by directors, supervisors, and senior management in their office during the Reporting Period.

Name	Career Autobiography
Gao Yi	Mr. Gao Yi, born in October 1968, is of Chinese nationality and has no permanent residency overseas. He holds a master's degree in Business Administration. He is a deputy to the 14 <sup>th</sup> People's Congress of Hunan Province and the founder of Yifeng Pharmacy, and currently serves as Chairman and President of the Company. He previously served as Chairman of the Company's first, second, and third Boards of Directors. He has been recognized as a Meritorious Figure of China's 40-Year Reform and Opening Up of the Pharmaceutical Industry, the Most Influential Person in China's Pharmacies in the Past Decade, one of China's Top 10 Leaders in Chain Pharmacies, one of the 9 <sup>th</sup> Hunan's Top 10 Economic Achievers, and one of the 10 Most Trusted Entrepreneurs in Hunan's Pharmaceutical Industry.
Gao Feng	Mr. Gao Feng, born in September 1971, is of Chinese nationality and has no permanent residency overseas. He holds a college degree and the title of pharmacist. He previously served as Director of the Company's first, second, and third Boards of Directors. He currently serves as General Manager of Hunan Fenggao Industrial Investment Co., Ltd., Hunan Yifeng Pharmaceutical Holding Co., Ltd., and Director of the Company.
Gao Youcheng	Mr. Gao Youcheng, born in February 1968, is of Chinese nationality and has no permanent residency overseas. He holds a master's degree in Business Administration. He previously served as Manager, Deputy Secretary of the company's CPC Committee, and Executive Deputy General Manager of the Shanghai branch of Changde Native Products Corporation; Manager of Food Procurement at the headquarters and Deputy General Manager of the Shopping Plaza of Better Life Commercial Chain Share Co., Ltd. He previously served as Director of the Company's first, second, and third Boards of Directors. He currently serves as Director and Executive President of the Company.
Xu Xin	Ms. Xu Xin, born in January 1967, is a permanent resident of the Hong Kong SAR, China. She holds a bachelor's degree. She currently serves as

	Director of Capital Today Group (HK) Limited, Capital Today River Partners Limited, Capital Today River GenPar, Ltd., and the Company.
Chai Mingang	Mr. Chai Mingang, born in February 1969, is a Chinese national with the right of abode abroad. He holds a bachelor's Degree in Economics from Fudan University, a master's degree in International Relations from the University of California, and a master's degree in Business Administration from the University of Chicago. He previously served as Global Partner and Head of Human Resource Consulting, China, at Towers Perrin; Head of Human Resource Consulting, China, at Towers Watson; and Executive Vice President of Yonghui Superstores. He currently serves as Partner and President of Shanghai Kaijie Enterprise Management Consulting Co., Ltd. and Director of the Company.
Ye Weitao	Mr. Ye Weitao, born in January 1973, is a Chinese national with no permanent residency overseas. He graduated from the Pharmaceutical Chemistry Program of Shanghai Medical University and received his EMBA from China Europe International Business School. He previously served as sales manager at the OTC Department and national government affairs manager at Bayer (China) Co., Ltd.; national government affairs manager at Aventis; Director of Government Affairs, Assistant to the President, and Vice President of Marketing of the Antibiotics Division of Shanghai Pharmaceuticals Holding; and Partner of Shanghai Jianxin Healthcare Investment Management Co., Ltd. He currently serves as Vice President of Shanghai Lansheng Resources Co., Ltd., Managing Partner of Shanghai Lize Investment Management Co., Ltd., and Director of the Company.
Yan Aimin	Mr. Yan Aimin, born in January 1963, is of Chinese nationality and has no permanent residency overseas. He holds a doctorate degree in Management. He is a professor and doctoral advisor at the Business School of Central South University and Director/Chief Expert of the Human Resources Research Center (National CTTI Think Tank) of Central South University. He previously served as lecturer at the Department of Management Science and Engineering of Central South University of Industry, associate professor at the Business School of Central South University, Independent Director of Hunan Qianjin Pharmaceutical Co., Ltd., and External Director of Hunan Gold Corporation Limited. He currently serves as Level-2 professor and doctoral advisor at the Business School of Central South University, Director/Chief Expert of the Human Resources Research Center (National CTTI Think Tank) of Central South University; Chairman of National Studies Public Welfare Fund, Independent Director of Hunan Matsui New Materials Co., Ltd., Shanghai Hajime Advanced Material Technology Co., Ltd., and Guizhou Ensure Pharmaceutical Co., Ltd.; and Independent Director of the Company.
Wang Hongxia	Ms. Wang Hongxia, born in July 1979, is of Chinese nationality and has no permanent residency overseas. She has a doctor's degree and holds the title of lawyer. She currently serves as associate professor and doctoral advisor at Central South University; Independent Director of Zhuzhou Sunte EP & Energy Saving Co., Ltd., Shaoyang Victor Hydraulics Co., Ltd., and Hunan Guangxin Technology Co., Ltd.; and Independent Director of the Company.
Yi Languang	Mr. Yi Languang, born in December 1976, is of Chinese nationality and has no permanent residency overseas. He holds a doctorate degree in Management Science and Engineering and the title of senior accountant. He previously served as Financial Director of a subsidiary of SANY Heavy Industry Co., Ltd., Deputy General Manager and Chief Financial Officer of Sinopharm Group Hunan Co., Ltd., and the Head of the Financial Management Headquarters of Jointown Pharmaceutical Group Co., Ltd. He currently serves as Executive Director and General Manager of Hunan Zehua Private Equity Fund Management Co., Ltd. and Independent Director of the Company.
Chen Bin	Mr. Chen Bin, born in September 1966, is of Chinese nationality and has no permanent residency overseas. He holds a college degree and the title of pharmacist. He previously served as Director of Western Medicine Operations Department, Head of the Western Medicine Business Unit, and Manager of Shimen County Herb Company in Hunan Province; and Development Director of the Company. He currently serves as Chairman of the Company's Board of Supervisors.

Liu Yi	Mr. Liu Yi, born in October 1973, is of Chinese nationality and has no permanent residency overseas. He holds a doctorate degree in Economics. He currently serves as professor and master's supervisor at the School of Finance and Statistics of Hunan University, Director of the Big Data Finance Research Center of Hunan University, and Supervisor of the Company.
Zhang Enbo	Mr. Zhang Enbo, born in October 1995, is of Chinese nationality and has no permanent residency overseas. He holds a bachelor's degree. She became a member of the company in July 2017 and currently serve as Deputy Director of Strategic Implementation Management Office and Employee Representative Supervisor.
Wang Fei	Mr. Wang Fei, born in August 1985, is of Chinese nationality and has no permanent residency overseas. He holds a bachelor's degree. He previously served as regional manager and senior regional manager of Procter & Gamble (China) Sales Co., Ltd. and assistant to the Chairman of the Company. He currently serves as Vice President of the Company.
Wan Xuemei	Ms. Wan Xuemei, born in December 1973, is of Chinese nationality and has no permanent residency overseas. She holds a bachelor's degree. She previously served as Head of Quality Management Department and Commodity Department, and Deputy General Manager of Operations of Jiangsu Yifeng Pharmacy Chain Co., Ltd., and General Manager of Jiangsu Yifeng Pharmaceutical Co., Ltd. He currently serves as Vice President of the Company.
Zhang Jia	Mr. Zhang Jia, born in November 1981, is of Chinese nationality and has no permanent residency overseas. He received his bachelor's degree in Electrical Engineering from Wuhan University and his master's degree in International Marketing from the University of Leeds in the U.K. He previously served as price manager of Walmart China's Purchasing Department, Director of the Purchasing Department and Head of Skincare Purchasing of Watsons China, CMO of You Sheng Pin Jian (Nanjing) Co., Ltd., and Vice President of Supply Chain of Guangzhou Dora Technology Co., Ltd. (Fordeal). He currently serves as Vice President of the Company.
Wang Yonghui	Mr. Wang Yonghui, born in November 1975, is of Chinese nationality and has no permanent residency overseas. He holds a master's degree in Management Science and Engineering and is a Chartered Global Management Accountant (CGMA). He previously served as internal auditor at the Bank of Guangzhou, Financial Director of ABB (China) Co., Ltd., Financial Manager of ABB Xiamen Low Voltage Equipment Co., Ltd., Financial Director of ABB LV Installation Materials Co., Ltd. Beijing, CFO of Beijing Leader Harvest Electric Technologies Co., Ltd., and Vice President of Finance and Commerce of Joy Global (China) Investment Co., Ltd. He currently serves as Vice President of the Company.
Zhang Zhaoxu	Mr. Zhang Zhaoxu, born in August 1973, is of Chinese nationality and has no permanent residency overseas. He holds a master's degree in Management. He previously served as Director of Human Resources of Consumer Health Products Business in China at GSK CI, General Manager of Human Resources of Urban Development Business Group of China Fortune Land Development Co.,Ltd., Vice President of Human Resources of Inner Mongolia Mengniu Dairy (Group) Co., Ltd., and General Manager of Ruilei Hospital Management (Beijing) Co., Ltd. He currently serves as Vice President of the Company.
Xiao Zaixiang	Mr. Xiao Zaixiang, born in January 1957, is of Chinese nationality and has no permanent residency overseas. He holds a master's degree and is a senior engineer. He previously served as Director of the Security Division, Deputy Director of the Construction Department, Director of the Property Management Department, Director of the Administrative Business Department, and Vice Chairman of the Labor Union of the Changsha Municipal Bureau of Telecommunications; General Manager of Changsha Xinda Real Estate Development Co., Ltd.; Deputy Director of the Security Division of the Hunan Provincial Post Bureau; Deputy General Manager of Hunan Xiangyou Jindun Anti Theft Alarm Network Monitoring Co., Ltd.; and President of Hunan Copote Science Technology Co., Ltd. He currently serves as Vice President of the Company.
Yan Jun	Mr. Yan Jun, born in April 1982, is of Chinese nationality and has no permanent residency overseas. He holds a bachelor's degree in Computer

	Software. He previously served as a software development engineer of Augmentum, R&D Supervisor of Shanda Network, Supervisor of Quality Control of Dianping.com, partner of Wuxi Otaku Game, Manager of Front-end Product, Manager of E-commerce Business, and Director of Member Center of Kidswant Children Products Co., Ltd., as well as Director of Operation Center and Director of R&D Center of Haoxiangjia Comfortable Intelligent Household Co., Ltd. He currently serves as General Manager of New Retail Business Group, Head of Digital Center, and Associate President of the Company.
Hu Jianxia	Ms. Hu Jianxia, born in December 1981, is of Chinese nationality, and has no permanent residency overseas. She holds a Bachelor's degree in Pharmacy at Southwest University and is a pharmacist-in-charge. She previously served as Store Manager, Regional Manager, Department Manager, Deputy General Manager of Operations, and Director of National Operations of the Company. She currently serves as Associate President, and Head of Operations of National Regions of the Company.
Fan Wei	Mr. Fan Wei, born in July 1981, is of Chinese nationality and has no permanent residency overseas. He holds a master's degree. He previously served as investor relations manager of ZTE Corporation, Director of the Investor Relations Office of Zoomlion Heavy Industry Science & Technology Co., Ltd., machinery industry analyst of Zhongtai Securities Co., Ltd., and Deputy Director of Investor Relations of S.F. Holding Co., Ltd. He currently serves as Secretary of the Board of Directors of the Company.
Deng Jianqin	Ms. Deng Jianqin, born in September 1980, is of Chinese nationality and has no permanent residency overseas. She holds a master's degree. She previously served as consultant, senior consultant, and manager at PricewaterhouseCoopers' Beijing office; Head of Internal Control, China, at Laureate Education, Inc.; Director of Internal Control and Chairwoman of the Board of Supervisors of Hunan International Economics University, which is indirectly controlled by Laureate Education, Inc. She currently serves as CFO of the Company.

Other details

" Applicable" Not applicable"

**(II). Office of incumbent and outgoing directors, supervisors, and senior management during the Reporting Period****1. Situation of work performance in shareholder entity**" Applicable" Not applicable"**2. Situation of work performance in other entities**" Applicable" " Not applicable"

Name	Entity	Position held in other entities	Starting Date of Office	Term end date
Gao Yi	Hunan Fenggao Industrial Investment Co., Ltd.	Executive Director	2016-9-17	
Gao Feng	Hunan Fenggao Industrial Investment Co., Ltd.	General Manager	2016-9-17	
	Hunan Yaqi Hotel Management Co., Ltd.	General Manager	2021-6-24	
Xu Xin	Capital Today Group (HK) Limited	Director	2022-12	
	Capital Today China Growth Management, LTD.	Director	2005-11	
	Capital Today Partners Limited	Director	2005-05	
	Capital Today China Growth GenPar, LTD.	Director	2005-11	2024-02
	Capital Today China Growth Management II limited	Director	2020-01	
	CTG GENPAR II, LTD.	Director	2009-12	
	CTG Evergreen Management Limited	Director	2020-01	
	Capital Today Evergreen Genpar, Ltd.	Director	2014-10	
	Capital Today River Management Limited	Director	2018-10	
	Capital Today River Partner Limited	Director	2018-10	
	Capital Today River GenPar, Ltd.	Director	2018-09	
	WeEat Inc	Director	2019-02	
	Xingsheng Preference Electronic Business Limited	Director	2018-11	
	Double FS Inc.	Director	2020-07	
	XYZ ROBOTICS GLOBAL INC.	Director	2021-07	
	InterFocus Cayman Ltd.	Director	2021-04	
	Yi Pin Sheng Xian (Cayman) Limited	Director	2021-09	
	Shanghai Gaussian Automation Technology Development Co., Ltd.	Director	2021-07	
	Dongguan Hairou Intelligent Technology Limited	Director	2021-08	
	Shanghai Dr.Cheese Brand Management Co., Ltd.	Director	2022-01	
Shanghai Wanxiangheyi Cosmetics Co., Ltd.	Director	2022-02		
Nanjing University	Honorary Trustee of the Board of Trustees of	2010		
China Venture Capital and Private	Director	2006		

	Equity Association			
Chai Mingang	Shanghai Kaijie Enterprise Management Consulting Co., Ltd.	President	2018-11-01	
	Glodon Company Limited	Independent Director	2020-4-22	
Ye Weitao	Shanghai Lize Investment Management Co., Ltd.	Executive Director	2015-05-19	
	Shanghai Lansheng Resources Co., Ltd.	Vice President	2016-10-01	
	Shanghai Shenyue Medical Instrument Co., Ltd.	Supervisor	2016-11-01	
	Shanghai Jianxin Healthcare Investment Management Co., Ltd.	Director	2020-08-25	
	Beijing Lidakang Technology Co., Ltd.	Director	2020-10-27	
	Shaanxi Kanghui Pharmaceutical Co., Ltd.	Independent Director	2021-04-16	
	Minova Pharmaceuticals Co., Ltd.	Director	2022-09-29	
	Kunshan Yiteng Medical Technology Co., Ltd.	Director	2023-03	
	Suzhou Rongsheng Medical Technology Co., Ltd.	Director	2023-04	
	Shanghai Lize Investment Management Co., Ltd.	Executive Director	2015-05-19	
	Shanghai Lansheng Resources Co., Ltd.	Vice President	2016-10-01	
	Shanghai Shenyue Medical Instrument Co., Ltd.	Supervisor	2016-11-01	
Yan Aimin	Central South University	Level-2 professor and doctoral advisor	2008-09-01	
	Hunan Matsui New Materials Co., Ltd.	Independent Director	2021-01-18	
	Shanghai Hajime Advanced Material Technology Co., Ltd.	Independent Director	2022-06-27	
	Guizhou Ensure Pharmaceutical Co., Ltd.	Independent Director	2021-12-17	
	Hunan Siase Electrician Industry Co., Ltd.	Director	2010-9-15	
	Hunan Artec New Material Co., Ltd.	Director	2018-9-18	
Wang Hongxia	Central South University	Associate professor	2010-09-01	
	Hunan Guangxin Technology Co., Ltd.	Independent Director	2020-08-04	
Yi Languang	Hunan Zehua Jingke Consulting Co., Ltd.	Executive Director and General Manager	2017-04-01	
	Hunan Zehua Private Equity Fund Management Co., Ltd.	Executive Director and General Manager	2017-04-01	
	Zehua Smart Technology Co., Ltd.	Executive Director and	2019-5-15	

		General Manager		
Liu Yi	Hunan University	Professor	2000-04-20	
Notes on the office at other entities	None			

**(III). Remuneration of directors, supervisors, and senior management**

Applicable"  Not applicable"

Decision-making process for the remuneration of directors, supervisors, and senior management	The Remuneration and Appraisal Committee of the Company's Board of Directors is the management body to assess and determine the remuneration of directors, supervisors, and senior management. The remuneration packages for directors and supervisors formulated by the Remuneration and Appraisal Committee will be submitted to the General Meeting of Shareholders for approval after being approved by the Board of Directors. The remuneration packages for senior management will be submitted directly to the Company's Board of Directors for approval.
Whether I should be evasive when the directors are discussing my remuneration at the board of directors	Yes
The detailed recommendations of Remuneration and Appraisal Committee or special meetings of independent directors on the remuneration of directors, supervisors, and senior management.	The remuneration/allowances of the Company's directors and supervisors, as well as the remuneration of senior management, will be deliberated and approved by the Company's Remuneration and Appraisal Committee.
Basis of the remuneration of directors, supervisors, and senior management	<p>The remuneration/allowances of the Company's directors and supervisors will be approved by the shareholders' meeting: 1. Directors holding management positions in the Company will receive remuneration based on their management positions without receiving additional remuneration. The allowance standard for independent directors is CN¥ 120,000 each year (pre-tax) per person, while the compensation standard for other directors CN¥ 200,000 each year (pre-tax) per person; 2. Supervisors serving in the Company will have their remuneration standards determined based on their specific titles and positions held in the Company, and will no longer receive remuneration for their supervisory positions; other supervisors will receive a supervisor allowance of CN¥ 100,000 per person each year.</p> <p>The remuneration of senior management is deliberated and approved by the Company's board of directors: The senior management is based on an annual salary system, with the annual salary linked to their responsibilities, risks, and business performance. 1. The remuneration structure consists of basic annual salary and annual performance salary. 2. The annual basic salary is determined based on the grade, job responsibilities, and ability. It is proposed by the Remuneration and Appraisal Committee of the Board of Directors to the Company's Board of Directors. 3. The annual performance salary is determined based on the results and grades of an assessment encompassing the annual salary standards, the Company's performance fulfillment, and the job performance assessment. The assessment consists of composite indicators, including the fulfillment of the Company's business objectives,</p>

	work safety, standardized operations, professional ethics, confidentiality provisions, and corporate culture construction.
Actual payment of the remuneration of directors, supervisors, and senior management	Payment has been made as per relevant provisions and systems.
Total remuneration actually received by all directors, supervisors, and senior management as of the end of the Reporting Period	CN¥ 22,880,200

**(IV). Changes in directors, supervisors and senior management officers of the Company**" Applicable" " Not applicable"

Name	Position	Change	Reason for Change
Zhang Zhaoxu	Vice President	Appointment	Newly appointed
Wan Xuemei	Vice President	Appointment	Newly appointed
Tian Wei	Vice President	Off-office	Resigned from the position of Vice President due to personal reasons.
Yan Jun	Associate President	Appointment	Newly appointed
Hu Jianxia	Associate President	Appointment	Newly appointed

**(V). Details of penalties imposed by securities regulators in the past three years**" Applicable" " Not applicable"**(VI). Others**" Applicable" " Not applicable"**V. Meetings of the Board of Directors held during the Reporting Period**

Session	Date of convening	Resolution of the Meeting
22 <sup>nd</sup> meeting of the 4 <sup>th</sup> Board of Directors	2/23/2023	Please refer to the Announcement of the 22 <sup>nd</sup> Meeting of the 4 <sup>th</sup> Board of Directors (2023-003) disclosed on February 24, 2023 for details
23 <sup>rd</sup> meeting of the 4 <sup>th</sup> Board of Directors	3/30/2023	Please refer to the Announcement of the 23 <sup>rd</sup> Meeting of the 4 <sup>th</sup> Board of Directors disclosed on March 31, 2023 (2023-013) for details
24 <sup>th</sup> meeting of the 4 <sup>th</sup> Board of Directors	4/26/2023	Please refer to the Announcement of the 24 <sup>th</sup> Meeting of the 4 <sup>th</sup> Board of Directors disclosed on April 28, 2023 (2023-020) for details
25 <sup>th</sup> meeting of the 4 <sup>th</sup> Board of Directors	2023-5-8	Please refer to the Announcement of the 25 <sup>th</sup> Meeting of the 4 <sup>th</sup> Board of Directors (2023-037) disclosed on May 9, 2023 for details
26 <sup>th</sup> meeting of the 4 <sup>th</sup> Board of Directors	2023-5-18	Please refer to the Announcement of the 26 <sup>th</sup> Meeting of the 4 <sup>th</sup> Board of Directors disclosed on May 19, 2023 (2023-044) for details
27 <sup>th</sup> meeting of the 4 <sup>th</sup> Board of Directors	2023-6-29	Please refer to the Announcement of the 27 <sup>th</sup> Meeting of the 4 <sup>th</sup> Board of Directors disclosed on June 30, 2023 (2023-049) for details
28 <sup>th</sup> meeting of the 4 <sup>th</sup> Board of Directors	2023-7-13	Please refer to the Announcement of the 28 <sup>th</sup> Meeting of the 4 <sup>th</sup> Board of Directors disclosed on July 15, 2023 (2023-056) for details



29 <sup>th</sup> meeting of the 4 <sup>th</sup> Board of Directors	2023-8-14	Please refer to the Announcement of the 29 <sup>th</sup> Meeting of the 4 <sup>th</sup> Board of Directors disclosed on August 15, 2023 (2023-062) for details
30 <sup>th</sup> meeting of the 4 <sup>th</sup> Board of Directors	2023-8-27	Please refer to the Announcement of the 30 <sup>th</sup> Meeting of the 4 <sup>th</sup> Board of Directors disclosed on August 28, 2023 (2023-067) for details
31 <sup>st</sup> meeting of the 4 <sup>th</sup> Board of Directors	2023-8-29	Please refer to the Announcement of the 31 <sup>st</sup> Meeting of the 4 <sup>th</sup> Board of Directors (2023-071) disclosed on August 30, 2023 for details
32 <sup>nd</sup> meeting of the 4 <sup>th</sup> Board of Directors	2023-10-17	Please refer to the Announcement of the 32 <sup>nd</sup> Meeting of the 4 <sup>th</sup> Board of Directors disclosed on October 18, 2023 (2023-087) for details
33 <sup>rd</sup> meeting of the 4 <sup>th</sup> Board of Directors	2023-10-30	Please refer to the Announcement of the 33 <sup>rd</sup> Meeting of the 4 <sup>th</sup> Board of Directors disclosed on October 31, 2023 (2023-093) for details
34 <sup>th</sup> meeting of the 4 <sup>th</sup> Board of Directors	2023-11-9	Please refer to the Announcement of the 34 <sup>th</sup> Meeting of the 4 <sup>th</sup> Board of Directors disclosed on November 10, 2023 (2023-100) for details

## VI. Performance of duties by directors

### (I). Attendance of directors to the Board of Directors and the General Meeting of Shareholders

Director Name	Independent Director	Attendance at the Board of Directors						Attendance at the General Meeting of Shareholders
		Number of the Board of Directors Meetings Required to Attend During the Year	Session Attended in Person	Session Attended by Correspondence	Session Attended by Proxy	Absence Session	Not Attending in Person for Two Consecutive Sessions	Number of General Meetings of Shareholders Attended
Gao Yi	No	13	13	6	0	0	No	4
Gao Feng	No	13	13	6	0	0	No	4
Gao Youcheng	No	13	13	6	0	0	No	4
Xu Xin	No	13	13	13	0	0	No	4
Chai Mingan	No	13	13	12	0	0	No	4
Ye Weitao	No	13	13	13	0	0	No	4

Yan Aimin	No	13	13	12	0	0	No	4
Wang Hongxia	No	13	13	12	0	0	No	4
Yi Languang	No	13	13	12	0	0	No	4

Explanation for Not Attending in Person for Two Consecutive Sessions

Applicable  Not applicable

Number of the Board of Directors meetings during the year	13
Among them, number of site meetings	0
Number of meetings via correspondence	6
Number of site meetings combined with correspondence	7

### (II). Directors' dissent on the Company's matters

Applicable  Not applicable

### (III). Others

Applicable  Not applicable

## VII. Specialized committees under the Board of Directors

Applicable  Not applicable

### (I). Members of specialized committees under the Board of Directors

Type of committee	Name of member
Audit Committee	Yi Languang, Wang Hongxia, and Chai Mingang
Nominating Committee	Wang Hongxia, Gao Yi, and Yi Languang
Remuneration and Appraisal Committee	Yan Aiming, Gao Yi, and Yi Languang
Strategy and Sustainable Development Committee	Gao Yi, Xu Xin, and Yan Aimin

### (II). Three meetings convened by the Audit Committee during the Reporting Period

Date of convening	Conference content	Important comments and suggestions proposed	Other performance of duties
2023-4-26	Deliberation of the proposals related to the 2022 Annual Report and the 2023 Q1 Report, etc.	<p>1、 Opinions on deliberation of the 2022 Annual Report and the 2023 Q1 Report: The preparation and review procedures of the Company's 2022 Annual Report and the 2023 Q1 Report comply with relevant laws, regulations, articles of association, and company rules and regulations; the content and format of the report is consistent with the regulations of China Securities Regulatory Commission and Shanghai Stock Exchange, and the content of the report is authentic, accurate, and complete.</p> <p>2、 Opinions on deliberation of the renewal of accounting firms: Pan-China Certified</p>	/

		Public Accountants (special general partnership) has been committed to independent auditing standards and fulfilled the responsibilities and obligations agreed upon by both parties in the process of auditing the financial reports and internal controls of the Company. Pan-China Certified Public Accountants (special general partnership) complies with the relevant regulations of China Securities Regulatory Commission in terms of securities business qualifications, and is able to independently, objectively, fairly, and timely complete various audit services agreed upon with the Company.	
2023-8-28	Deliberation of the proposals related to the 2023 Semi-annual Report, etc.	The preparation and review procedures of the Company's 2023 Semi-annual Report comply with relevant laws, regulations, articles of association, and company rules and regulations; the content and format of the report is consistent with the regulations of China Securities Regulatory Commission and Shanghai Stock Exchange, and the content of the report is authentic, accurate, and complete.	/
2023-10-30	Deliberation of the proposals related to the 2023 Q3 Report, etc.	The preparation and review procedures of the Company's 2023 Q3 Report comply with relevant laws, regulations, articles of association, and company rules and regulations; the content and format of the report is consistent with the regulations of China Securities Regulatory Commission and Shanghai Stock Exchange, and the content of the report is authentic, accurate, and complete.	/
2023-12-29	Deliberation of the proposals related to the audit plan in the 2023 Annual Report	In-depth discussions were held on the 2023 audit plan and work priorities	/

**(III). Three meetings convened by the Nominating Committee during the Reporting Period**

Date of convening	Conference content	Important comments and suggestions proposed	Other performance of duties
2023-3-30	Deliberation of the proposal for appointing senior management	The personal resume, educational background, and work experience of the senior management personnel to be appointed, the corresponding knowledge level and management capability, qualification as a senior management personnel in the Company.	/
2023-4-26	Deliberation of the proposals of the Nominating Committee on the work report in 2022 and recruitment of senior management personnel	The personal resume, educational background, and work experience of the senior management personnel to be appointed, the corresponding knowledge level and management capability, qualification as a senior management	/

		personnel in the Company.	
2023-5-18	Deliberation of the proposal for appointing senior management	The personal resume, educational background, and work experience of the senior management personnel to be appointed, the corresponding knowledge level and management capability, qualification as a senior management personnel in the Company.	/

**(IV). The Remuneration and Appraisal Committee held a meeting during the Reporting Period**

Date of convening	Conference content	Important comments and suggestions proposed	Other performance of duties
2023-4-26	Deliberation of the proposals of Remuneration and Appraisal Committee on the work report in 2022 and remuneration of senior management for the Year 2022	Opinions on deliberation of the remuneration of senior management for the year 2022: The remuneration of senior management for the year 2022 complies with the relevant remuneration policies and assessment standards of the Company, and is consistent with the actual conditions of the Company.	/

**(V). One meeting convened by the Strategy Committee during the Reporting Period**

Date of convening	Conference content	Important comments and suggestions proposed	Other performance of duties
2023-4-26	Proposal on Deliberating the Work Report of the Strategy Committee for 2022	/	/

**(VI). Dissent on relevant matters**

Applicable"  Not applicable"

**VIII. Description of risks identified by the Board of Supervisors**

Applicable"  Not applicable"

The Board of Supervisors had no objection to the supervision matters during the Reporting Period.

**IX. The staff of the parent company and main subsidiaries at the end of the Reporting Period****(I). Staff**

Number of on-the-job employees of the parent company	9,920
Number of on-the-job employees of the main subsidiaries	29,732
Total number of on-the-job employees	39,652
Number of retired employees for whom the parent company and main subsidiaries need to bear expenses	1,670
Specialty composition	
Category of specialties	Number of employees of specialties
Manufacturing personnel	254
Sales personnel	33,751
Technician	340
Financial personnel	423

Administrative personnel	3,470
Distribution personnel	1,414
Total	39,652
Educational level	
Educational level category	Number of employees
Doctorate degree	2
Master degree	108
Undergraduate	5,524
College degree	17,693
Technical secondary school	10,315
Others	6,010
Total	39,652

**(II). Remuneration policy**

Applicable"  Not applicable"

The remuneration of the staff includes wages, bonuses, allowances, and five insurances & one fund (endowment insurance, government BMI, unemployment insurance, industrial injury insurance, maternity insurance and housing fund). The Company determines the total amount of remuneration based on comprehensive factors such as development strategies, annual operation objectives, the ratio of human resource cost to sales, the human resource market, as well as regional and industry salary levels. At the end of each year, the Human Resources Department and the Finance Department jointly formulate the annual total remuneration plan for the next year based on the staffing and corresponding remuneration standards, as well as the KPI indicator. After preliminary review by the Director of Human Resources and the Chief Financial Officer, it is submitted for review to the Vice President and implemented upon approval by the President.

**(III). Training plan**

Applicable"  Not applicable"

The Company focuses on building a talent team, fostering professional capabilities, and promoting corporate culture. The Company also aims to build an outstanding team with a strong sense of mission, belonging, and competency. A comprehensive system for talent planning, assessment, training, mentoring, and talent career development has been put in place. By establishing a corporate university and a layered training performance evaluation system, the Company ensures that all employees care about and participate in training. Through ongoing improvement of training materials, credit-based assessments, as well as combination of on-line and off-line training, the Company has comprehensively implemented the training activities, thus effectively enhancing the skills and capabilities of all employees and the soft power of the enterprise.

**(IV). Labor outsourcing**

Applicable"  Not applicable"

**X. The profit distribution plan or the capital reserve capitalization plan****(I). Formulation, implementation, or adjustment of the cash dividend policy**

Applicable"  Not applicable"

1. Formulation and adjustment of the cash dividend policy

During the Reporting Period, the cash dividend policy remained unchanged. Details regarding the profit distribution policy can be found in the relevant provisions of the *Articles of Association*. During the Reporting Period, the Company strictly implemented the profit distribution plan in accordance with the dividend policy. To further plan the profit distribution and matters related to cash dividends, the Company further refines the decision-making procedures and mechanisms for profit distribution in the *Articles of Association*. The aim is to reward shareholders and guide them to develop an awareness of long-term and rational investment.

#### 2. Execution of the cash dividend policy

During the Reporting Period, in accordance with the resolutions of the 2022 Annual General Meeting of Shareholders held on May 18, 2023, the *Articles of Association*, and relevant regulations such as the *Regulatory Guidelines for Listed Companies No. 3 - Cash Dividends of Listed Companies* issued by the CSRC, the Company implemented the profit distribution plan for 2022. The Company distributed profits based on the total share capital registered on the registration date for implementation of the equity distribution in 2022. The Company distributed a cash dividend of CN¥0.40 (tax included) to all shareholders per share. Additionally, the Company intends to distribute 0.40 shares per share held by all shareholders via capital conversion, without offering bonus shares. A total of CN¥288,681,972.00 in cash dividends were distributed, with 288,681,972 shares converted.

#### 3. Profit distribution in 2023

The Proposal on Profit Distribution in 2023 was reviewed and approved at the 39<sup>th</sup> meeting of the 4<sup>th</sup> Board of Directors on April 26, 2024. The Company plans to distribute a cash dividend of CN¥0.50 per share (tax included) to all shareholders, based on the total share capital as recorded on the equity distribution date of 2023. Additionally, it will increase the share capital by 0.20 shares per share from the capital reserve, without issuing any bonus shares. Should there be any changes in the Company's total share capital between the date the Board approves this proposal and the equity distribution share registration date, due to events such as share repurchases and cancellations under the stock incentive plan, the Company will maintain the unchanged per-share distribution (bonus issue) ratio and accordingly adjust the total distribution (bonus issue) amount. The proposal complies with the relevant provisions of the *Articles of Association*, with clear and unambiguous dividend standards and proportions. The proposal still requires approval at the 2023 Annual General Meeting of Shareholders.

In the process of formulating the 2023 profit distribution plan, the Company communicated with minority shareholders through means such as answering calls from investors, public email, and online platforms. Minority shareholders had sufficient opportunities to express their opinions and demands, and their legitimate rights and interests are fully protected.

### (II). Special explanation on cash dividend policy

"√ Applicable" "□ Not applicable"

Whether to comply with the provisions of the <i>Articles of Association</i> or the requirements of the general meeting's resolutions	√Yes "□ No"
Whether the dividend criteria and ratio are clear and unambiguous	√Yes "□ No"
Whether the relevant decision-making procedures and mechanisms are complete	√Yes "□ No"

Whether the independent directors perform their duties and fulfill their due roles	√Yes "□ No"
Whether the minority shareholders have the opportunity to fully express their opinions and demands, and whether their legitimate rights and interests are adequately protected	√Yes "□ No"

**(III). If the Company is profitable during the Reporting Period and the parent company has positive profit available for distribution to shareholders but no cash dividend distribution plan has been proposed, the Company shall disclose in detail the reasons as well as the purpose and plan for the use of undistributed profits.**

"□ Applicable" "√ Not applicable"

**(IV). Plan of profit distribution and conversion of capital reserves into share capital during the Reporting Period**

"√ Applicable" "□ Not applicable"

Unit: CN¥ Currency: CNY

Bonus shares distributed per 10 shares (share)	0
Dividends per 10 shares (CN¥) (tax included)	5.00
Conversion amount per 10 shares (share)	2.00
Cash dividend amount (tax included)	505,289,898.50
Net profit attributable to ordinary shareholders of the listed Company in the consolidated financial statements for the year of distribution	1,411,985,024.41
Percentage of the net profit attributable to ordinary shareholders of the listed Company in the consolidated financial statements (%)	35.79
Amount of cash dividends for share repurchases in cash	0
Total dividend amount (tax included)	505,289,898.50
Percentage of the total dividend amount to the net profit attributable to ordinary shareholders of the listed Company in the consolidated financial statements (%)	35.79

**XI. Implementation and impact of the Company's equity incentive plans, employee stock ownership plans, or other employee incentive measures**

**(I). The relevant incentive matters disclosed in interim announcements without further developments or changes**

"√ Applicable" "□ Not applicable"

Item description	Search index
On August 29, 2023, the Proposal on the Reservation Grant of Certain Equity to Restricted Stock Incentive Recipients in 2022 was reviewed and approved at the 31 <sup>st</sup> meetings of the 4 <sup>th</sup> Board of Directors and the 26 <sup>th</sup> meetings of the 4 <sup>th</sup> Board of Supervisors. After confirming that the conditions for the reservation grant under the incentive plan have been met, the Company granted a total of 402,165 restricted shares at a price of CN¥18.95 per share on August 30, 2023. Finally, 390,015 shares were granted to 39 incentive recipients, with a registration date of October 25, 2023.	For details, please refer to the Announcement on Granting Incentive Recipients Reserved Certain Equity under the Restricted Share Incentive Plan for 2022 (2023-075) disclosed on August 30, 2023 and the Announcement on the Results of Reservation Granting under the Restricted Share Incentive Plan for 2022 (2023-092) disclosed on October 27, 2023.
On October 17, 2023, the Proposal on the Accomplishment of the Conditions for the Release of Restricted Shares for the First Release Period of the First Grant under the	For details, please refer to the Announcement on the Accomplishment of the Conditions for the Release of

Restricted Share Incentive Plan for 2022 was reviewed and approved at the 32 <sup>nd</sup> meeting of the 4 <sup>th</sup> Board of Directors and the 27 <sup>th</sup> meeting of the 4 <sup>th</sup> Board of Supervisors. The Company agreed to unlock a portion of the restricted shares granted to 220 incentive recipients for the first time, involving 2,062,480 shares (including the annual equity distribution in 2022, with 4 shares distributed per 10 shares via capital conversion).	Restricted Shares for the First Release Period of the First Grant under the Restricted Share Incentive Plan for 2022 and Listing of Shares (2023-089) disclosed on October 18, 2023
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**(II). Incentives that have not been disclosed in interim announcements or have further developments**

Equity incentive

Applicable"  Not applicable"

Other explanations

Applicable"  Not applicable"

Employee stock ownership plan

Applicable"  Not applicable"

Other incentive measures

Applicable"  Not applicable"

**(III). Equity incentives granted to directors and senior management during the Reporting Period**

Applicable"  Not applicable"

Unit: Share

Name	Position	Number of restricted shares held at the beginning of the year	Number of restricted shares newly granted during the Reporting Period	Grant price of restricted shares (CN¥)	Locked shares	Unlocked shares	Number of restricted shares held at the end of the Reporting Period	Market price at the end of the Reporting Period (CN¥)
Wan Xuemei	Vice President	42,000	47,250	18.95	21,000	68,250	68,250	40.04
Zhang Zhaoxu	Vice President	0	67,500	18.95	0	67,500	67,500	40.04
Yan Jun	Associate President	56,000	27,000	18.95	28,000	55,000	55,000	40.04
Total	/	98,000	141,750	/	49,000	190,750	190,750	/

Note: The number of restricted shares held at the beginning of the year is the number after the profit distribution of 0.4 shares per share via conversion.

**(IV). Evaluation mechanism for senior management during the Reporting Period, as well as the establishment and implementation of incentive mechanisms**

Applicable"  Not applicable"

The Company has established and continuously improved the evaluation mechanism for senior management. The Company has formulated the *Management System for the Compensation and Performance Appraisal of Directors, Supervisors, and Senior Management*. The remuneration of senior management is determined according to the following criteria:



(1) The remuneration is based on an annual salary system, with the annual salary linked to their responsibilities, risks, and business performance.

(2) The remuneration structure consists of basic annual salary and annual performance salary.

(3) The annual basic salary is determined based on the grade, job responsibilities, and ability. It is proposed by the Remuneration and Appraisal Committee of the Board of Directors to the Company's Board of Directors.

(4) The annual performance salary is determined based on the results and grades of an assessment encompassing the annual salary standards, the Company's performance fulfillment, and the job performance assessment. The assessment consists of composite indicators, including the fulfillment of the Company's business objectives, work safety, standardized operations, professional ethics, confidentiality provisions, and corporate culture construction.

The Remuneration and Appraisal Committee will conduct performance assessments of senior management and formulate an annual compensation assessment plan based on their job performance.

## **XII. Construction and implementation of the internal control system during the Reporting Period**

Applicable"  Not applicable"

During the Reporting Period, the Company established a strict internal control management system in strict accordance with the requirements of the CSRC, the Shanghai Stock Exchange, the *Company Law*, the *Articles of Association*, and other relevant laws and regulations. Taking into account industry characteristics and actual business operations, the Company continuously improved and refined its internal control system to ensure its effective implementation. This has effectively enhanced the Company's standardized operation procedures, improved decision-making efficiency, ensured the legal compliance of business operations and asset security, as well as facilitated the steady implementation of the Company's strategies.

The 2023 Internal Control Evaluation Report was approved at the 39<sup>th</sup> meeting of the 4<sup>th</sup> Board of Directors. Based on the identification results of significant defects in the Company's financial reports, there were no significant defects in the internal control of the financial reports as of the benchmark date of the internal control evaluation report. The Company has ensured effective internal control over financial reports in all significant aspects in accordance with the internal control standard system and relevant regulations. Based on the identification results of significant defects in the Company's non-financial reports, there were no significant defects in the internal control of the non-financial reports as of the benchmark date of the internal control evaluation report. The full text is available on the Shanghai Stock Exchange website ([www.sse.com.cn](http://www.sse.com.cn)).

Details of significant defects in internal control identified during the Reporting Period

Applicable"  Not applicable"

## **XIII. Management and control of the subsidiaries during the Reporting Period**

Applicable"  Not applicable"

The Company has established the Subsidiary Management System. And all subsidiaries of the Company have established a complete set of internal control systems and management mechanisms, so as to ensure that all assets, operations, and strategic planning of the subsidiaries are effectively monitored by the Company. The selection, appointment & removal, and assessment of key personnel in each subsidiary are all managed and supervised by the Company.

**XIV. Description of the internal control audit report**

Applicable"  Not applicable"

Details are available in the 2023 Annual Internal Control Audit Report, which is disclosed on the same day as the 2023 Annual Report on the Shanghai Stock Exchange website (www.sse.com.cn).

Whether to disclose the internal control audit report: Yes

Type of internal control audit opinions for report: Standard unqualified opinions

**XV. Self-inspection and rectification of issues found in the special campaign for governance of listed companies**

Not applicable

**XVI. Others**

Applicable"  Not applicable"

## Section V. Environmental and Social Responsibility

### I. Major environmental issues

Whether to build mechanism related to environmental protection	No
Investment in environmental protection during the Reporting Period (Unit: CN¥10,000)	0

#### (I). Environmental measures adopted by the Company and its subsidiaries listed as key pollutant discharge units published by the environmental protection department

Applicable"  Not applicable"

#### (II). Environmental measures adopted by the companies other than key pollutant discharge units

Applicable"  Not applicable"

##### 1. Administrative penalties due to environmental issues

Applicable"  Not applicable"

##### 2. Environmental information disclosed with reference to key pollutant discharge units

Applicable"  Not applicable"

The Company is primarily engaged in drug retail and generates a small amount of pollutants such as domestic wastewater, waste gases, and solid waste during operations. The Company's operation activities do not involve high risk or heavy pollution. The main pollutants discharged during the operations include production domestic wastewater, waste gases, domestic sewage, as well as expired or damaged drugs and packaging materials. The Company has purchased relevant treatment facilities and equipment for the wastewater, gas gases, domestic sewage, and other pollutants generated during daily production and operations.

The Company and its subsidiaries are not listed as key pollutant discharge units published by the environmental protection department. During the Reporting Period, the Company and its subsidiaries strictly implemented the national environmental protection policies, strictly adhered to the national environmental protection laws and regulations, and did not engage in any environmental violations. Moreover, the Company has not received any administrative penalties related to environmental protection. The Company will continue to fulfill its corporate social responsibility and contribute to environmental protection efforts.

##### 3. The reason for not disclosing other environmental information

Applicable"  Not applicable"

#### (III). Information regarding environmental protection, pollution control, and fulfillment of environmental responsibilities

Applicable"  Not applicable"

#### (IV). Measures taken to reduce carbon emissions during the reporting period and the effect thereof

Whether to take measures to reduce carbon emissions	Yes
Reduced emissions of carbon dioxide	1,387

equivalent (unit: ton)	
Types of carbon reduction measures (clean energy for power generation, carbon reduction technologies in the production process, and R&D of new products that contribute to carbon reduction, etc.).	To set annual water & power conservation targets for office areas; to improve the utilization rate of new energy vehicles in transportation logistics; to expand coverage of photovoltaic power generation project for distribution and warehousing

Details

Applicable"  Not applicable"

## II. Social responsibility

### (I). Whether to disclose a social responsibility report, sustainable development report, or ESG report

Applicable"  Not applicable"

Details are available in the 2023 Annual ESG Report, which is disclosed on the same day as the 2023 Annual Report on the Shanghai Stock Exchange website (www.sse.com.cn).

### (II). Social responsibility work

Applicable"  Not applicable"

External donations and public welfare programs	Quantity/content	Description
Total investment (CN¥10,000)	609.16	Donation of cash and supplies
Including: Funds (CN¥10,000)	87.00	Donation of cash
Supplies converted into cash (CN¥10,000)	522.16	Donation of supplies such as masks and alcohol
Number of beneficiaries (person)	-	

Details

Applicable"  Not applicable"

### III. Details on enhancing and expanding the achievements of poverty alleviation and rural revitalization

Applicable"  Not applicable"

Details

Applicable"  Not applicable"

## Section VI. Important matters

### I. Fulfillment of commitments

#### (I). Commitments fulfilled by the actual controller, shareholders, related parties, buyers, and the Company within the Reporting Period and commitments not yet fulfilled by the end of the Reporting Period

"√ Applicable" "□ Not applicable"

Commitment background	Commitment Type	Commitment party	Commitment Content	Commitment time	Whether to set a deadline for fulfillment	Commitment period	Whether to strictly fulfill the commitment	Reasons for failing to fulfill the commitment, if any	Actions to be taken after failing to fulfill the commitment
Commitments related to significant asset restructuring	Resolution of peer competition	Controlling shareholder Jikang Management (formerly known as Houxin Venture Capital)	As the controlling shareholder of Yifeng Pharmacy, the company irrevocably makes the following commitments (1) As of the signing date of this commitment letter, the company has not made any direct or indirect investments in businesses that are similar or identical to the operations of Yifeng Pharmacy and its subsidiaries. There is no peer competition or potential competition with Yifeng Pharmacy and its subsidiaries. (2) From the signing date of this commitment letter: ① The company shall not directly or indirectly invest in businesses similar or identical to the operations of Yifeng Pharmacy and its subsidiaries. It shall not establish or acquire any	June 21, 2018	No	Long term	Yes		

			<p>operators directly or indirectly engaged in businesses similar or identical to the operations of Yifeng Pharmacy and its subsidiaries. In addition, the company shall not assist any individual or entity in establishing, operating, or developing any business, enterprise, project, or other commercial activities that may directly or indirectly compete for the operations of Yifeng Pharmacy and its subsidiaries in China or abroad, to avoid creating new, potentially direct or indirect business competition for Yifeng Pharmacy and its subsidiaries.</p> <p>② If Yifeng Pharmacy and its subsidiaries further expand their business scope, the company and other operators under its control shall not compete for the expanded operations of Yifeng Pharmacy and its subsidiaries. In the event of competition for the expanded operations of Yifeng Pharmacy and its subsidiaries, the company and other operators under its control shall either cease the competitive business operations or integrate the competitive business into the operations of Yifeng Pharmacy and its</p>						
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			<p>subsidiaries, or transfer the competitive business to a third party with no affiliation, thus avoiding peer competition.</p> <p>③ For new products and new businesses independently developed, introduced, or jointly developed by the company or other companies under its control and related to the operations of Yifeng Pharmacy and its subsidiaries, Yifeng Pharmacy and its subsidiaries will have the priority for grant and operation. ④ If the company or other companies under its control intend to sell any other assets, businesses, or rights related to the operations of Yifeng Pharmacy and its subsidiaries, Yifeng Pharmacy and its subsidiaries shall have the priority for purchase. The company guarantees that the terms provided to Yifeng Pharmacy and its subsidiaries for the sale or transfer of such assets or businesses are not less favorable than those offered to any third party.</p> <p>(3) The company confirms that this commitment letter aims to protect the rights and interests of Yifeng Pharmacy and all of its shareholders. The company shall not utilize</p>					
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			<p>its controlling relationship with Yifeng Pharmacy to conduct any operations that would harm the rights and interests of Yifeng Pharmacy and its shareholders other than the company.</p> <p>(4) In the event of a violation of any of the aforementioned commitments, the company shall take proactive measures to eliminate peer competition and is willing to bear any direct or indirect economic losses, claims, and additional expenditure incurred by Yifeng Pharmacy or its shareholders other than the company.</p> <p>(5) The company confirms that each commitment stated in this commitment letter is independently enforceable. The invalidity or termination of any commitment shall not affect the validity of the other commitments. The aforementioned commitments shall remain effective and shall not be altered or revoked during the period when the company functions as the controlling shareholder of Yifeng Pharmacy and within one year from the date of transferring all shares. This commitment letter shall come into effect from the date of the stamping company's official seal.</p>						
	Resolution of	Controlling	As the controlling	June 21, 2018	No	Long term	Yes		



	<p>affiliated transactions</p>	<p>shareholder Yifeng Investment (formerly known as Houxin Venture Capital)</p>	<p>shareholder of Yifeng Pharmacy, the company irrevocably makes the following commitments                      (I) The company and other companies under its control, Yifeng Pharmacy excluded, shall make every effort to avoid engaging in affiliated transactions with Yifeng Pharmacy and its subsidiaries. In cases where such transactions are deemed necessary and unavoidable, they shall be conducted based on the principles of fairness, equity, and equal value. Transaction prices shall be determined based on the fair prices recognized by the market. Transaction approval procedures and information disclosure obligations shall be fulfilled in accordance with relevant laws, regulations, normative documents, and the provisions of the <i>Articles of Association</i>, to effectively protect the interests of Yifeng Pharmacy and its other shareholders.                      (II) The company guarantees that it and other companies under its control, apart from Yifeng Pharmacy, strictly comply with laws and regulations, as well as the regulatory documents of the CSRC and the stock exchanges, and the provisions</p>						
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			<p>of Yifeng Pharmacy's <i>Articles of Association</i> and the <i>Affiliated Transaction Management Measures</i>. The company shall not leverage its shareholder status to seek undue benefits or engage in affiliated transactions that could harm the interests of Yifeng Pharmacy and its other shareholders.</p> <p>(III) In the event of a violation of the aforementioned commitments and transactions with Yifeng Pharmacy and its subsidiaries resulting in losses to Yifeng Pharmacy and its other shareholders, the company shall bear the responsibility for compensation.</p>						
Others	Controlling shareholder Jikang Management (formerly known as Houxin Venture Capital)	As the controlling shareholder of Yifeng Pharmacy, the company makes the following commitments to ensure the independence of Yifeng Pharmacy: The company guarantees that other companies under its control maintain completely independent operations from Yifeng Pharmacy in terms of assets, personnel, finances, institutions, and businesses. The company shall strictly adhere to the relevant regulations of the CSRC regarding the independence of listed companies and shall not misuse its shareholder	June 21, 2018	No	Long term	Yes			

			status to violate Yifeng Pharmacy's standard operating procedures, interfere with Yifeng Pharmacy's business decisions, or undermine the legitimate rights and interests of Yifeng Pharmacy and its other shareholders.						
	Others	Actual company controller Gao Yi	As the actual controller of Yifeng Pharmacy, I irrevocably make the following commitments: (1) As of the signing date of this commitment letter, I have not made any direct or indirect investments in businesses that are similar or identical to the operations of Yifeng Pharmacy and its subsidiaries. There is no peer competition or potential competition with Yifeng Pharmacy and its subsidiaries. (2) From the signing date of this commitment letter: ① I shall not directly or indirectly invest in businesses similar or identical to the operations of Yifeng Pharmacy and its subsidiaries. I shall not establish or acquire any operators directly or indirectly engaged in businesses similar or identical to the operations of Yifeng Pharmacy and its subsidiaries. In addition, I shall not assist any individual	June 21, 2018	No	Long term	Yes		

			<p>or entity in establishing, operating, or developing any business, enterprise, project, or other commercial activities that may directly or indirectly compete for the operations of Yifeng Pharmacy and its subsidiaries in China or abroad, to avoid creating new, potentially direct or indirect business competition for Yifeng Pharmacy and its subsidiaries.</p> <p>② If Yifeng Pharmacy and its subsidiaries further expand their business scope, I and other operators under my control shall not compete for the expanded operations of Yifeng Pharmacy and its subsidiaries. In the event of competition for the expanded operations of Yifeng Pharmacy and its subsidiaries, I and other operators under my control shall either cease the competitive business operations or integrate the competitive business into the operations of Yifeng Pharmacy and its subsidiaries, or transfer the competitive business to a third party with no affiliation, thus avoiding peer competition.</p> <p>③ For new products and new businesses independently developed, introduced, or jointly</p>						
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			<p>developed by me or other companies under my control and related to the operations of Yifeng Pharmacy and its subsidiaries, Yifeng Pharmacy and its subsidiaries will have the priority for grant and operation.</p> <p>④ If I or other companies under my control intend to sell any other assets, businesses, or rights related to the operations of Yifeng Pharmacy and its subsidiaries, Yifeng Pharmacy and its subsidiaries shall have the priority for purchase. I shall guarantee that the terms provided to Yifeng Pharmacy and its subsidiaries for the sale or transfer of such assets or businesses are not less favorable than those offered to any third party.</p> <p>(3) I shall confirm that this commitment letter aims to protect the rights and interests of Yifeng Pharmacy and all of its shareholders. I shall not utilize my controlling relationship with Yifeng Pharmacy to conduct any operations that would harm the rights and interests of Yifeng Pharmacy and its shareholders other than the company.</p> <p>(4) In the event of a violation of any of the aforementioned commitments, I shall take</p>						
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			<p>proactive measures to eliminate peer competition and am willing to bear any direct or indirect economic losses, claims, and additional expenditure incurred by Yifeng Pharmacy or its shareholders other than me.</p> <p>(5) I shall confirm that each commitment stated in this commitment letter is independently enforceable. The invalidity or termination of any commitment shall not affect the validity of the other commitments. The aforementioned commitments shall remain effective and shall not be altered or revoked during the period when I function as the actual controller of Yifeng Pharmacy and within one year from the date of transferring all shares</p>						
	Resolution of affiliated transactions	Actual company controller Gao Yi	<p>As the actual controller of Yifeng Pharmacy, I irrevocably make the following commitments:</p> <p>(I) I and other companies under my control, Yifeng Pharmacy excluded, shall make every effort to avoid engaging in affiliated transactions with Yifeng Pharmacy and its subsidiaries. In cases where such transactions are deemed necessary and unavoidable, they shall be conducted based on the principles of fairness,</p>	June 21, 2018	No	Long term	Yes		

		<p>equity, and equal value. Transaction prices shall be determined based on the fair prices recognized by the market. Transaction approval procedures and information disclosure obligations shall be fulfilled in accordance with relevant laws, regulations, normative documents, and the provisions of the <i>Articles of Association</i>, to effectively protect the interests of Yifeng Pharmacy and its other shareholders.</p> <p>(II) I shall guarantee that I and other companies under my control, apart from Yifeng Pharmacy, strictly comply with laws and regulations, as well as the regulatory documents of the CSRC and the stock exchanges, and the provisions of Yifeng Pharmacy's <i>Articles of Association</i> and the <i>Affiliated Transaction Management Measures</i>. I shall not leverage the status of actual controller to seek undue benefits or engage in affiliated transactions that could harm the interests of Yifeng Pharmacy and its other shareholders.</p> <p>(III) In the event of a violation of the aforementioned commitments and transactions with Yifeng Pharmacy and its subsidiaries</p>						
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			resulting in losses to Yifeng Pharmacy and its other shareholders, I shall bear the responsibility for compensation.						
	Others	Actual company controller Gao Yi	As the actual controller of Yifeng Pharmacy, I irrevocably make the following commitments to ensure the independence of Yifeng Pharmacy: I shall guarantee that I and other companies under my control maintain completely independent operations from Yifeng Pharmacy in terms of assets, personnel, finances, institutions, and businesses. We shall strictly adhere to the relevant regulations of the CSRC regarding the independence of listed companies and shall not misuse our shareholder status to violate Yifeng Pharmacy's standard operating procedures, interfere with Yifeng Pharmacy's business decisions, or undermine the legitimate rights and interests of Yifeng Pharmacy and its other shareholders.	June 21, 2018	No	Long term	Yes		
Commitments related to the initial public offering	Resolution of peer competition	Actual controller Gao Yi	To avoid potential peer competition in the future, Gao Yi, as the actual controller of the Company, and Gao Feng and Gao Hongfa, as close relatives of the actual controller, representing themselves and other companies they	From February 17, 2015, it shall be effective in the long term.	No	Long term	Yes		



			<p>currently control or may control in the future respectively, have issued the <i>Letter of Commitment to Avoiding Peer Competition</i>. They irrevocably make the following commitments: (1) As of the signing date of this commitment letter, I have not made any direct or indirect investments in other businesses similar or identical to the issuer and its subsidiaries. There is no peer competition or potential competition between me and the issuer and its subsidiaries. (2) From the signing date of this commitment letter: ① I shall not directly or indirectly invest in businesses similar or identical to the operations of the issuer and its subsidiaries. I shall not establish or acquire any operators directly or indirectly engaged in businesses similar or identical to the operations of the issuer and its subsidiaries. In addition, I shall not assist any individual or entity in establishing, operating, or developing any business, enterprise, project, or other commercial activities that may directly or indirectly compete for the operations of the issuer and its subsidiaries in China or abroad, to avoid creating new, potentially direct or indirect business</p>						
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		<p>competition for the issuer and its subsidiaries. ② If the issuer and its subsidiaries further expand their business scope, I and other operators under my control shall not compete for the expanded operations of the issuer and its subsidiaries. In the event of competition for the expanded operations of the issuer and its subsidiaries, I and other operators under my control shall either cease the competitive business operations or integrate the competitive business into the operations of the issuer and its subsidiaries, or transfer the competitive business to a third party with no affiliation, thus avoiding peer competition. ③ For new products and new businesses independently developed, introduced, or jointly developed by me or other companies under my control and related to the operations of the issuer and its subsidiaries, the issuer and its subsidiaries will have the priority for grant and operation. ④ If I or other companies under my control intend to sell any other assets, businesses, or rights related to the operations of the issuer and its subsidiaries, the issuer and its subsidiaries shall have the priority for purchase. I</p>						
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			<p>shall guarantee that the terms provided to the issuer and its subsidiaries for the sale or transfer of such assets or businesses are not less favorable than those offered to any third party. (3) I shall confirm that this commitment letter aims to protect the rights and interests of the issuer and all of its shareholders. I shall not utilize my controlling relationship with the issuer to conduct any operations that would harm the rights and interests of the issuer and its shareholders other than me. (4) In the event of a violation of any of the aforementioned commitments, I shall take proactive measures to eliminate peer competition and am willing to bear any direct or indirect economic losses, claims, and additional expenditure incurred by the issuer or its shareholders other than me. (5) I shall confirm that each commitment stated in this commitment letter is independently enforceable. The invalidity or termination of any commitment shall not affect the validity of the other commitments. The aforementioned commitments shall remain effective and shall not be altered or revoked during the period</p>						
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			when I function as the actual controller of the issuer and within one year from the date of transferring all shares.						
	Resolution of affiliated transactions	Actual controller Gao Yi	(I) As of the signing date of this commitment letter, except for those disclosed, there are no other significant affiliated transactions between me and the other companies under my control excluding the issuer and its subsidiaries. (II) I and other companies under my control, the issuer excluded, shall make every effort to avoid engaging in affiliated transactions with the issuer and its subsidiaries. In cases where such transactions are deemed necessary and unavoidable, they shall be conducted based on the principles of fairness, equity, and equal value. Transaction prices shall be determined based on the fair prices recognized by the market. Transaction approval procedures and information disclosure obligations shall be fulfilled in accordance with relevant laws, regulations, normative documents, and the provisions of the <i>Articles of Association</i> , to effectively protect the interests of the issuer and its other shareholders. (III) I shall guarantee that I and other	It shall be effective in the long term.	No	Long term	Yes		

			companies under my control, apart from the issuer, strictly comply with laws and regulations, as well as the regulatory documents of the CSRC and the stock exchanges, and the provisions of the issuer's <i>Articles of Association</i> and the <i>Affiliated Transaction Management Measures</i> . I shall not leverage the status of actual controller to seek undue benefits or engage in affiliated transactions that could harm the interests of the issuer and its other shareholders. (IV) In the event of a violation of the aforementioned commitments and transactions with the issuer and its subsidiaries resulting in losses to the issuer and its other shareholders, I shall bear the responsibility for compensation.						
	Resolution of peer competition	Shareholder Yifeng Investment (formerly known as Houxin Venture Capital)	To avoid potential peer competition in the future, the controlling shareholder of Yifeng Pharmacy, representing the company and other companies that it currently control or may control in the future respectively, has issued the <i>Letter of Commitment to Avoiding Peer Competition</i> . They irrevocably make the following commitments: (1) As of the signing date of this commitment letter, the	From February 17, 2015, it shall be effective in the long term	No	Long term	Yes		

			<p>company has not made any direct or indirect investments in other businesses similar or identical to the issuer and its subsidiaries. There is no peer competition or potential competition between the company and the issuer and its subsidiaries. (2) From the signing date of this commitment letter: ① The company shall not directly or indirectly invest in businesses similar or identical to the operations of the issuer and its subsidiaries. The company shall not establish or acquire any operators directly or indirectly engaged in businesses similar or identical to the operations of the issuer and its subsidiaries. In addition, the company shall not assist any individual or entity in establishing, operating, or developing any business, enterprise, project, or other commercial activities that may directly or indirectly compete for the operations of the issuer and its subsidiaries in China or abroad, to avoid creating new, potential direct or indirect business competition for the issuer and its subsidiaries. ② If the issuer and its subsidiaries further expand their business scope, the company and other operators under its control shall not compete for the</p>						
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		<p>expanded operations of the issuer and its subsidiaries. In the event of competition for the expanded operations of the issuer and its subsidiaries, the company and other operators under its control shall either cease the competitive business operations or integrate the competitive business into the operations of the issuer and its subsidiaries, or transfer the competitive business to a third party with no affiliation, thus avoiding peer competition. ③ For new products and new businesses independently developed, introduced, or jointly developed by the company or other companies under its control and related to the operations of the issuer and its subsidiaries, the issuer and its subsidiaries will have the priority for grant and operation. ④ If the company or other companies under its control intend to sell any other assets, businesses, or rights related to the operations of the issuer and its subsidiaries, the issuer and its subsidiaries shall have the priority for purchase. The company shall guarantee that the terms provided to the issuer and its subsidiaries for the sale or transfer of such assets or businesses are not</p>						
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			<p>less favorable than those offered to any third party. (3) The company shall confirm that this commitment letter aims to protect the rights and interests of the issuer and all of its shareholders. The company shall not utilize its controlling relationship with the issuer to conduct any operations that would harm the rights and interests of the issuer and its shareholders other than the company. (4) In the event of a violation of any of the aforementioned commitments, the company shall take proactive measures to eliminate peer competition and is willing to bear any direct or indirect economic losses, claims, and additional expenditure incurred by the issuer or its shareholders other than the company.(5) The company shall confirm that each commitment stated in this commitment letter is independently enforceable. The invalidity or termination of any commitment shall not affect the validity of the other commitments. The aforementioned commitments shall remain effective and shall not be altered or revoked during the period when the company functions as the controlling shareholder of the issuer and within one year from the date of</p>						
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	Resolution of affiliated transactions	Shareholder Yifeng Investment (formerly known as Houxin Venture Capital)	transferring all shares. (I) As of the signing date of this commitment letter, except for those disclosed, there are no other significant affiliated transactions between the company and the other companies under its control excluding the issuer and its subsidiaries. (II) The company and other companies under its control, the issuer excluded, shall make every effort to avoid engaging in affiliated transactions with the issuer and its subsidiaries. In cases where such transactions are deemed necessary and unavoidable, they shall be conducted based on the principles of fairness, equity, and equal value. Transaction prices shall be determined based on the fair prices recognized by the market. Transaction approval procedures and information disclosure obligations shall be fulfilled in accordance with relevant laws, regulations, normative documents, and the provisions of the <i>Articles of Association</i> , to effectively protect the interests of the issuer and its other shareholders. (III) The company shall guarantee that the company and other companies under its control,	It shall be effective in the long term.	No	Long term	Yes		
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			<p>apart from the issuer, strictly comply with laws and regulations, as well as the regulatory documents of the CSRC and the stock exchanges, and the provisions of the issuer's <i>Articles of Association</i> and the <i>Affiliated Transaction Management Measures</i>. The company shall not leverage the status of controlling shareholder to seek undue benefits or engage in affiliated transactions that could harm the interests of the issuer and its other shareholders. (IV) In the event of a violation of the aforementioned commitments and transactions with the issuer and its subsidiaries resulting in losses to the issuer and its other shareholders, the company shall bear the responsibility for compensation.</p>						
	Others	Actual company controller Gao Yi and Yifeng Investment (formerly known as Houxin Venture Capital)	<p>If the Company and its subsidiaries incur losses due to the failure to register the lease for the property, I shall promptly and fully compensate related companies for the losses incurred.</p>	<p>It shall be effective in the long term.</p>	No	Long term	Yes		
	Others	Actual company Controller Gao Yi and Shareholder	<p>If the issuer (including subsidiaries) is required by any competent authority to make up for</p>	<p>It shall be effective in the long term.</p>	No	Long term	Yes		

		Yifeng Investment (formerly known as Houxin Venture Capital)	all or part of the unpaid social insurance premiums, housing provident funds, and/or is subject to any relevant penalties or losses, Jikang and Gao Yi shall bear all the insurance premiums, housing provident funds, penalties, and/or relevant losses. In the event that the issuer (including subsidiaries) must make the initial payment of such expenses, timely and full compensation shall be provided to ensure that the issuer (including subsidiaries) will not suffer any losses.						
Restricted shares	Actual controller Gao Yi	Gao Yi, the actual controller of the Company, and his close relatives Gao Hongfa (Gao Yi's father) and Gao Feng (Gao Yi's younger brother) have made the following commitments: "Within thirty-six months from the listing date of the Company's stock, I shall not transfer or entrust others to manage the shares of the Company directly or indirectly held by me and issued before public offering, nor shall I allow the Company to repurchase the	Share lock-up period: 36 months from February 17, 2015. Share reduction period: Within two years after the expiration of the lock-up period, the reduction of shares shall not exceed 15% of the Company's	No	Long term	Yes			

			<p>shares directly or indirectly held by me and issued prior to public offering. If I violate the aforementioned commitments or mandatory legal provisions and reduce my holdings of the Company's shares, I undertake that the proceeds from the improper reduction of the Company's shares will belong to the Company. If I fail to surrender the proceeds from the improper reduction to the Company, the Company is entitled to withhold from my cash dividends an amount equivalent to the proceeds from the improper reduction that I should have surrendered to the Company."</p> <p>Share reduction commitment: Gao Yi, the actual controller of the Company makes the following commitment: "For the shares held by me before the initial public offering of Yifeng Pharmacy Chain Co., Ltd., which are to be reduced within two years after the expiration of the lock-up period, they shall not be sold at a price lower than the issuance price of the initial public offerings. (Due to factors such as cash dividend distribution, bonus issue, capital conversion, or new share issuance, the exclusion</p>	total.					
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			<p>of rights and dividends shall be restored according to the relevant regulations of the stock exchange.) The number of the Company's shares to be reduced annually shall not exceed 15% of the number of the Company's shares held by me at the end of the previous year.</p> <p>When reducing the shares held by me, I shall notify the Company in writing in advance of my intention to reduce shares and the intended quantity of reduction. The Company shall promptly announce the information. I may proceed with the reduction of the Company's shares three trading days after the announcement.</p> <p>If I violate the aforementioned commitments or mandatory legal provisions and reduce my holdings of the Company's shares, I undertake that the proceeds (hereinafter referred to as the improper proceeds) from the improper reduction of the Company's shares will belong to the company. If I fail to surrender the proceeds from the improper reduction to the Company, the Company is entitled to withhold from my cash dividends an amount equivalent to the proceeds</p>						
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			from the improper reduction that I should have surrendered to the Company."						
	Restricted shares	Controlling shareholder Yifeng Investment (formerly known as Houxin Venture Capital)	<p>Share lock-up commitments: "Within thirty-six months from the listing date of Yifeng's stock, the company shall not transfer or entrust others to manage Yifeng's shares directly or indirectly held by the company and issued before public offering, nor shall the company repurchase Yifeng's shares directly or indirectly held by itself and issued prior to public offering."</p> <p>Share reduction commitment: "Within two years after the expiration of the lock-up period of Yifeng's shares held, the cumulative reduction of shares shall not exceed 10% of Yifeng's total. The price of the reduction shall not be lower than the issuance price of the company's initial public offering (IPO). (In the event of the company's dividend distribution, cash dividends, bonus issue, and the conversion of capital reserves into share capital, and other matters related to the exclusion of rights and dividends, the issuance price shall be adjusted proportionally for comparison, collectively referred to as the issuance</p>	<p>Share lock-up period: 36 months from February 17, 2015.</p> <p>Share reduction period: Within two years after the expiration of the lock-up period, the reduction of shares shall not exceed 10% of the Company's total.</p>	No	Long term	Yes		

			price). If the closing price of the company's stock remains below the issuance price for 20 consecutive trading days within 6 months after the company's listing, or the closing price of the stock is lower than the issuance price at the end of the 6-month period after the company's listing, the lock-up period of the shares held by the company will be automatically extended by 6 months." During the extended lock-up period, the company shall not transfer or entrust others to manage Yifeng' shares directly or indirectly held by the company and issued before public offering, nor shall the company repurchase Yifeng's shares directly or indirectly held by itself and issued prior to public offering.						
Commitment related to refinancing	Others	Actual controller Gao Yi	I hereby undertake not to intervene in the Company's operational management activities beyond my authority and not to misappropriate the Company's interests. I undertake to fulfill the relevant reimbursement measures adopted by the Company and any commitments made by myself in this regard. If I violate these commitments and cause losses to the	From August 10, 2022, it shall be effective in the long term.	No	Long term	Yes		

			Company or investors, I am willing to bear the corresponding legal responsibilities in accordance with the law.						
	Others	Controlling shareholder Houxin Venture Capital	The institution hereby undertakes not to intervene in the Company's operational management activities beyond its authority and not to misappropriate the Company's interests. The institution undertakes to fulfill the relevant reimbursement measures adopted by the Company and any commitments made by the institution in this regard. If the institution violates these commitments and causes losses to the Company or investors, the institution is willing to bear the corresponding legal responsibilities in accordance with the law.	From August 10, 2022, it shall be effective in the long term.	No	Long term	Yes		
	Others	All directors and senior management	(1) undertake not to gratuitously or unfairly transfer benefits to other institutions or individuals, nor to use other means to harm the interests of the Company; (2) undertake to restrain any behaviors related to job-related consumption; (3) undertake not to use the Company's assets for investment or consumption activities unrelated to job duties; (4) undertake that the compensation system	From August 10, 2022, it shall be effective in the long term.	No	Long term	Yes		



			<p>formulated by the Board of Directors or the Remuneration and Appraisal Committee should be linked to the implementation of the reimbursement measures; (5) If the Company launches an equity incentive policy later, I undertake that the announced exercise conditions of the Company's equity shall be linked to the implementation of the reimbursement measures; (6) From the date of issuance of this commitment to the completion of the issuance of convertible corporate bonds to unspecified entities or individuals, if the CSRC issues new provisions regarding the reimbursement measures and the my commitments, and the commitments fail to meet the relevant provisions of the CSRC, I undertake to released supplementary commitments in accordance with the latest regulations of the CSRC at that time; (7) I undertake to earnestly fulfill the Company's relevant reimbursement measures and any commitments made by myself in this regard. If I violate these commitments and cause losses to the Company or investors, I am willing to bear the corresponding legal</p>						
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			responsibilities to the Company or investors in accordance with the law.						
	Others	Controlling shareholder Houxin Ventural Capital and its persons acting in concert Yizhifeng and Yirentang	1. The company will decide whether to participate in the subscription of the convertible corporate bonds of Yifeng Pharmacy Chain Co., Ltd. based on market conditions and in accordance with relevant laws and regulations. 2. If the company has reduced its holdings of Yifeng's shares or the issued convertible corporate bonds or has relevant reduction plans within the first six months prior to the first day of the issuance of the convertible bonds (announcement date of the prospectus), the company undertakes not to participate in the subscription of the convertible bonds and will not authorize other entities to participate in the subscription of the convertible bonds. 3. If the company participates in the subscription of Yifeng's convertible corporate bonds and makes the subscription successfully, the company undertakes to strictly comply with the requirements of relevant laws and regulations on short-term trading. The company also undertakes not to reduce its holdings of Yifeng's shares or the subscribed convertible	From December 16, 2022, it shall be effective in the long term.	No	Long term	Yes		

			<p>corporate bonds within six months from the first day of the issuance of the convertible corporate bonds (announcement date of the prospectus) until the issuance of the convertible corporate bonds. 4. If the company fails to fulfill the above commitments regarding the issuance of the convertible corporate bonds, any income derived from this will belong to Yifeng Pharmacy Chain Co., Ltd., and the company will bear the legal responsibilities arising therefrom in accordance with the law.</p>						
	Others	<p>Directors, supervisors, and senior management (excluding independent directors, Xiao Zaixiang, Wan Xuemei and Yan Jun).</p>	<p>1. I hereby decide whether to participate in the subscription of the convertible corporate bonds of Yifeng Pharmacy Chain Co., Ltd. based on market conditions and in accordance with relevant laws and regulations. 2. If I have reduced my holdings of Yifeng's shares or the issued convertible corporate bonds or has relevant reduction plans within the first six months prior to the first day of the issuance of the convertible bonds (announcement date of the prospectus), I undertake not to participate in the subscription of the convertible bonds and will not authorize other entities to</p>	<p>From December 16, 2022, it shall be effective in the long term.</p>	No	Long term	Yes		

			<p>participate in the subscription of the convertible bonds.</p> <p>3. If I participate in the subscription of Yifeng's convertible corporate bonds and make the subscription successfully, I undertake to strictly comply with the requirements of relevant laws and regulations on short-term trading. I also undertake not to reduce my holdings of Yifeng's shares or the subscribed convertible corporate bonds within six months from the first day of the issuance of the convertible corporate bonds (announcement date of the prospectus) until the issuance of the convertible corporate bonds.</p> <p>4. If I fail to fulfill the above commitments regarding the issuance of the convertible corporate bonds, any proceeds derived from this will belong to the Company, and I will bear the legal responsibilities arising therefrom in accordance with the law.</p>						
	Others	Independent Director	<p>1. I undertake not to participate in the subscription of the convertible corporate bonds issued by Yifeng Pharmacy Chain Co., Ltd., and will not authorize any other entities to participate in the subscription of the convertible corporate bonds.</p>	From December 16, 2022, it shall be effective in the long term.	No	Long term	Yes		

			2. My waiver of subscription to the issuance of the convertible corporate bonds is a genuine expression of intention. If I fail to fulfill the above commitments regarding the issuance of the convertible bonds, any income derived from this will belong to the Company, and I will bear the legal responsibilities arising therefrom in accordance with the law.						
	Others	Senior management Xiao Zaixiang	I am a senior management of Yifeng Pharmacy Chain Co., Ltd. Given that I have reduced my holdings of the Company's shares or have participated in the issuance of convertible bonds or have relevant reduction plans within the six months before the first day of the issuance of convertible bonds to unspecified entities or individuals (hereinafter referred to as "the Bonds"), I undertake not to participate in the subscription of the Bonds in any form, nor will I authorize any other entity to participate in the subscription of the Bonds. If I fail to fulfill the aforementioned commitments regarding the issuance of the Bonds, any proceeds derived from this will belong to the Company. If this results in losses to the company, I will be liable to	From Tuesday, February 28, 2023, it shall be effective in the long term.	No	Long term	Yes		

			compensate the Company in accordance with the law.						
	Others	Senior management personnel Wan Xuemei and Yan Jun	1. I undertake not to participate in the subscription of the Bonds in any form, nor will I authorize any other entity to participate in the subscription of the Bonds, within 6 months after the latest sale of Yifeng Pharmacy stocks or the issuance of convertible bonds. 2. If the first day of the issuance of the convertible bonds (announcement date of the prospectus) is beyond the 6 months after the latest sale of Yifeng Pharmacy stocks, I hereby decide whether to participate in the subscription of the convertible corporate bonds of Yifeng Pharmacy Chain Co., Ltd. based on market conditions and in accordance with relevant laws and regulations. 3. If I fail to fulfill the aforementioned commitments regarding the issuance of the Bonds, any proceeds derived from this will belong to Yifeng Pharmacy. If this results in losses to Yifeng Pharmacy, I will be liable to compensate the Company in accordance with the law.	From May 15, 2023, it shall be effective in the long term.	No	Long term	Yes		
	Others	Senior management personnel Hu Jianxia	1. I undertake not to participate in the subscription of the Bonds in any form, nor will I authorize any other	From January 29, 2024, it shall be effective in the	No	Long term	Yes		

			<p>entity to participate in the subscription of the Bonds, within 6 months after the latest sale of Yifeng Pharmacy stocks or the issuance of convertible bonds. 2. If the first day of the issuance of the convertible bonds (announcement date of the prospectus) is beyond the 6 months after the latest sale of Yifeng Pharmacy stocks, I hereby decide whether to participate in the subscription of the convertible corporate bonds of Yifeng Pharmacy Chain Co., Ltd. based on market conditions and in accordance with relevant laws and regulations. 3. If I fail to fulfill the aforementioned commitments regarding the issuance of the Bonds, any proceeds derived from this will belong to Yifeng Pharmacy. If this results in losses to Yifeng Pharmacy, I will be liable to compensate the Company in accordance with the law.</p>	<p>long term.</p>					
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**(II). If there is a profit forecast for the Company's assets or projects, and they are still in the profit forecast period during the reporting period, the Company shall**

**explain whether the assets or projects reach the original profit forecast and why.**

Reached"  Not reached"  Not applicable"

**(III).The fulfillment of performance commitments and their impact on impairment test of goodwill**

Applicable"  Not applicable"



**II. The listed Company's non-operating funds occupied by the controlling shareholders and their affiliated parties**

Applicable"  Not applicable"

**III. Violation of guarantees**

Applicable"  Not applicable"

**IV. Description of the Board of Directors regarding the “Non-standard Opinion Audit Report” from the accounting firm**

Applicable  Not applicable

**V. The Company’s analysis and description of changes in accounting policies, accounting estimates or corrections of material accounting errors as well as relevant impacts****(I). The Company’s analysis and description of changes in accounting policies, accounting estimates as well as relevant impacts**

Applicable  Not applicable

Since January 1, 2023, the Company has adhered to the "Accounting Treatment for Deferred Income Taxes Related to Assets and Liabilities Arising from Individual Transactions that Are Not Subject to Initial Recognition Exemption," as outlined in *Interpretation No. 16 of the Enterprise Accounting Standards* issued by the Ministry of Finance. Accordingly, the financial statements for the earliest reporting period have been adjusted to reflect this provision for applicable individual transactions. This adjustment includes lease liabilities and right-of-use assets recognized during this period due to these transactions, along with recognized disposal-related obligations and corresponding assets that generate taxable and deductible temporary differences. The cumulative impact amount has been adjusted in accordance with this provision and the provisions of *Accounting Standards for Enterprises No. 18—Income Taxes*. This affects the retained earnings and other related financial statement items as of the start of the earliest reporting period. Details of these adjustments are presented below.

Unit: CNY Currency: CNY

Content and reasons for changes	Affected financial statement items	Impact amount
Detailed in other notes	Balance Sheet as of December 31, 2022	
Detailed in other notes	Deferred income tax assets	-2,862,658.05
Detailed in other notes	Undistributed Profits	-2,862,658.05
Detailed in other notes	Income Statement for 2022	
Detailed in other notes	Income tax expense	-3,768,840.19

**(II). The Company’s analysis and description of corrections of material accounting errors and relevant impacts**

Applicable  Not applicable

**(III). Communication with the former accounting firm**

Applicable  Not applicable

**(IV). Examination & approval procedures and other information**

Applicable  Not applicable

**VI. Appointment and dismissal of accounting firms**

Unit:CN¥ Currency: CNY

	Accounting firm currently employed
Name of domestic accounting firm	Pan-China Certified Public Accountants (special general partnership)
Remuneration for the domestic accounting firm	2,450,000.00
Consecutive years for the domestic accounting firm to render audit services	13
Name of Certified Public Accountants of the domestic accounting firm	Wei Wujun and Jiang Fengfeng
Accumulated years for the Certified Public Accountants of domestic accounting firm to render audit services	2

	Name	Remuneration
Accounting firm for internal control auditing	Pan-China Certified Public Accountants (special general partnership)	550,000.00

Appointment and dismissal of accounting firms

 Applicable"  Not applicable"

Upon the approval of the 2022 Annual General Meeting of Shareholders, it was agreed to reengage Pan-China Certified Public Accountants (special general partnership) as the Company's auditing agency for the fiscal year of 2023.

Explanation of the change of accounting firms during the auditing period

 Applicable"  Not applicable"

Explanation on audit fees decreasing by more than 20% (including 20%) compared to the previous year

 Applicable"  Not applicable"**VII. Delisting risk analysis****(I). Reasons for delisting risk warning** Applicable"  Not applicable"**(II). Countermeasures to be taken by the Company** Applicable"  Not applicable"**(III). Circumstances and reasons for termination of listing** Applicable"  Not applicable"**VIII. Matters related to bankruptcy and reorganization** Applicable"  Not applicable"**IX. Major litigation and arbitration matters** The Company had significant litigation or arbitration matters during the year." The Company had no significant litigation or arbitration matters during the year."**X. Suspected violations, punishment, and rectification of the listed Company, its Directors, Supervisors, Senior Management, Controlling Shareholders and Actual controller** Applicable"  Not applicable"

**XI. Integrity status of the Company and its controlling shareholders and actual controller**

Applicable"  Not applicable"

**XII. Significant connected transactions****(I). Affiliated transactions associated with day-to-day operations****1. Matters disclosed in interim announcements without further developments or changes**

Applicable"  Not applicable"

**2. Matters disclosed in interim announcements with further developments or changes**

Applicable"  Not applicable"

**3. Matters not disclosed in interim announcements**

Applicable"  Not applicable"

Unit: CN¥10,000 Currency: CNY

Party to affiliated transaction	Transaction relationship	Type of affiliated transaction	Content of affiliated transaction	Pricing principle for affiliated transaction	Price of affiliated transaction	Amount of affiliated transactions	Proportion to the amount of similar transactions (%)	Settlement method of affiliated transaction	Market Price	Reasons for the great difference between the transaction price and the reference price in the market
Jiuzhitang and its subsidiaries	Others affiliated persons	Commodity purchased	Commodity and product purchased	Transactions should be conducted based on the principles of fairness and impartiality, and pricing should be determined in accordance with national policies and market principles. In principle,	Market price	11,324.12	0.81	Bank transfer/Bank acceptance bill	/	/

				the price should be equivalent to that of similar products purchased or sold by a third party unrelated to the party engaged in the transaction. It should not be significantly higher or lower than the average market price.						
Jiuzhitang and its subsidiaries	Others affiliated persons	Selling goods	Commodity and product sold	Transactions should be conducted based on the principles of fairness and impartiality, and pricing should be determined in accordance with national policies and market principles. In principle, the price should be equivalent to that of similar	Market price	1,918.04	0.08	Bank transfer/Bank acceptance bill	/	/

				products purchased or sold by a third party unrelated to the party engaged in the transaction. It should not be significantly higher or lower than the average market price.						
Total				/	/	13,242.16		/	/	/
Details regarding the large-scale return of goods					None					
Description of affiliated transaction					None					

**(II). Affiliated transactions of acquisition or sales of assets or equity**

**1. Matters disclosed in interim announcements without further developments or changes**

Applicable  Not applicable

**2. Matters disclosed in interim announcements with further developments or changes**

Applicable  Not applicable

**3. Matters not disclosed in interim announcements**

Applicable  Not applicable

**4. If performance commitments are involved, the performance achieved during the Reporting Period should be disclosed.**

Applicable  Not applicable

**(III). Significant affiliated transactions for joint external investments**

**1. Matters disclosed in interim announcements without further developments or changes**

Applicable  Not applicable

**2. Matters disclosed in interim announcements with further developments or changes**

Applicable  Not applicable

**3. Matters not disclosed in interim announcements**

Applicable  Not applicable

**(IV). Affiliated transactions involving debt and credit**

**1. Matters disclosed in interim announcements without further developments or changes**

Applicable"  Not applicable"

**2. Matters disclosed in interim announcements with further developments or changes**

Applicable"  Not applicable"

**3. Matters not disclosed in interim announcements**

Applicable"  Not applicable"

**(V). Financial transactions between the Company and affiliated financial companies, financial companies under the Company's control, and affiliated parties**

Applicable"  Not applicable"

**(VI). Others**

Applicable"  Not applicable"

**XIII. Significant contracts and their fulfillment**

**(I). Information about trusteeship, contracting, and lease**

**1. Trusteeship**

Applicable"  Not applicable"

**2. Contracting**

Applicable"  Not applicable"

**3. Lease**

Applicable"  Not applicable"

**(II). Guarantee**

"√ Applicable" "□ Not applicable"

Unit: CN¥10,000 Currency: CNY

External guarantees of the Company (excluding guarantees to subsidiaries)														
Guarantor	Relationship between the guarantor and the listed Company	Guaranteed party	Amount of guarantee	Date of occurrence of guarantee (Signing date of agreement)	Guarantee Date of commencement	Guarantee Date of maturity	Type of guarantee	Object of guarantee (if any)	Whether the fulfillment is completed	Whether the guarantee is overdue	Amount of overdue guarantee	Counter-guarantee	Whether the affiliated party is guaranteed	Association Relationship
Total amount of guarantees incurred during the Reporting Period (excluding guarantees to subsidiaries)							0							
Total amount of guarantee balance at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)							0							
Guarantees of the Company and its subsidiaries to subsidiaries														
Total amount of guarantees incurred to subsidiaries during the Reporting Period							136,000							
Total amount of guarantee balance to subsidiaries at the end of the Reporting Period (B)							120,000							
Total guarantees of the Company (excluding guarantees to subsidiaries)														
Total amount of guarantees (A+B)							120,000							
Ratio of total guarantees to the Company's net assets (%)							11.49							
Incl.:														
Amount of guarantees to shareholders, actual controller, and their affiliated parties (C)							0							
The amount of debt guarantee provided directly or indirectly to guaranteed parties with an asset-liability ratio exceeding 70% (D)							0							



The amount exceeding 50% of net assets in the total guarantee amount (E)	0
Total amount of guarantee (C+D+E)	
Description of possible joint liability for outstanding guarantees	
Description of guarantee	

**(III). Entrusting others to execute any cash asset management**

**1. Entrusted financial management**

**(1) Overview of entrusted financial management**

Applicable"  Not applicable"

Unit: CN¥10,000 Currency: CNY

Type	Source of funds	Amount incurred	Undue amount	Overdue unrecovered amount
Wealth management products of bank	Own funds	162,810	162,810	0
Wealth management products of securities dealers	Own funds	40,000	0	0

**Others**

Applicable"  Not applicable"

**(2) Individual entrusted financial management**

Applicable"  Not applicable"

**Others**

Applicable"  Not applicable"

**(3) Impairment provision for entrusted financial management**

Applicable"  Not applicable"

**2. Entrusted loan**

**(1) Overview of entrusted loan**

Applicable"  Not applicable"

**Others**

Applicable"  Not applicable"

**(2) Individual entrusted loan**

Applicable"  Not applicable"

**Others**

Applicable"  Not applicable"

**(3) Impairment provision for entrusted loan**

Applicable"  Not applicable"

**3. Others**

Applicable"  Not applicable"

**(IV). Other significant contracts**

Applicable"  Not applicable"

**XIV. Description of progress in the use of raised funds**

Applicable"  Not applicable"

**(I). Overall use of raised funds**

Applicable"  Not applicable"

Unit: CN¥10,000

Source of raised funds	In-place time of raised funds	Total amount of raised funds	Including: Amount of over-raised funds	Net amount of raised funds after deduction	Total committed investment amount of	Total committed investment amount of	Accumulative total amount of raised funds by the	Accumulated investment progress by the end of	Current year's investment amount	The proportion of investment	Total amount of raised
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				of issuance expenses	raised fund	raised funds after adjustment (1)	end of the Reporting Period (2)	the Reporting Period (3) = (2)/(1)	(4)	amount for this year (%) (5) = (4)/(1)	funds with change of use
Issuance of convertible bonds	June 5, 2020	158,100.90	0	156,464.67	158,100.90	156,464.67	156,142.94	99.79	27,296.91	17.45	32,663.54

**(II).Details of projects invested by raised funds**

"√ Applicable" "□ Not applicable"

Unit: CN¥10,000

Item name	Nature of project	Whether involves changing the direction of investment	Source of raised funds	In-place time of raised funds	Whether to use over-raised funds	Total committed investment amount of raised funds for the project	Total investment amount of raised funds after adjustment (1)	Investment amount in the current year	Accumulative total amount of raised funds by the end of the Reporting Period (2)	Accumulated investment progress by the end of the Reporting Period (%) (3) = (2)/(1)	The date on which the project is expected to be ready for use	Whether the project has been closed	Whether the investment progress meets the planned schedule	The specific reasons why the investment progress does not meet the plan	Benefits realized this year	The benefits or R&D achievements achieved in this project	Whether there has been a significant change in the feasibility of the project. If so, please give the details	Surplus amount
The Jaingsu Yifeng Pharmaceu	Operation & development	No	Issuance of convertible	June 5, 2020	No	16,000.00	16,000.00		16,128.77	100.80	July 31, 2021	Yes	Yes	Not applicable	Not applicable	Not applicable	No	0

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tical Product Intelligent Sorting & Processing Project			bonds															
The Shanghai Yifeng Pharmaceutical Product Intelligent Sorting Center Project [Note 1]	Operation & development	Yes	Issuance of convertible bonds	June 5, 2020	No	13,000.00	21,363.54	4,616.22	21,629.90	101.25	Jun 30, 2023	Yes	Yes	Not applicable	Not applicable	Not applicable	No	0
Jiangxi Yifeng Pharmaceutical Industry Park Project Phase I	Operation & development	No	Issuance of convertible bonds	June 5, 2020	No	8,000.00	8,000.00		8,019.26	100.24	Jun 30, 2022	Yes	Yes	Not applicable	Not applicable	Not applicable	No	0
The New Chain Pharmacy Project	Operation & development	Yes	Issuance of convertible bonds	June 5, 2020	No	68,085.00	68,085.00	22,680.69	67,153.20	101.45	Jan 31, 2024	No	Yes	Not applicable	-4,748.50	-22,963.41	No	
The Old Store Upgrade and Renovation Project	Operation & development	Yes	Issuance of convertible bonds	June 5, 2020	No	10,015.90	1,652.36		1,824.07	110.39	Jun 30, 2022	Yes	Yes	Not applicable	Not applicable	Not applicable	No	0
The Digital Intelligent Management Platform	R&D	No	Issuance of convertible bonds	June 5, 2020	No	4,000.00	4,000.00		4,002.54	100.06	Mar 31, 2023	Yes	Yes	Not applicable	Not applicable	Not applicable	No	0

Project																		
Replenishment of working capital	Others	No	Issuance of convertible bonds	June 5, 2020	No	39,000.00	37,363.77		37,385.20	100.06		Yes	Yes	Not applicable	Not applicable	Not applicable	No	0

[Note 1]: The Shanghai Yifeng Pharmaceutical Product Intelligent Sorting Center Project has adopted works such as replacement and reinforcement of basement load-bearing due to the complex underground structure of the construction site, soft soil in the foundation pit, and increased difficulty in the work of foundation pit retaining piles. Besides, the newly added works have also extended the project implementation, with an additional investment of CN¥ 83.9837 million. "As a change in the "Old Store Upgrade and Renovation Project", CN¥ 83.6354 million was invested into the "Shanghai Yifeng Pharmaceutical Product Intelligent Sorting Center Project".

[Note 2]: As of the disclosure date of this report, the funds raised from the convertible corporate bonds issued by the Company in 2020 have been fully utilized. All corresponding investment projects funded by these bonds have been finalized, and the special fundraising account will subsequently be closed. According to Guidelines No. 1 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies - Standard Operation, once all funded projects are completed, if the residual funds (including interest income) amount to less than CN¥ 5 million or less than 5% of the total raised funds, the need for procedures such as review by board of directors, opinions from independent directors, assessments by board of supervisors, and endorsements by sponsoring institutions may be exempted.

**(III). Changes or termination of projects invested by raised funds during the Reporting Period**

Applicable"  Not applicable"

**(IV). Other cases of the use of raised funds during the Reporting Period**

1. Advance investment and replacement of projects invested by raised funds

Applicable"  Not applicable"

2. Temporary replenishment of working capital with idle raised funds

Applicable"  Not applicable"

The 24<sup>th</sup> meeting of the 4<sup>th</sup> Board of Directors was held on April 26, 2023, during which the Company deliberated and approved the Proposal on Using Idle Proceeds from Convertible Bonds to Temporarily Supplement Liquidity. It was agreed that the Company should use the total amount of idle raised funds not exceeding CN¥ 210 million to temporarily supplement working capital. By December 31, 2023, the Company's balance of temporary supplement of working capital with idle raised funds was CN¥50 million.

3. Cash management of idle raised funds and investment in related products

Applicable"  Not applicable"

4. Permanent replenishment of working capital or repayment of bank loans with over-raised funds

Applicable"  Not applicable"

5. Others

Applicable"  Not applicable"

**XV. Description of other significant matters greatly affecting value judgment and investment decisions**

Applicable"  Not applicable"

## Section VII. Changes in Shares and Shareholders

### I. Changes in share capital

#### (I). Share change table

##### 1. Share change table

	Before this change		Increase or decrease in this change (+, -)					Unit:Share After this change	
	Quantity:	Percentage (%)	New issue	Bonus issue	Shares converted from reserved funds	Others	Total	Quantity:	Percentage (%)
I. Shares with trading restriction conditions	3,095,200	0.43	390,015		1,238,080	-2,259,600	-631,505	2,463,695	0.24
1. Shares held by the State									
2. Shares held by state-owned legal person									
3. Shares held by other domestic capital	3,095,200	0.43	390,015		1,238,080	-2,259,600	-631,505	2,463,695	0.24
Including: Shares held by domestic non-state-owned legal person									
Share s held by domestic natural person	3,095,200	0.43	390,015		1,238,080	-2,259,600	-631,505	2,463,695	0.24
4. Shares held by foreign capital									0
Including: Shares held by foreign legal person									0
Share s held by foreign natural person									0
II. Shares without	718,609,730	99.57			287,443,892	2,062,480	289,506,372	1,008,116,102	99.76

trading restriction conditions									
1. CNY common share	718,609,730	99.57			287,443,892	2,062,480	289,506,372	1,008,116,102	99.76
2. Domestically listed foreign shares									0
3. Overseas listed foreign shares									0
4. Others									0
III. Total number of shares	721,704,930	100	390,015		288,681,972	-197,120	288,874,867	1,010,579,797	100

## 2. Description of changes in shares

"√ Applicable" "□ Not applicable"

(1) The Proposal on Profit Distribution and Capital Reserve Capitalization Plans for the Year of 2022 was reviewed and approved at the 24<sup>th</sup> meeting of the 4<sup>th</sup> Board of Directors on April 26, 2023, and the 2022 Annual General Meeting of Shareholders held on May 18, 2023. The capital conversion is based on the total share capital. The Company intends to distribute 4 shares per 10 shares held by all shareholders via capital conversion. After the distribution, the total share capital of the Company will increase to 1,010,386,902 shares. The distribution plan was completed on June 7, 2023

(2) The 24<sup>th</sup> and 27<sup>th</sup> meetings of the 4<sup>th</sup> Board of Directors, held on April 26, 2023 and June 29, 2023, reviewed and approved the Proposal on Repurchase and Cancellation of Certain Restricted Shares and the Proposal on Adjusting the Quantity and Price of Repurchase and Cancellation of Certain Restricted Shares, canceled the repurchased 104,160 restricted stock shares, and changing the total share capital to 1,010,282,742 shares.

(3) The 29<sup>th</sup> meeting of the 4<sup>th</sup> Board of Directors was held on August 14, 2023, during which the Company deliberated and adopted the Proposal on the Second Repurchase and Cancellation of Certain Restricted Shares under the Restricted Share Incentive Plan in 2022. The Company canceled the repurchased 92,960 restricted stock shares. and changing the total share capital to 1,010,189,782 shares.

(4) The 31<sup>st</sup> meeting of the 4<sup>th</sup> Board of Directors was held on August 29, 2023, during which the Company deliberated and adopted the Proposal on the Grant of Reserve Equity to under the Restricted Share Incentive Plan in 2022. After confirming that the conditions for the initial grant have been met, the Company granted the Incentive Recipients a total of 390,015 restricted shares, changing the total share capital to 1,010,579,797 shares.

## 3. Effect of share changes on financial indicators such as earnings per share and net assets per share for the latest year and the latest period

"√ Applicable" "□ Not applicable"

During the Reporting Period, the total number of the Company's shares increased by 288,874,867 due to the profit distribution and conversion of capital reserve into equity capital, the repurchase and



cancellation of restricted shares and the granting of restricted shares. At the end of the Reporting Period, the total share capital of the Company was 1,010,579,797 shares, with an earning per share of CN¥1.40 and a net asset per share of CN¥9.70.

**4. Other contents deemed necessary by the Company or required to be disclosed by the securities regulatory authorities**

Applicable"  Not applicable"

**(II). Changes in restricted shares**

Applicable"  Not applicable"

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares lifted in the current year	Number of restricted shares increased in the current year	Number of restricted shares at the end of the year	Reasons for Restriction	Date of lifting
The first grant of the restricted share incentive plan in 2022	3,095,200	2,062,480	1,040,960	2,073,680	Lock-up of the first grant of the restricted share incentive plan in 2022	October 23, 2023
The reservation grant of the restricted share incentive plan in 2022	0	0	390,015	390,015	The reservation grant of the restricted share incentive plan in 2022	
Total	3,095,200	2,062,480	1,430,975	2,463,695	/	/

**II. Offering and listing of securities**

**(I). Securities issuance during the Reporting Period**

Applicable"  Not applicable"

Description of securities issuance during the Reporting Period (For bonds with different interest rates during the tenure, respectively):

Applicable"  Not applicable"

**(II). Description of changes in the Company's total number of shares and shareholder structure, and asset and liability structure**

Applicable"  Not applicable"

**(III). Existing internal employee share**

Applicable"  Not applicable"

**III. Shareholders and actual controller(s)**

**(I). Total number of shareholders**

Total number of common shareholders at the end of the Reporting Period	14,648
Total number of common shareholders as of the end of the previous month before the disclosure date of the Annual Report	15,096

Total number of preferred shareholders with restored voting rights at the end of the Reporting Period	0
Total number of preferred shareholders with restored voting rights at the end of the previous month before the disclosure date of the Annual Report	0

**(II). Shareholding of the top 10 shareholders and top 10 shareholders of circulating shares (without trading restriction conditions) at the end of the Reporting Period**

Unit: Share

Shareholding of the top 10 shareholders (not including the lending of shares through refinancing business)							
Name of shareholder (Full name)	Increase/Decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares with trading restriction conditions held	Pledge, tag or freezing		Shareholder feature
					Share status	Quantity:	
Ningbo Meishan Free Trade Port Area Houxin Venture Capital Partnership (Limited Partnership)	62,498,280	218,743,980	21.65	0	None		Others
Hong Kong Securities Clearing Company Limited	46,087,981	167,741,356	16.60	0	None		Others
Gao Yi	33,686,016	117,901,056	11.67	0	None		Domestic natural person
CAPITAL TODAY INVESTMENT XV (HK) LIMITED	27,745,536	97,109,376	9.61	0	None		Foreign legal person
CAPITAL TODAY INVESTMENT XV (HK) LIMITED	27,588,288	96,559,008	9.55	0	None		Foreign legal person
Industrial and Commercial Bank of China Limited - Zhong Ou Medical and Health Hybrid Securities Investment Fund	9,587,277	19,602,714	1.94	0	None		Others

Ningbo Meishan Free Trade Port Area Yizhifeng Enterprise Management Partnership (Limited Partnership)	3,022,091	10,577,318	1.05	0	None	Others
China Construction Bank Co., Ltd - ICBC Credit Suisse Frontier Medical Equity Securities Investment Fund	2,726,600	6,726,600	0.67	0	None	Others
Hexie Health Insurance Co., Ltd. — Tradition	6,679,680	6,679,680	0.66	0	None	Others
Han Hongchang	2,465,960	5,783,360	0.57	0	None	Domestic natural person

## Shareholding of the top 10 shareholders without trading restriction conditions

Name of shareholder	Number of circulating shares without trading restriction conditions held	Type and quantity of shares	
		Type	Quantity:
Ningbo Meishan Free Trade Port Area Houxin Venture Capital Partnership (Limited Partnership)	218,743,980	CNY common share	218,743,980
Hong Kong Securities Clearing Company Limited	167,741,356	CNY common share	167,741,356
Gao Yi	117,901,056	CNY common share	117,901,056
CAPITAL TODAY INVESTMENT XV (HK) LIMITED	97,109,376	CNY common share	97,109,376
CAPITAL TODAY INVESTMENT XV (HK) LIMITED	96,559,008	CNY common share	96,559,008
Industrial and Commercial Bank of China Limited - Zhong Ou Medical and Health Hybrid Securities Investment Fund	19,602,714	CNY common share	19,602,714
Ningbo Meishan Free Trade Port Area Yizhifeng Enterprise Management Partnership (Limited Partnership)	10,577,318	CNY common share	10,577,318

China Construction Bank Co., Ltd - ICBC Credit Suisse Frontier Medical Equity Securities Investment Fund	6,726,600	CNY common share	6,726,600
Hexie Health Insurance Co., Ltd. — Tradition	6,679,680	CNY common share	6,679,680
Han Hongchang	5,783,360	CNY common share	5,783,360
Description of repurchase accounts among the top 10 shareholders	None		
Description of above-mentioned shareholders' involvement in entrusting/being entrusted with and waiving voting rights	None		
Description of association or concerted action of the above-mentioned shareholders	Among the aforementioned shareholders, Houxin and Yizhifeng are enterprises controlled by Mr. Gao Yi, the actual controller of the Company. There is an affiliation between Gao Yi, Houxin, and Yizhifeng. CAPITAL TODAY INVESTMENT XV (HK) LIMITED and CAPITAL TODAY INVESTMENT XIV (HK) LIMITED are both controlled by Capital Today River Fund, L.P. There is an affiliation between CAPITAL TODAY INVESTMENT XV (HK) LIMITED and CAPITAL TODAY INVESTMENT XIV (HK) LIMITED. Description of unknown association or concerted action of the above-mentioned shareholders		
Description of preferred shareholders with restored voting rights and number of shares held	None		

Description of the top 10 shareholders participating in the lending of shares through refinancing business  
 Applicable"  Not applicable"

The top ten shareholders have changed compared to the previous period  
 Applicable"  Not applicable"

Number of shares held by the top 10 shareholders with trading restriction conditions and relevant restriction conditions  
 Applicable"  Not applicable"

**(III). Situation (if any) where a strategic investor or general legal person becomes one of top 10 shareholders due to placement of new shares**

Applicable"  Not applicable"

**IV. Controlling shareholders and actual controller(s)**

**(I). Controlling shareholder**

**1 Legal person**

Applicable"  Not applicable"

Name	Ningbo Meishan Free Trade Port Area Houxin Venture Capital Partnership (Limited Partnership)
Person in charge or legal representative	Changsha Yizhikang Consulting Co., Ltd. (Appointed Representative: Hu Zongliang)
Date of establishment	Tuesday, September 12, 2006
Main business	Venture capital (limited to unlisted companies)
Equity of other domestic and overseas listed companies via control	None

and participation of the shareholder during the Reporting Period	
Other descriptions	None

**2 Natural person**

Applicable  Not applicable

**3 Special description of the absence of a controlling shareholder**

Applicable  Not applicable

**4 Changes in controlling shareholders during the Reporting Period**

Applicable  Not applicable

**5 Block diagram of the property rights and control relationship between the Company and the controlling shareholder**

Applicable  Not applicable



**(II). Actual controller**

**1 Legal person**

Applicable  Not applicable

**2 Natural person**

Applicable  Not applicable

Name	Gao Yi
Nationality	Chinese
Whether to obtain residency in other countries or regions	No
Occupation and title	Chairman and President
Domestically and overseas listed companies controlled over the past 10 years	None

**3 The Company has no actual controllers**

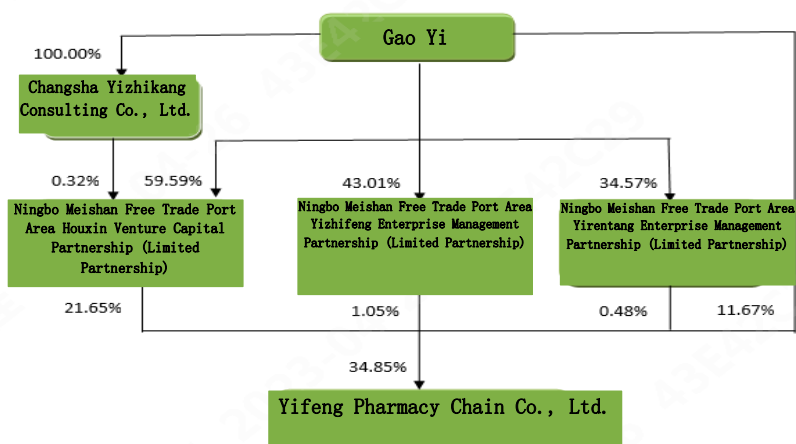
Applicable  Not applicable

**4 Changes in controlling rights during the Reporting Period**

Applicable  Not applicable

## 5 Block diagram of the ownership and control relationship between the Company and the de facto controller

Applicable"  Not applicable"



## 6 Control of the Company by the de facto controller through trust or other asset management means

Applicable"  Not applicable"

### (III). Other information about controlling shareholders and actual controller

Applicable"  Not applicable"

## V. The cumulative number of shares pledged by the controlling shareholder or the largest shareholder of the Company and its persons acting in concert reached 80% of the number of shares held by them in the Company.

Applicable"  Not applicable"

## VI. Other corporate shareholders holding more than 10% of shares

Applicable"  Not applicable"

## VII. Restrictions on shareholding reduction

Applicable"  Not applicable"

## VIII. Specific implementation of share repurchase during the Reporting Period

Applicable"  Not applicable"

## Section VIII. Preferred Share Related Information

Applicable"  Not applicable"

## **Section IX. Relevant Situation of Bonds**

### **I. Corporate bonds, company bonds, and non-financial corporate debt financing instruments**

" Applicable" " Not applicable"

### **II. Convertible corporate bonds**

" Applicable" " Not applicable"

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## Section X. Financial Statements

### I. Audit report

Applicable    Not Applicable

## Auditor's Report

PCCPAAR [2024] No.2-298

To the Shareholders of Yifeng Pharmacy Chain Co.,Ltd.:

### *I. Audit Opinion*

We have audited the financial statements of Yifeng Pharmacy Chain Co., Ltd. (the “Company”), which comprise the consolidated and parent company balance sheets as at December 31, 2023, the consolidated and parent company income statements, consolidated and parent company cash flow statements, and consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

### *II. Basis for Audit Opinion*

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Certified Public Accountant's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### **III. Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

#### **(I) Revenue recognition**

##### **1. Key audit matters**

Please refer to section III (XXIII), V (II) 1 and XV (I) 2 of notes to the financial statements for details.

The Company is mainly engaged in medical sales business. In 2023, the operating revenue amounted to 22,588.23 million yuan, of which the operating revenue from medical sales business was 19,275.05 million yuan, accounting for 85.33% of the total operating revenue.

As operating revenue is the key performance indicators of the Company, there might be inherent risks that the Company's management (the "Management") adopts inappropriate revenue recognition to achieve specific goals or expectations. As the inherent risk of misstatement is high, we have identified revenue recognition as a key audit matter.

##### **2. Responsive audit procedures**

Our main audit procedures for revenue recognition are as follows:

- (1) We obtained understandings of key internal controls related to revenue recognition, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;
- (2) We checked sales contracts, obtained understandings of main contractual terms or conditions, and assessed whether the revenue recognition method was appropriate;
- (3) We performed analysis procedure on operating revenue and gross margin by month, product, store, etc., so as to identify whether there are significant or abnormal fluctuations and find out the reason;

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- (4) For revenue from pharmaceutical wholesale, we checked supporting documents related to selected items, including sales contracts, orders, sales invoices, outbound delivery orders, delivery notes, shipping documents, delivery receipts, etc.;
- (5) We performed rationality analysis procedure on revenue from pharmaceutical retail, including UPT and ATV, and checked businesses with their sales details, payment records, accounting treatments, etc. to assess whether there are abnormal sales;
- (6) We cross-checked the data of information system, including drug retail business management system and business processes of SAP information system;
- (7) We checked bank transaction flows, bank statements, and reconciliation table for outstanding accounts, and verified sales return records;
- (8) We performed confirmation procedures on accounts receivable with large amount (mainly from wholesale customers), revenue from promotional service fees and wholesale business with large amount, and checked sales return records subsequent to the balance sheet date;
- (9) We performed cut-off tests to check whether the revenue was recognized in the appropriate period; and
- (10) We checked whether information related to operating revenue had been presented appropriately in the financial statements.

## (II) Impairment of goodwill

### 1. Key audit matters

Please refer to section III (XVIII) and V (I) 18 of notes to the financial statements for details.

As of December 31, 2023, the cost of goodwill amounted to 4,612.85 million yuan, with provision for impairment of 2.30 million yuan, and the carrying amount amounted to 4,610.55 million yuan.

For asset group or asset group portfolio related to goodwill, the Management will perform impairment test on goodwill together with related asset group or asset group portfolio, and the recoverable amount of related asset group or asset group portfolio is determined based on the estimated present value of future cash flows. As the amount

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of goodwill is significant and impairment test involves significant judgment of the Management, we have identified impairment of goodwill as a key audit matter.

## 2. Responsive audit procedures

Our main audit procedures for impairment of goodwill are as follows:

- (1) We obtained understandings of key internal controls related to impairment of goodwill, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;
- (2) We reviewed the outcome of the Management's previous estimates on the present value of future cash flows or their subsequent re-estimations;
- (3) We assessed the competency, professional quality and objectivity of external appraisers engaged by the Management;
- (4) We assessed the appropriateness and consistency of impairment test method adopted by the Management;
- (5) We assessed the appropriateness of significant assumptions used in impairment test and reviewed whether relevant assumptions were consistent with overall economy environment, industry condition, management situation, historical experience, operation plan, approved budget, meeting summary, assumptions used in other accounting estimates and related assumptions used in other areas of business activities;
- (6) We assessed the appropriateness, relevance and reliability of data used by the Management in the impairment test and reviewed the consistency of related information in the impairment test;
- (7) We tested whether the Management's calculation of present value of estimated future cash flows was accurate;
- (8) We checked whether information related to impairment of goodwill had been presented appropriately in the financial statements.

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#### ***IV. Other Information***

The Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

#### ***V. Responsibilities of the Management and Those Charged with Governance for the Financial Statements***

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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***VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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(V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain sole responsibility for our audit opinion.

We communicate with those charged with governance regarding the planned audit scope, time schedule and significant audit findings, including any deficiencies in internal control of concern that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP Chinese Certified Public Accountant:  
(Engagement Partner)

Hangzhou ·China

Chinese Certified Public Accountant:

Date of Report: April, 26, 2024

*The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and financial performance and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

## II. Financial statement

### Consolidated Balance Sheet

December 31, 2023

Prepared by: Yifeng Pharmacy Chain Co.,Ltd.

Unit: yuan

Assets	Note No.	December 31, 2023	December 31, 2022
Current assets:			
Cash and bank balances	VII. 1	3,565,905,738.81	4,112,519,204.66
Settlement funds			
Loans to other banks			
Held-for-trading financial assets	VII. 2	1,630,720,887.94	50,045,139.45
Derivative financial assets	VII. 3		
Notes receivable	VII. 4		
Accounts receivable	VII. 5	2,138,274,319.88	1,843,940,879.13
Receivables financing	VII. 7	11,889,888.58	1,784,671.86
Advances paid	VII. 8	141,493,810.64	225,472,636.75
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables	VII. 9	448,538,089.70	419,472,054.84
Including: Interests receivable			
Dividends receivable			
Financial assets under reverse repo			
Inventories	VII. 10	3,807,963,660.86	3,614,549,276.03
Contract assets	VII. 6		
Assets held for sale	VII. 11		
Non-current assets due within one year	VII. 12		
Other current assets	VII. 13	384,124,342.84	310,439,549.32
Total current assets		12,128,910,739.25	10,578,223,412.04
Non-current assets:			
Loans and advances			
Debt investments	VII. 14	154,167,777.78	
Other debt investments	VII. 15		
Long-term receivables	VII. 16		
Long-term equity investments	VII. 17	5,565,690.31	5,249,115.35
Other equity instrument investments	VII. 18	432,225,200.00	327,379,600.00
Other non-current financial assets	VII. 19	1,010,000.00	1,460,000.00
Investment property	VII. 20		
Fixed assets	VII. 21	1,524,048,536.46	1,218,512,066.08
Construction in progress	VII. 22	175,121,866.79	239,848,057.90
Productive biological assets	VII. 23		
Oil & gas assets	VII. 24		



Right-of-use assets	VII. 25	3,965,884,425.82	3,433,622,232.34
Intangible assets	VII. 26	470,972,498.88	478,199,532.34
Development expenditures		3,496,698.64	7,251,672.96
Goodwill	VII. 27	4,610,549,279.24	4,187,923,745.35
Long-term prepayments	VII. 28	495,647,138.93	423,440,650.85
Deferred tax assets	VII. 29	138,670,316.75	127,683,398.33
Other non-current assets	VII. 30	30,269,025.79	7,230,498.45
Total non-current assets		12,007,628,455.39	10,457,800,569.95
Total assets		24,136,539,194.64	21,036,023,981.99

Legal representative:                      Officer in charge of accounting:                      Head of accounting department:

## Consolidated Balance Sheet (Continued)

December 31, 2023

Prepared by: Yifeng Pharmacy Chain Co.,Ltd.

Unit: yuan

Liabilities & Equity	Note No.	December 31, 2023	December 31, 2022
Current liabilities:			
Short-term borrowings	VII. 32		
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities	VII. 33		
Derivative financial liabilities	VII. 34		
Notes payable	VII. 35	6,215,388,292.66	5,082,931,546.02
Accounts payable	VII. 36	1,955,564,568.05	1,677,740,647.28
Advances received	VII. 37	15,959,550.59	6,078,020.28
Contract liabilities	VII. 38	80,166,931.03	60,685,079.13
Financial liabilities under repo			
Absorbing deposit and interbank deposit			
Deposits for agency security transaction			
Deposits for agency security underwriting			
Employee benefits payable	VII. 39	463,733,610.00	505,211,513.30
Taxes and rates payable	VII. 40	263,088,153.57	283,427,593.13
Other payables	VII. 41	810,446,678.28	760,185,299.36
Handling fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale	VII. 42		
Non-current liabilities due within one year	VII. 43	1,458,466,797.74	1,277,799,825.50
Other current liabilities	VII. 44	6,656,678.33	5,215,576.73
Total current liabilities		11,269,471,260.25	9,659,275,100.73
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	VII. 45	133,617,147.68	228,668,070.87
Bonds payable	VII. 46		
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	VII. 47	2,205,510,311.80	1,951,076,403.19
Long-term payables	VII. 48		
Long-term employee benefits payable	VII. 49		
Provisions	VII. 50		
Deferred income	VII. 51	54,094,246.44	54,689,784.63
Deferred tax liabilities	VII. 29	26,758,566.63	23,710,293.77
Other non-current liabilities	VII. 52		

Total non-current liabilities		2,419,980,272.55	2,258,144,552.46
Total liabilities		13,689,451,532.80	11,917,419,653.19
Equity:			
Share capital	VII. 53	1,010,579,797.00	721,704,930.00
Other equity instruments	VII. 54		
Including: Preferred shares			
Perpetual bonds			
Capital reserve	VII. 55	3,842,147,881.80	4,076,700,083.91
Less: Treasury shares	VII. 56	42,238,481.15	77,410,952.00
Other comprehensive income	VII. 57	21,416,709.49	-17,001,709.05
Special reserve	VII. 58		
Surplus reserve	VII. 59	198,282,150.00	132,066,047.02
General risk reserve			
Undistributed profit	VII. 60	4,774,244,419.42	3,717,157,469.99
Total equity attributable to the parent company		9,804,432,476.56	8,553,215,869.87
Non-controlling interest		642,655,185.28	565,388,458.93
Total equity		10,447,087,661.84	9,118,604,328.80
Total liabilities & equity		24,136,539,194.64	21,036,023,981.99

Legal representative:

Officer in charge of accounting:

Head of accounting department:

## Balance Sheet of Parent Company

December 31, 2023

Prepared by: Yifeng Pharmacy Chain Co.,Ltd.

Unit: yuan

Assets	Note No.	December 31, 2023	December 31, 2022
<b>Current assets:</b>			
Cash and bank balances		2,589,345,354.69	2,865,759,276.87
Held-for-trading financial assets		972,143,189.04	50,045,139.45
Derivative financial assets			
Notes receivable			
Accounts receivable	XIX. 1	487,341,632.68	344,639,433.59
Receivables financing			
Advances paid		2,212,269,168.23	3,303,479,383.69
Other receivables	XIX. 2	1,376,615,421.54	816,358,778.99
Including: Interests receivable		855,724.12	
Dividends receivable		581,621,336.22	68,563,059.65
Inventories		480,579,869.08	495,427,259.49
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		128,463,091.48	119,888,080.77
Total current assets		8,246,757,726.74	7,995,597,352.85
<b>Non-current assets:</b>			
Debt investments		154,167,777.78	
Other debt investments			
Long-term receivables			
Long-term equity investments	XIX. 3	2,600,755,329.68	2,597,255,329.68
Other equity instrument investments			
Other non-current financial assets			
Investment property			
Fixed assets		170,678,947.01	149,991,447.13
Construction in progress			
Productive biological assets			
Oil & gas assets			
Right-of-use assets		869,222,301.66	784,552,311.43
Intangible assets		142,328,025.69	137,318,631.63
Development expenditures		3,496,698.64	4,626,957.17
Goodwill		405,394,296.50	399,394,296.50
Long-term prepayments		114,167,539.56	96,782,189.99
Deferred tax assets		13,867,342.16	14,748,536.60
Other non-current assets		2,213,162.21	2,903,917.65
Total non-current assets		4,476,291,420.89	4,187,573,617.78

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Total assets		12,723,049,147.63	12,183,170,970.63
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Legal representative:                      Officer in charge of accounting:                      Head of accounting department:

## Balance Sheet of Parent Company (Continued)

December 31, 2023

Prepared by: Yifeng Pharmacy Chain Co.,Ltd.

Unit: yuan

Liabilities & Equity	Note No.	December 31, 2023	December 31, 2022
<b>Current liabilities:</b>			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable		5,387,925,216.92	5,043,026,204.10
Accounts payable		187,161,288.67	555,273.39
Advances received		1,155,174.30	873,707.70
Contract liabilities		10,965,578.24	7,783,991.05
Employee benefits payable		127,618,574.05	137,764,950.28
Taxes and rates payable		28,669,793.51	39,071,023.95
Other payables		455,998,486.77	875,799,337.72
Liabilities held for sale			
Non-current liabilities due within one year		380,118,769.83	344,435,641.85
Other current liabilities		552,665.15	392,313.15
Total current liabilities		6,580,165,547.44	6,449,702,443.19
<b>Non-current liabilities:</b>			
Long-term borrowings		133,617,147.68	228,668,070.87
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		488,787,821.39	438,009,237.81
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income		20,892.80	23,504.40
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		622,425,861.87	666,700,813.08
Total liabilities		7,202,591,409.31	7,116,403,256.27
<b>Equity:</b>			
Share capital/Paid-in capital		1,010,579,797.00	721,704,930.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		3,840,152,133.25	4,083,988,504.95
Less: Treasury shares		42,238,481.15	77,410,952.00

Other comprehensive income			
Special reserve			
Surplus reserve		198,282,150.00	132,066,047.02
Undistributed profit		513,682,139.22	206,419,184.39
Total equity		5,520,457,738.32	5,066,767,714.36
Total liabilities & equity		12,723,049,147.63	12,183,170,970.63

Legal representative:

Officer in charge of accounting:

Head of accounting department:

## Consolidated Income Statement

January to December, 2023

Prepared by: Yifeng Pharmacy Chain Co.,Ltd.

Unit: yuan

Items	Note No.	2023	2022
I. Total operating revenue		22,588,227,402.22	19,886,395,835.95
Including: Operating revenue	VII. 61	22,588,227,402.22	19,886,395,835.95
Interest income			
Premiums earned			
Revenue from handling fees and commissions			
II. Total operating cost		20,616,597,464.58	18,008,275,241.10
Including: Operating cost	VII. 61	13,957,598,854.74	12,025,564,042.05
Interest expenses			
Handling fees and commissions			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	VII. 62	89,389,002.35	70,255,483.75
Selling expenses	VII. 63	5,487,450,160.02	4,878,272,940.17
Administrative expenses	VII. 64	962,424,859.48	904,060,660.30
R&D expenses	VII. 65	33,549,984.91	25,309,639.00
Financial expenses	VII. 66	86,184,603.08	104,812,475.83
Including: Interest expenses		160,528,586.40	165,208,532.62
Interest income		93,286,397.47	73,208,764.18
Add: Other income	VII. 67	76,134,913.66	43,861,162.79
Investment income (or less: losses)	VII. 68	42,372,208.53	6,868,722.97
Including: Investment income from associates and joint ventures		316,574.96	-11,413.00
Gains from derecognition of financial assets at amortized cost			
Gains on foreign exchange (or less: losses)			
Gains on net exposure to hedging risk (or less: losses)	VII. 69		
Gains on changes in fair value (or less: losses)	VII. 70		
Credit impairment loss	VII. 71	-4,537,333.68	-10,465,943.08
Assets impairment loss	VII. 72	-72,633,545.68	-56,018,740.98
Gains on asset disposal (or less: losses)	VII. 73	41,818,933.72	23,167,141.50
III. Operating profit (or less: losses)		2,054,785,114.19	1,885,532,938.05
Add: Non-operating revenue	VII. 74	12,704,923.41	12,241,598.87
Less: Non-operating expenditures	VII. 75	29,896,117.67	20,287,509.79
IV. Profit before tax (or less: total loss)		2,037,593,919.93	1,877,487,027.13
Less: Income tax expenses	VII. 76	456,662,974.49	454,060,994.95
V. Net profit (or less: net loss)		1,580,930,945.44	1,423,426,032.18



(I) Categorized by the continuity of operations		
1. Net profit from continuing operations (or less: net loss)	1,580,930,945.44	1,423,426,032.18
2. Net profit from discontinued operations (or less: net loss)		
(II) Categorized by the portion of equity ownership		
1. Net profit attributable to owners of parent company (or less: net loss)	1,411,985,024.41	1,261,841,039.80
2. Net profit attributable to non-controlling shareholders (or less: net loss)	168,945,921.03	161,584,992.38
VI. Other comprehensive income after tax	VII. 77	
	38,418,418.54	-17,001,709.05
Items attributable to the owners of the parent company	38,418,418.54	-17,001,709.05
(I) Not to be reclassified subsequently to profit or loss	38,418,418.54	-17,001,709.05
1. Remeasurements of the net defined benefit plan		
2. Items under equity method that will not be reclassified to profit or loss		
3. Changes in fair value of other equity instrument investments	38,418,418.54	-17,001,709.05
4. Changes in fair value of own credit risk		
5. Others		
(II) To be reclassified subsequently to profit or loss		
1. Items under equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Profit or loss from reclassification of financial assets into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation reserve		
7. Others		
Items attributable to non-controlling shareholders		
VII. Total comprehensive income	1,619,349,363.98	1,406,424,323.13
Items attributable to the owners of the parent company	1,450,403,442.95	1,244,839,330.75
Items attributable to non-controlling shareholders	168,945,921.03	161,584,992.38
VIII. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)	1.40	1.26
(II) Diluted EPS (yuan per share)	1.40	1.25

Legal representative:

Officer in charge of accounting:

Head of accounting department:

## Income Statement of Parent Company

January to December, 2023

Prepared by: Yifeng Pharmacy Chain Co.,Ltd.

Unit: yuan

Items	Note No.	2023	2022
I. Operating revenue	XIX. 4	4,842,155,820.34	4,518,941,977.59
Less: Operating cost	XIX. 4	3,089,767,071.53	2,770,356,220.02
Taxes and surcharges		14,020,761.78	11,783,739.38
Selling expenses		1,276,782,981.45	1,148,350,861.94
Administrative expenses		374,674,994.87	347,308,810.22
R&D expenses		13,982,978.42	14,487,756.37
Financial expenses		-21,125,905.27	-1,401,909.73
Including: Interest expenses		40,682,565.32	47,988,472.23
Interest income		72,060,729.92	54,901,970.99
Add: Other income		14,475,454.01	10,149,594.62
Investment income (or less: losses)	XIX. 5	600,876,424.57	71,027,846.34
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets at amortized cost			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)			
Credit impairment loss		-3,813,565.50	-3,201,193.20
Assets impairment loss		-10,494,191.46	-7,077,019.03
Gains on asset disposal (or less: losses)		5,131,144.70	2,934,769.69
II. Operating profit (or less: losses)		700,228,203.88	301,890,497.81
Add: Non-operating revenue		1,132,102.04	3,150,323.65
Less: Non-operating expenditures		10,705,794.40	8,408,883.38
III. Profit before tax (or less: total loss)		690,654,511.52	296,631,938.08
Less: Income tax expenses		28,493,481.71	60,491,990.43
IV. Net profit (or less: net loss)		662,161,029.81	236,139,947.65
(I) Net profit from continuing operations (or less: net loss)		662,161,029.81	236,139,947.65
(II) Net profit from discontinued operations (or less: net loss)			
V. Other comprehensive income after tax			
(I) Not to be reclassified subsequently to profit or loss			
1. Remeasurements of the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			

3. Profit or loss from reclassification of financial assets into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation reserve		
7. Others		
VI. Total comprehensive income	662,161,029.81	236,139,947.65
VII. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)		
(II) Diluted EPS (yuan per share)		

Legal representative:

Officer in charge of accounting:

Head of accounting department:

## Consolidated Cash Flow Statement

January to December, 2023

Prepared by: Yifeng Pharmacy Chain Co.,Ltd.

Unit: yuan

Items	Note No.	2023	2022
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		23,683,336,044.51	20,516,702,909.97
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Cash receipts from interest, handling fees and commissions			
Net increase of loans from others			
Net increase of repurchase			
Net cash receipts from agency security transaction			
Receipts of tax refund			
Other cash receipts related to operating activities	VII. 78	450,020,711.44	159,890,326.70
Subtotal of cash inflows from operating activities		24,133,356,755.95	20,676,593,236.67
Cash payments for goods purchased and services received		13,337,334,333.88	11,459,225,603.79
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Net increase of loans to others			
Cash payments for interest, handling fees and commissions			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		3,661,988,972.50	3,089,512,042.29
Cash payments for taxes and rates		1,308,087,630.24	1,053,051,300.43
Other cash payments related to operating activities	VII. 78	1,202,205,023.73	1,154,536,986.01
Subtotal of cash outflows from operating activities		19,509,615,960.35	16,756,325,932.52
Net cash flows from operating activities		4,623,740,795.60	3,920,267,304.15
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments		450,000.00	
Cash receipts from investment income		17,084,000.00	
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		15,780,909.19	9,027,812.92
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities	VII. 78	3,682,480,295.18	719,096,406.63
Subtotal of cash inflows from investing activities		3,715,795,204.37	728,124,219.55
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		739,924,631.96	587,505,758.95
Cash payments for investments		53,621,041.95	350,048,545.40

Items	Note No.	2023	2022
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units		498,820,605.67	450,556,053.70
Other cash payments related to investing activities	VII. 78	5,403,750,000.00	614,015,070.00
Subtotal of cash outflows from investing activities		6,696,116,279.58	2,002,125,428.05
Net cash flows from investing activities		-2,980,321,075.21	-1,274,001,208.50
III. Cash flows from financing activities:			
Cash receipts from absorbing investments		17,040,791.00	77,410,952.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments		9,650,000.00	
Cash receipts from borrowings			80,000,000.00
Other cash receipts related to financing activities	VII. 78		
Subtotal of cash inflows from financing activities		17,040,791.00	157,410,952.00
Cash payments for the repayment of borrowings		84,359,893.40	131,693,919.80
Cash payments for distribution of dividends or profits and for interest expenses		416,763,539.36	316,214,007.36
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit		94,880,937.07	81,195,720.31
Other cash payments related to financing activities	VII. 78	1,608,956,587.47	1,364,769,958.60
Subtotal of cash outflows from financing activities		2,110,080,020.23	1,812,677,885.76
Net cash flows from financing activities		-2,093,039,229.23	-1,655,266,933.76
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-449,619,508.85	990,999,161.88
Add: Opening balance of cash and cash equivalents		2,918,199,648.45	1,927,200,486.57
VI. Closing balance of cash and cash equivalents		2,468,580,139.60	2,918,199,648.45

Legal representative:

Officer in charge of accounting:

Head of accounting department:

## Cash Flow Statement of Parent Company

January to December, 2023

Prepared by: Yifeng Pharmacy Chain Co.,Ltd.

Unit: yuan

Items	Note No.	2023	2022
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		4,913,634,231.73	4,617,075,292.59
Receipts of tax refund			
Other cash receipts related to operating activities		311,864,356.44	819,463,173.14
Subtotal of cash inflows from operating activities		5,225,498,588.17	5,436,538,465.73
Cash payments for goods purchased and services received		1,589,164,751.18	2,546,455,039.86
Cash paid to and on behalf of employees		919,703,595.62	788,150,846.88
Cash payments for taxes and rates		129,163,756.25	153,808,163.57
Other cash payments related to operating activities		830,703,798.67	539,825,433.56
Subtotal of cash outflows from operating activities		3,468,735,901.71	4,028,239,483.87
Net cash flows from operating activities		1,756,762,686.46	1,408,298,981.86
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments			
Cash receipts from investment income		72,230,797.25	21,593,455.34
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		4,960,151.28	3,744,877.80
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities		2,398,465,799.26	719,383,062.88
Subtotal of cash inflows from investing activities		2,475,656,747.79	744,721,396.03
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		133,579,184.57	120,290,081.83
Cash payments for investments			630,000.00
Net cash payments for the acquisition of subsidiaries & other business units		30,346,303.14	239,790,000.00
Other cash payments related to investing activities		3,460,000,000.00	610,000,000.00
Subtotal of cash outflows from investing activities		3,623,925,487.71	970,710,081.83
Net cash flows from investing activities		-1,148,268,739.92	-225,988,685.80
III. Cash flows from financing activities:			
Cash receipts from absorbing investments		7,390,791.00	77,410,952.00
Cash receipts from borrowings			80,000,000.00
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities		7,390,791.00	157,410,952.00
Cash payments for the repayment of borrowings		84,359,893.40	128,193,919.80
Cash payments for distribution of dividends or profits and for interest expenses		300,267,449.66	233,650,614.00
Other cash payments related to financing activities		338,759,264.61	255,604,135.23
Subtotal of cash outflows from financing activities		723,386,607.67	617,448,669.03
Net cash flows from financing activities		-715,995,816.67	-460,037,717.03

Items	Note No.	2023	2022
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-107,501,870.13	722,272,579.02
Add: Opening balance of cash and cash equivalents		1,838,707,151.48	1,116,434,572.46
VI. Closing balance of cash and cash equivalents		1,731,205,281.35	1,838,707,151.49

Legal representative:

Officer in charge of accounting:

Head of accounting department:

## Consolidated Statement of Changes in Shareholders' Equity

January to December, 2023

Prepared by: Yifeng Pharmacy Chain Co.,Ltd.

Unit: yuan

Items	2023												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
	Preferred shares	Perpetual bonds	Others										
I. Balance at the end of prior year	721,704,930.00				4,076,700,083.91	77,410,952.00	-17,001,709.05		132,066,047.02		3,717,157,469.99	565,388,458.93	9,118,604,328.80
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	721,704,930.00				4,076,700,083.91	77,410,952.00	-17,001,709.05		132,066,047.02		3,717,157,469.99	565,388,458.93	9,118,604,328.80
III. Current period increase (or less: decrease)	288,874,867.00				-234,552,202.11	-35,172,470.85	38,418,418.54		66,216,102.98		1,057,086,949.43	77,266,726.35	1,328,483,333.04
(I) Total comprehensive income							38,418,418.54				1,411,985,024.41	168,945,921.03	1,619,349,363.98
(II) Capital contributed or withdrawn by owners	192,895.00				44,845,600.30	-35,172,470.85					3,201,742.39	83,412,708.54	
1. Ordinary shares contributed by owners	390,015.00				7,000,776.00	7,390,791.00						9,650,000.00	9,650,000.00
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity					41,169,112.30								41,169,112.30
4. Others	-197,120.00				-3,324,288.00	-42,563,261.85						-6,448,257.61	32,593,596.24
(III) Profit distribution					9,284,169.59				66,216,102.98		-354,898,074.98	-94,880,937.07	-374,278,739.48
1. Appropriation of surplus reserve									66,216,102.98		-66,216,102.98		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-288,681,972.00	-94,880,937.07	-383,562,909.07
4. Others					9,284,169.59								9,284,169.59
(IV) Internal carry-over within equity	288,681,972.00				-288,681,972.00								
1. Transfer of capital reserve to capital	288,681,972.00				-288,681,972.00								
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Current period appropriation													
2. Current period use													
(VI) Others													
IV. Balance at the end of current period	1,010,579,797.00				3,842,147,881.80	42,238,481.15	21,416,709.49		198,282,150.00		4,774,244,419.42	642,655,185.28	10,447,087,661.84

Legal representative:

Officer in charge of accounting:

Head of accounting department:



## Consolidated Statement of Changes in Shareholders' Equity (Continued)

January to December, 2023

Prepared by: Yifeng Pharmacy Chain Co.,Ltd.

Unit: yuan

Items	2022												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
Preferred shares	Perpetual bonds	Others											
I. Balance at the end of prior year	718,765,340.00				3,988,243,959.41	27,762,448.00			108,480,125.50		2,693,579,088.57	383,241,933.05	7,864,547,998.53
Add: Cumulative changes of accounting policies											906,182.14		906,182.14
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	718,765,340.00				3,988,243,959.41	27,762,448.00			108,480,125.50		2,694,485,270.71	383,241,933.05	7,865,454,180.67
III. Current period increase (or less: decrease)	2,939,590.00				88,456,124.50	49,648,504.00	-17,001,709.05		23,585,921.52		1,022,672,199.28	182,146,525.88	1,253,150,148.13
(I) Total comprehensive income							-17,001,709.05				1,261,841,039.80	161,584,992.38	1,406,424,323.13
(II) Capital contributed or withdrawn by owners	2,939,590.00				88,456,124.50	49,648,504.00						101,757,253.82	143,504,464.32
1. Ordinary shares contributed by owners	3,095,200.00				74,315,752.00	77,410,952.00							
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity					23,159,834.00								23,159,834.00
4. Others	-155,610.00				-9,019,461.50	-27,762,448.00						101,757,253.82	120,344,630.32
(III) Profit distribution									23,585,921.52		-239,168,840.52	-81,195,720.31	-296,778,639.31
1. Appropriation of surplus reserve									23,585,921.52		-23,585,921.52		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-215,582,919.00	-81,195,720.31	-296,778,639.31
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													

Items	2022												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
Preferred shares		Perpetual bonds	Others										
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Current period appropriation													
2. Current period use													
(VI) Others													
IV. Balance at the end of current period	721,704,930.00				4,076,700,083.91	77,410,952.00	-17,001,709.05		132,066,047.02		3,717,157,469.99	565,388,458.93	9,118,604,328.80

Legal representative:

Officer in charge of accounting:

Head of accounting department:

## Statement of Changes in Shareholders' Equity of Parent Company

January to December, 2023

Prepared by: Yifeng Pharmacy Chain Co.,Ltd.

Unit: yuan

Items	2023										
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Other s							
I. Balance at the end of prior year	721,704,930.00				4,083,988,504.95	77,410,952.00			132,066,047.02	206,419,184.39	5,066,767,714.36
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	721,704,930.00				4,083,988,504.95	77,410,952.00			132,066,047.02	206,419,184.39	5,066,767,714.36
III. Current period increase (or less: decrease)	288,874,867.00				-243,836,371.70	-35,172,470.85			66,216,102.98	307,262,954.83	453,690,023.96
(I) Total comprehensive income										662,161,029.81	662,161,029.81
(II) Capital contributed or withdrawn by owners	192,895.00				44,845,600.30	-35,172,470.85					80,210,966.15
1. Ordinary shares contributed by owners	390,015.00				7,000,776.00	7,390,791.00					
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity					41,169,112.30						41,169,112.30
4. Others	-197,120.00				-3,324,288.00	-42,563,261.85					39,041,853.85
(III) Profit distribution									66,216,102.98	-354,898,074.98	-288,681,972.00
1. Appropriation of surplus reserve									66,216,102.98	-66,216,102.98	
2. Appropriation of profit to owners										-288,681,972.00	-288,681,972.00
3. Others											
(IV) Internal carry-over within equity	288,681,972.00				-288,681,972.00						
1. Transfer of capital reserve to capital	288,681,972.00				-288,681,972.00						
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Current period appropriation											
2. Current period use											
(VI) Others											
IV. Balance at the end of current period	1,010,579,797.00				3,840,152,133.25	42,238,481.15			198,282,150.00	513,682,139.22	5,520,457,738.32

Legal representative:

Officer in charge of accounting:

Head of accounting department:

## Statement of Changes in Shareholders' Equity of Parent Company (Continued)

January to December, 2023

Prepared by: Yifeng Pharmacy Chain Co.,Ltd.

Unit: yuan

Items	Preceding period comparative										
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	718,765,340.00				3,989,207,574.55	27,762,448.00			108,480,125.50	214,116,856.58	5,002,807,448.63
Add: Cumulative changes of accounting policies										-4,668,779.32	-4,668,779.32
Error correction of prior period											
Others											
II. Balance at the beginning of current year	718,765,340.00				3,989,207,574.55	27,762,448.00			108,480,125.50	209,448,077.26	4,998,138,669.31
III. Current period increase (or less: decrease)	2,939,590.00				94,780,930.40	49,648,504.00			23,585,921.52	-3,028,892.87	68,629,045.05
(I) Total comprehensive income										236,139,947.65	236,139,947.65
(II) Capital contributed or withdrawn by owners	2,939,590.00				94,780,930.40	49,648,504.00					48,072,016.40
1. Ordinary shares contributed by owners	3,095,200.00				74,315,752.00	77,410,952.00					
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity					23,159,834.00						23,159,834.00
4. Others	-155,610.00				-2,694,655.60	-27,762,448.00					24,912,182.40
(III) Profit distribution									23,585,921.52	-239,168,840.52	-215,582,919.00
1. Appropriation of surplus reserve									23,585,921.52	-23,585,921.52	
2. Appropriation of profit to owners										-215,582,919.00	-215,582,919.00
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Current period appropriation											
2. Current period use											
(VI) Others											
IV. Balance at the end of current period	721,704,930.00				4,083,988,504.95	77,410,952.00			132,066,047.02	206,419,184.39	5,066,767,714.36

Legal representative:

Officer in charge of accounting:

Head of accounting department:

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### **III Basic information of the Company**

#### **1. Company profile**

Applicable  Not Applicable

Yifeng Pharmacy Chain Co., Ltd. (the “Company”) was transformed from the former Hunan Yifeng Pharmacy Pharmaceutical Chain Co., Ltd., which was jointly invested and established by Hunan Yifeng Pharmaceutical Investment Management Co., Ltd. and Zhu Rong. Hunan Yifeng Pharmacy Pharmaceutical Chain Co., Ltd. was registered at Changde Administration for Industry and Commerce on June 20, 2008 and headquartered in Changsha City, Hunan Province. The Company currently holds a business license with unified social credit code of 9143070067558223X2, with registered capital of 1,010,579,797.00 yuan, total share of 1,010,579,797 shares (each with par value of one yuan), of which, 2,463,695 shares are restricted outstanding A shares, and 1,008,116,102 shares are unrestricted outstanding A shares. The Company’s shares were listed on the Shanghai Stock Exchange on February 17, 2015.

The Company belongs to pharmaceutical retail industry and is mainly engaged in chain retail business of drugs, health products, medical equipment, health-related convenience items, etc.

The financial statements were approved and authorized for issue by the 39<sup>th</sup> meeting of the fourth session of the Board of Directors dated April 26, 2024.

### **IV. Preparation basis of the financial statements**

#### **1. Preparation basis**

The financial statements have been prepared on the basis of going concern.

#### **2. Assessment of the ability to continue as a going concern**

Applicable  Not Applicable

The Company has no events or conditions that may cast significant doubts upon the Company’s ability to continue as a going concern within the 12 months after the balance sheet date.

### **V. Significant accounting policies and estimates**

Important note:

Applicable  Not Applicable

The Company has set up accounting policies and estimates on transactions or events such as impairment of financial instruments, inventories, depreciation of fixed assets, construction in progress, intangible assets, revenue recognition, etc., based on the Company’s actual production and operation features.

#### **1. Statement of compliance**

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, financial performance and cash flows of the Company.

## 2. Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

## 3. Operating cycle

Applicable  Not Applicable

The Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

## 4. Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

## 5. Determination method and basis for selection of materiality

Applicable  Not Applicable

The Company prepares and discloses financial statements in compliance with the principle of materiality. The items disclosed in notes to the financial statements involving materiality judgements, determination method and basis for selection of materiality are as follows:

Disclosed items involving materiality judgements	Note No.	Determination method and basis for selection of materiality
Significant advances paid with age over one year		Advances paid with single amount in excess of 0.3% of total assets are identified as significant advances paid.
Significant other receivables with provision for bad debts made on an individual basis		Other receivables with provision for bad debts made on an individual basis with single amount in excess of 0.3% of total assets are identified as significant other receivables.
Significant debt investments		Debt investments with single amount in excess of 0.3% of total assets are identified as significant debt investments.
Significant construction in progress	VII 22	Construction in progress with single amount in excess of 0.3% of total assets are identified as significant construction in progress.
Significant accounts payable with age over one year		Accounts payable with single amount in excess of 0.3% of total assets are identified as significant accounts payable.
Significant other payables with age over one year		Other payables with single amount in excess of 0.3% of total assets are identified as significant other payables.
Significant advances received with age over one year or overdue		Other payables with single amount in excess of 0.3% of total assets are identified as significant other payables.
Significant contract liabilities with age over one year		Contract liabilities with single amount in excess of 0.3% of total assets are identified

Disclosed items involving materiality judgements	Note No.	Determination method and basis for selection of materiality
		as significant contract liabilities.
Significant cash flows from investing activities		Cash flows from investing activities with single amount in excess of 5% of total assets are identified as significant cash flows from investing activities.
Significant capitalized R&D projects		Capitalized R&D projects with single amount in excess of 0.3% of total assets are identified as significant capitalized R&D projects
Significant subsidiaries, not wholly-owned subsidiaries	V 1	Subsidiaries with total assets, total revenue, profit before tax in excess of 10% of the group's total assets, total revenue, profit before tax in excess of 15% of the group's revenue are identified as significant subsidiaries and significant not wholly-owned subsidiaries.
Significant joint ventures and associates		Joint ventures and associates with investment income (or absolute value of financial loss) in excess of 15% of the net profit attributable to the parent company in the consolidated financial statements, or with the book value of long-term equity investments in associated enterprises accounts in excess of 15% of the total assets in the consolidated financial statements of the company are identified as significant joint ventures and associates.
Significant commitments	XVI 1	Commitments with single amount in excess of 0.3% of total assets are identified as significant commitments.
Significant contingencies	XVII 1	Contingencies with single amount in excess of 0.3% of total assets are identified as significant contingencies.

## 6. Accounting treatments of business combination under and not under common control

Applicable    Not Applicable

### 1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

### 2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of

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identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

#### **7. Judgement criteria for control and compilation method of consolidated financial statements**

Applicable    Not Applicable

##### 1. Judgement of control

An investor controls an investee if and only if the investor has all the following: (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the investor's returns.

##### 2. Compilation method of consolidated financial statements

(1) The parent company brings all its controlled subsidiaries into the consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 – Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

#### **8. Classification of joint arrangements and accounting treatment of joint operations**

Applicable    Not Applicable

1. Joint arrangements include joint operations and joint ventures.

2. When the Company is a joint operator of a joint operation, it recognizes the following items in relation to its interest in a joint operation:

- (1) its assets, including its share of any assets held jointly;
- (2) its liabilities, including its share of any liabilities incurred jointly;
- (3) its revenue from the sale of its share of the output arising from the joint operation;
- (4) its share of the revenue from the sale of the assets by the joint operation; and
- (5) its expenses, including its share of any expenses incurred jointly.

#### **9. Recognition criteria of cash and cash equivalents**

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

#### **10. Foreign currency translation**

Applicable    Not Applicable

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date



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with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with the RMB amounts unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

## 2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot exchange rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot exchange rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the spot exchange rate at the transaction date. The difference arising from the aforementioned foreign currency translation is included in other comprehensive income.

## 11. Financial instruments

Applicable    Not Applicable

### 1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

### 2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

#### (1) Recognition criteria and measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or in circumstances where the Company does not consider the financing components in contracts within one year, they are measured at the transaction price in accordance with “CASBE 14 – Revenues”.

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(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, amortized using effective interest method or recognized with impairment loss.

2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment gains or losses, and gains and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company's own credit risk shall be included into other comprehensive income, unless such treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company's own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

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2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with “CASBE 23 – Transfer of Financial Assets”.

3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category 1)

The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in accordance with impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with “CASBE 14 – Revenues”.

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and amortized using effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

a. the contractual rights to the cash flows from the financial assets expire; or

b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with “CASBE 23 – Transfer of Financial Assets”.

2) Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

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If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items is included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items is included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

#### 4. Fair value determination method of financial assets and liabilities

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data and information are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

- (1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date;
- (2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;
- (3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, financial forecast developed using the Company's own data, etc.

#### 5. Impairment of financial instruments

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments at fair value through other comprehensive income, contract assets, leases receivable, loan commitments other than financial liabilities at fair value

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through profit or loss, financial guarantee contracts not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Among which, purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

At the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

For leases receivable, and accounts receivable and contract assets resulting from transactions regulated in “CASBE 14 – Revenues”, the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For accounts receivable and contract assets resulting from transactions regulated in “CASBE 14 – Revenues”, the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have relatively low credit risk at the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduces the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (1) currently has a legally enforceable right to set off the recognized amounts; and (2) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

For a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

**12. Notes receivable**

Applicable    Not Applicable

**Recognition method and accounting treatment method for expected credit losses of notes receivable**

Applicable    Not Applicable

Please refer to Note X, 11 “Financial instruments - Impairment of Financial Instruments”.

**Categories and recognition method based on the credit risk characteristics**

Applicable    Not Applicable

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Bank acceptance receivable	Type of notes	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Trade acceptance receivable		
Accounts receivable – Portfolio grouped with medical insurance payments	Medical insurance payments with age within 12 months	
Accounts receivable – Portfolio grouped with balances due from related parties within the consolidation scope	Related parties brought into the consolidation scope	
Accounts receivable – Portfolio grouped with ages	Ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages

Items	Basis for determination of portfolio	Method for measuring expected credit loss
		and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit loss.
Other receivables – Portfolio grouped with security deposits receivable	Security deposits for operating and petty cash excluding store petty cash	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Other receivables – Portfolio grouped with medical insurance payments	Medical insurance reserves with age within 12 months	
Other receivables – Portfolio grouped with store petty cash receivable	Store petty cash	
Other receivables – Portfolio grouped with balances due from related parties within the consolidation scope	Related parties brought into the consolidation scope	
Other receivables – Portfolio grouped with ages	Other receivables excluding petty cash, security deposits, medical insurance reserves, and balances due from related parties within the consolidation scope	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.

**Calculation method of aging based on the combination of credit risk characteristics grouped with ages**

Applicable  Not Applicable

Ages	Expected credit loss rate of accounts receivable (%)	Expected credit loss rate of other receivables (%)
Within 1 year (inclusive, the same hereinafter)	5.00	5.00
1-2 years	10.00	10.00
2-3 years	20.00	20.00
3-4 years	30.00	30.00
4-5 years	50.00	50.00
Over 5 years	100.00	100.00

**Recognition criteria with expected credit losses measured on an individual basis**

Applicable  Not Applicable

For receivables and contract assets whose credit risk is significantly different from that of portfolios, the Company accrues expected credit losses on an individual basis.

**13. Accounts receivable**

Applicable  Not Applicable

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**Recognition method and accounting treatment method for expected credit losses of accounts receivable**

Applicable  Not Applicable

Please refer to Note X, 11 “Financial instruments - Impairment of Financial Instruments”.

**Categories and recognition method based on the credit risk characteristics**

Applicable  Not Applicable

Please refer to Note X, 12 “Notes receivable”.

**Calculation method of aging based on the combination of credit risk characteristics grouped with ages**

Applicable  Not Applicable

Please refer to Note X, 12 “Notes receivable”.

**Recognition criteria with expected credit losses measured on an individual basis**

Applicable  Not Applicable

Please refer to Note X, 12 “Notes receivable”.

**14. Receivables financing**

Applicable  Not Applicable

**Recognition method and accounting treatment method for expected credit losses of receivables financing**

Applicable  Not Applicable

Please refer to Note X, 11 “Financial instruments - Impairment of Financial Instruments”.

**Categories and recognition method based on the credit risk characteristics**

Applicable  Not Applicable

Please refer to Note X, 12 “Notes receivable”.

**Calculation method of aging based on the combination of credit risk characteristics grouped with ages**

Applicable  Not Applicable

Please refer to Note X, 12 “Notes receivable”.

**Recognition criteria with expected credit losses measured on an individual basis**

Applicable  Not Applicable

Please refer to Note X, 12 “Notes receivable”.

**15. Other receivables**

Applicable  Not Applicable

**Recognition method and accounting treatment method for expected credit losses of other receivables**



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Applicable  Not Applicable

Please refer to Note X, 11 “Financial instruments - Impairment of Financial Instruments”.

**Categories and recognition method based on the credit risk characteristics**

Applicable  Not Applicable

Please refer to Note X, 12 “Notes receivable”.

**Calculation method of aging based on the combination of credit risk characteristics grouped with ages**

Applicable  Not Applicable

Please refer to Note X, 12 “Notes receivable”.

**Recognition criteria with expected credit losses measured on an individual basis**

Applicable  Not Applicable

Please refer to Note X, 12 “Notes receivable”.

**16. Inventories**

Applicable  Not Applicable

**Classification of inventories, accounting method for dispatching inventories, inventory system, and amortization method of low-value consumables and packages**

Applicable  Not Applicable

1. Classification of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, materials, supplies etc. to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatching inventories:

Inventories dispatched from storage are accounted for with moving weighted average method.

3. Inventory system

Perpetual inventory method is adopted.

4. Amortization method of low-value consumables and packages

Low-value consumables are amortized with one-off method.

**Basis for determining inventory depreciation reserves**

Applicable  Not Applicable

At the balance sheet date, inventories are measured at the lower of cost and net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of inventories to be processed is

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determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value are determined separately and are compared with their costs to set the provision for inventory write-down to be made or reversed.

**Categories and basis for determination of portfolios with provision for inventory write-down made on a collective basis and determination basis of net realizable value**

Applicable  Not Applicable

**Calculation method and determination basis for net realizable value under portfolio grouped with ages**

Applicable  Not Applicable

**17. Contract assets**

Applicable  Not Applicable

**Recognition method and criteria for contract assets**

Applicable  Not Applicable

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance obligations and customers' payments. Contract assets and contract liabilities under the same contract shall offset each other and be presented on a net basis.

The Company presents an unconditional right to consideration (i.e., only the passage of time is required before the consideration is due) as a receivable, and presents a right to consideration in exchange for goods that it has transferred to a customer (which is conditional on something other than the passage of time) as a contract asset.

**Recognition method and accounting treatment method for expected credit losses of contract assets**

Applicable  Not Applicable

**Categories and recognition method based on the credit risk characteristics**

Applicable  Not Applicable

**Calculation method of aging based on the combination of credit risk characteristics grouped with ages**

Applicable  Not Applicable

**Recognition criteria with expected credit losses measured on an individual basis**

Applicable  Not Applicable

**18. Non-current assets or disposal groups held for sale**

Applicable  Not Applicable

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**Recognition criteria and accounting treatment of non-current assets or disposal groups held for sale**

Applicable  Not Applicable

**Recognition criteria and presentation method of discontinued operations**

Applicable  Not Applicable

**19. Long-term equity investments**

Applicable  Not Applicable

1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investments and the carrying amount of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, on the date of combination, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of long-term equity investments at the acquisition date and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determined whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

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1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.

2) In the case of consolidated financial statements, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, the carrying amount of the acquirer’s previously held equity interest in the acquiree is remeasured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer’s previously held equity interest in the acquiree involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from remeasurement of defined benefit plan of the acquiree.

(3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “CASBE 12 – Debt Restructuring”; and that obtained through non-cash assets exchange is determined according to “CASBE 7 – Non-cash Assets Exchange”.

### 3. Subsequent measurement and recognition method of profit or loss

For a long-term equity investment with control relationship, it is accounted for with cost method; for a long-term equity investment with joint control or significant influence relationship, it is accounted for with equity method.

### 4. Disposal of a subsidiary in stages resulting in the Company’s loss of control

#### (1) Judgement principles of “bundled transaction”

For disposal of a subsidiary in stages resulting in the Company’s loss of control, the Company determines whether it is a “bundled transaction” based on the agreement terms for each stage, disposal consideration obtained separately, object of the equity sold, disposal method, disposal time point, etc. If the terms, conditions and economic effect of each transaction meet one or more of the following conditions, these transactions are usually considered as a “bundled transaction”:

- 1) these transactions are entered into at the same time or in contemplation of each other;
- 2) these transactions form a single transaction designed to achieve an overall commercial effect;
- 3) the occurrence of one transaction is dependent on the occurrence of at least one other transaction; and

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4) one transaction considered on its own is not economically justified, but it is economically justified when considered together with other transactions.

(2) Accounting treatments of non-bundled transactions

1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is accounted for according to "CASBE 22 – Financial Instruments: Recognition and Measurement".

2) Consolidated financial statements

Before the Company's loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is remeasured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

(3) Accounting treatment of bundled transaction

1) Stand-alone financial statements

Stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. However, before the Company loses control over a subsidiary, the difference between the disposal consideration at each stage and the carrying amount of long-term equity investments corresponding to the disposed investments is recognized as other comprehensive income at the stand-alone financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

2) Consolidated financial statements

Stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. However, before the Company loses control over a subsidiary, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such

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subsidiary.

## 20. Investment property

Applicable  Not Applicable

## 21. Fixed assets

### 1. Recognition principles of fixed assets

Applicable  Not Applicable

Fixed assets are tangible assets held for use in the production of goods or rendering of services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

### 2. Depreciation method of different categories of fixed assets

Applicable  Not Applicable

Categories	Depreciation method	Useful life (years)	Residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	20-30	5	3.17-4.75
Machinery	Straight-line method	10	5	9.50
Office equipment	Straight-line method	5	5	19.00
Electronic equipment	Straight-line method	3	5	31.67
Transport facilities	Straight-line method	10	5	9.50

## 22. Construction in progress

Applicable  Not Applicable

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches the designed usable conditions. When the auditing of the construction in progress was not finished while reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

## 23. Borrowing costs

Applicable  Not Applicable

1. Recognition principle of borrowing costs capitalization

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Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

## 2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless the following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

## 3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings in the current period less the interest income on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements less the general borrowing by the capitalization rate of the general borrowing used.

## 24. Biological assets

Applicable  Not Applicable

## 25. Oil and gas assets

Applicable  Not Applicable

## 26. Intangible assets

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

Applicable  Not Applicable

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1. Intangible assets include land use right, software, trademark, use right of pharmaceutical licensing qualifications etc. The initial measurement of intangible assets is based on its cost.

2. For intangible assets with finite useful lives, their amortization amounts are amortized within their useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Land use right	40-50
Software	5-10
Trademark	5-10
Use right of pharmaceutical licensing qualifications	10

**(2) Permitted scope and accounting treatment of R&D costs**

Applicable    Not Applicable

(1) Personnel costs

Personnel costs include wages and salaries, basic endowment insurance premiums, basic medical insurance premiums, unemployment insurance premiums, occupational injuries premiums, maternity premiums and housing provident funds for the Company's R&D personnel, as well as labor costs for external R&D personnel.

(2) Direct input costs

Direct input costs refer to relevant expenses actually incurred by the Company for R&D activities.

(3) Depreciation and long-term prepayments

Depreciation refers to the depreciation of instruments, equipment and in-use buildings used for R&D activities.

(4) Amortization of intangible assets

Amortization of intangible assets refer to the amortization of software, intellectual property, and non-patented technology (proprietary technology, licenses, design and calculation methods, etc.) used for R&D activities.

(5) Other expenses

Other expenses refer to expenses other than those mentioned above that are directly related to R&D activities.

Expenditures on the research phase of an internal project are recognized as profit or loss when they are incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the followings: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to



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complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits, among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### **27. Impairment of part of long-term assets**

Applicable    Not Applicable

For long-term assets such as long-term equity investments, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is to be estimated. For goodwill recognized in business combination and intangible assets with indefinite useful lives, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related asset group or asset group portfolio.

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as provision for assets impairment through profit or loss.

#### **28. Long-term prepayments**

Applicable    Not Applicable

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within the beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

#### **29. Contract liabilities**

Applicable    Not Applicable

The Company presents an obligation to transfer goods to a customer for which the Company has received consideration (or the amount is due) from the customer as a contract liability.

#### **30. Employee benefits**

##### **(1). Accounting treatments of short-term employee benefits**

Applicable    Not Applicable

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

##### **(2). Accounting treatments of post-employment benefits**

Applicable    Not Applicable

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The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. Meanwhile, the Company discounts obligations under the defined benefit plan to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the fair value of defined benefit plan assets from the present value of the defined benefit plan obligation as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of the period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. changes as a result of rereasurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

**(3). Accounting treatments of Termination benefits**

Applicable    Not Applicable

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: (1) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or (2) when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

**(4). Accounting treatments of Other long-term employee benefits**

Applicable    Not Applicable

When other long-term employee benefits provided to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the

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requirements relating to defined contribution plan, while other benefits are accounted for in accordance with the requirements relating to defined benefit plan. The Company recognizes the cost of employee benefits arising from other long-term employee benefits as the followings: (1) service cost; (2) net interest on the net liability or net assets of other long-term employee benefits; and (3) changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts is recognized in profit or loss or included in the cost of a relevant asset.

### **31. Provisions**

Applicable    Not Applicable

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.

2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

### **32. Share-based payment**

Applicable    Not Applicable

1. Types of share-based payment

Share-based payment consists of equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment for settlements, modifications and cancellations of share-based payment plans

(1) Equity-settled share-based payment

For equity-settled share-based payment transaction with employees, if the equity instruments granted vest immediately, the fair value of those equity instruments is measured at grant date and recognized as transaction cost or expense, with a corresponding adjustment in capital reserve; if the equity instruments granted do not vest until the counterparty completes a specified period of service, at the balance sheet date within the vesting period, the fair value of those equity instruments measured at grant date based on the best estimate of the number of equity instruments expected to vest is recognized as transaction cost or expense, with a corresponding adjustment in capital reserve.

For equity-settled share-based payment transaction with parties other than employees, if the fair value of the services received can be measured reliably, the fair value is measured at the date the Company receives the service; if the fair value of the services received cannot be measured reliably, but that of equity instruments can be measured reliably, the fair value of the equity

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instruments granted measured at the date the Company receives the service is referred to, and recognized as transaction cost or expense, with a corresponding increase in equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees, if share appreciation rights vest immediately, the fair value of the liability incurred as the acquisition of services is measured at grant date and recognized as transaction cost or expense, with a corresponding increase in liabilities; if share appreciation rights do not vest until the employees have completed a specified period of service, the liability is measured, at each balance sheet date until settled, at the fair value of the share appreciation rights measured at grant date based on the best estimate of the number of share appreciation right expected to vest.

(3) Modifications and cancellations of share-based payment plan

If the modification increases the fair value of the equity instruments granted, the Company includes the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted; similarly, if the modification increases the number of equity instruments granted, the Company includes the fair value of the additional equity instruments granted, in the measurement of the amount recognized for services received as consideration for the equity instruments granted; if the Company modifies the vesting conditions in a manner that is beneficial to the employee, the Company takes the modified vesting conditions into account.

If the modification reduces the fair value of the equity instruments granted, the Company does not take into account that decrease in fair value and continue to measure the amount recognized for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted; if the modification reduces the number of equity instruments granted to an employee, that reduction is accounted for as a cancellation of that portion of the grant; if the Company modifies the vesting conditions in a manner that is not beneficial to the employee, the Company does not take the modified vesting conditions into account.

If the Company cancels or settles a grant of equity instruments during the vesting period (other than that cancelled when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and therefore recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

**33. Other financial instruments such as preferred shares and perpetual bonds**

Applicable    Not Applicable

Pursuant to CASBEs on financial instruments and “Regulations on Accounting Treatments of Perpetual Bonds” (Cai Kuai [2019] No. 2) issued by the Ministry of Finance, for financial instruments such as convertible bonds etc., the Company classifies a financial instrument or its

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components at initial recognition as a financial asset or liability or equity instrument, based on contract terms and economic essence it reveals instead of its legal form, combining with the definitions of financial asset, liability and equity instrument.

At the balance sheet date, for a financial instrument classified as an equity instrument, its interest expenditure or dividend distribution is treated as profit distribution, and share repurchase and cancelation are treated as changes in equity; for a financial instrument classified as a financial liability, its interest expenditure or dividend distribution is treated as borrowing expense, and gain or loss on repurchase or redemption is included in profit or loss.

## **34. Revenue**

### **(1). Disclosure of accounting policies adopted for revenue recognition and measurement based on business types**

Applicable    Not Applicable

#### 1. Revenue recognition principles

At contract inception, the Company shall assess the contracts and shall identify each performance obligation in the contracts, and determine whether the performance obligation should be satisfied over time or at a point in time.

The Company satisfies a performance obligation over time if one of the following criteria is met, otherwise, the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs; (2) the customer can control goods as they are created by the Company's performance; (3) goods created during the Company's performance have irreplaceable uses and the Company has an enforceable right to the payments for performance completed to date during the whole contract period.

For each performance obligation satisfied over time, the Company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. In the circumstance that the progress cannot be measured reasonably, but the costs incurred in satisfying the performance obligation are expected to be recovered, the Company shall recognize revenue only to the extent of the costs incurred until it can reasonably measure the progress. For each performance obligation satisfied at a point in time, the Company shall recognize revenue at the time point that the customer obtains control of relevant goods or services. To determine whether the customer has obtained control of goods, the Company shall consider the following indications: (1) the Company has a present right to payments for the goods, i.e., the customer is presently obliged to pay for the goods; (2) the Company has transferred the legal title of the goods to the customer, i.e., the customer has legal title to the goods; (3) the Company has transferred physical possession of the goods to the customer, i.e., the customer has physically possessed the goods; (4) the Company has transferred significant risks and rewards of ownership of the goods to the customer, i.e., the customer has obtained significant risks and rewards of ownership of the

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goods; (5) the customer has accepted the goods; (6) other evidence indicating the customer has obtained control over the goods.

## 2. Revenue measurement principle

(1) Revenue is measured at the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer.

(2) If the consideration promised in a contract includes a variable amount, the Company shall confirm the best estimate of variable consideration at expected value or the most likely amount. However, the transaction price that includes the amount of variable consideration only to the extent that it is high probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(3) In the circumstance that the contract contains a significant financing component, the Company shall determine the transaction price based on the price that a customer would have paid for if the customer had paid cash for obtaining control over those goods or services. The difference between the transaction price and the amount of promised consideration is amortized under effective interest method over contractual period. The effects of a significant financing component shall not be considered if the Company expects, at the contract inception, that the period between when the customer obtains control over goods or services and when the customer pays consideration will be one year or less.

(4) For contracts containing two or more performance obligations, the Company shall determine the stand-alone selling price at contract inception of the distinct good underlying each performance obligation and allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

## 3. Revenue recognition method

### (1) Retail business

The Company's pharmaceutical retail business is a performance obligation satisfied at a point in time and revenue is recognized when retail stores sell products to the customers via cash payment (including via bank card) or through medical insurance, and the Company has collected the payments or has obtained bank receipts or medical insurance receipts.

### (2) Wholesale business

Wholesale business is a performance obligation satisfied at a point in time, and main customers of wholesale business are pharmaceutical commercial companies. Revenue is recognized when the Company has delivered goods to the buyer as agreed by contract, has obtained delivery notes with

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signature of the buyer, and significant risks and rewards of ownership of the goods have been transferred to the buyer.

(3) Rendering of promotional services

Rendering of promotional services is a performance obligation satisfied over time. Revenue from rendering of promotional services is recognized when the Company has provided promotional services and has obtained or highly probable to receive payments.

**(2). Different revenue recognition methods and measurement techniques for similar businesses involving different operating models**

Applicable    Not Applicable

**35. Costs of obtaining a contract**

Applicable    Not Applicable

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance obligations and customers' payments. Contract assets and contract liabilities under the same contract shall offset each other and be presented on a net basis.

The Company presents an unconditional right to consideration (i.e., only the passage of time is required before the consideration is due) as a receivable, and presents a right to consideration in exchange for goods that it has transferred to a customer (which is conditional on something other than the passage of time) as a contract asset.

The Company presents an obligation to transfer goods to a customer for which the Company has received consideration (or the amount is due) from the customer as a contract liability.

**36. Government grants**

Applicable    Not Applicable

1. Government grants shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary government grants are measured at the amount received or receivable. Non-monetary government grants are measured at fair value, and can be measured at nominal amount in the circumstance that fair value cannot be assessed.

2. Government grants related to assets

Government grants related to assets are government grants with which the Company purchases, constructs or otherwise acquires long-term assets under requirements of government. In the circumstances that there is no specific government requirement, the Company shall determine based on the primary condition to acquire the grants, and government grants related to assets are government grants whose primary condition is to construct or otherwise acquire long-term assets. They offset carrying amount of relevant assets, or they are recognized as deferred income. If recognized as deferred income, they are included in profit or loss on a systematic basis over the

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useful lives of the relevant assets. Those measured at notional amount are directly included into profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the period in which the disposal occurred.

### 3. Government grants related to income

Government grants related to income are government grants other than those related to assets. For government grants that contain both parts related to assets and parts related to income, in which those two parts are blurred, they are thus collectively classified as government grants related to income. For government grants related to income used for compensating the related future cost, expenses or losses, they are recognized as deferred income and included in profit or loss or used to offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for government grants related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or used to offset relevant cost.

4. Government grants related to the ordinary course of business shall be included into other income or used to offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

## **37. Deferred tax assets/Deferred tax liabilities**

Applicable    Not Applicable

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable income will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business



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combination; and (2) the transactions or items directly recognized in equity.

5. Deferred tax assets and deferred tax liabilities shall offset each other and be presented on a net basis when the following conditions are all met: (1) the Company has the legal right to settle off current tax assets against current tax liabilities; (2) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority on either: 1) the same taxable entity; or 2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### **38. Leases**

Applicable    Not Applicable

#### **Basis for judgment and accounting treatment methods for simplified approach of short-term leases and leases of low-value assets as a lessee.**

Applicable    Not Applicable

##### 1. The Company as lessee

At the commencement date, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss with straight-line method over the lease term.

Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date.

##### (1) Right-of-use assets

The right-of-use asset is measured at cost and the cost shall comprise: 1) the amount of the initial measurement of the lease liabilities; 2) any lease payments made at or before the commencement date, less any lease incentives received; 3) any initial direct costs incurred by the lessee; and 4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company depreciates the right-of-use asset using the straight-line method. If it is reasonable to be certain that the ownership of the underlying asset can be acquired by the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of

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the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(2) Lease liabilities

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate shall be used. Unrecognized financing expenses, calculated at the difference between the lease payment and its present value, are recognized as interest expenses over the lease term using the discount rate which has been used to determine the present value of lease payment and included in profit or loss. Variable lease payments not included in the measurement of lease liabilities are included in profit or loss in the periods in which they are incurred.

After the commencement date, if there is a change in the following items: (a) actual fixed payments; (b) amounts expected to be payable under residual value guarantees; (c) an index or a rate used to determine lease payments; (d) assessment result or exercise of purchase option, extension option or termination option, the Company remeasures the lease liability based on the present value of lease payments after changes, and adjusts the carrying amount of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero but there shall be a further reduction in the lease liability, the remaining amount shall be recognized into profit or loss.

**Classification criteria and accounting treatment methods for leases as a lessor**

Applicable    Not Applicable

2. The Company as lessor

At the commencement date, the Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is classified as an operating lease.

(1) Operating lease

Lease receipts are recognized as lease income with straight-line method over the lease term. Initial direct costs incurred shall be capitalized, amortized on the same basis as the recognition of lease income, and included into profit or loss by installments. Variable lease payments related to operating lease which are not included in the lease payment are charged as profit or loss in the periods in which they are incurred.

(2) Finance lease

At the commencement date, the Company recognizes the finance lease payment receivable based on the net investment in the lease (sum of the present value of unguaranteed residual value and lease receipts that are not received at the commencement date, discounted by the interest rate implicit in the lease), and derecognizes assets held under the finance lease. The Company calculates and recognizes interest income using the interest rate implicit in the lease over the lease

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term.

Variable lease payments not included in the measurement of the net investment in the lease are charged as profit or loss in the periods in which they are incurred.

### 39. Other significant accounting policies and estimates

Applicable  Not Applicable

Accounting treatment related to share repurchase

When the Company repurchases its shares for the purpose of reducing its registered capital or rewarding its employees, if the purchased shares are to be kept as treasury shares, the treasury shares are recorded at the cash distributed to existing shareholders for repurchase; if the purchased shares are to be retired, the difference between the total book value of shares retired and the cash distributed to existing shareholders for repurchase is to reduce capital reserve, or retained earnings when the capital reserve is not enough to reduce. If the Company repurchases vested equity instruments in equity-settled share-based payment transactions with employees, cost of treasury shares granted to employees and capital reserve (other capital reserve) accumulated within the vesting period are to be written off on the payment made to employees, with a corresponding adjustment in capital reserve (share premium).

### 40. Significant changes in accounting policies and estimates

#### (1). Changes in accounting policies

Applicable  Not Applicable

Contexts and reasons of changes in accounting policies	Financial statement items significantly affected	Amounts affected
Refer to Other remark	Items of balance sheet as at December 31, 2022	
Refer to Other remark	Deferred tax assets	-2,862,658.05
Refer to Other remark	Undistributed profit	-2,862,658.05
Refer to Other remark	Items of income statement of 2022	
Refer to Other remark	Income tax expenses	-3,768,840.19

Other remark

The Company has adopted the regulations about accounting for deferred tax related to assets and liabilities arising from a single transaction to which the initial recognition exemption does not apply in the “Interpretation of China Accounting Standards for Business Enterprises No. 16” issued by the Ministry of Finance since January 1, 2023, and makes adjustments on such single transactions occurring between the beginning of the earliest comparative period and the first adoption date accordingly. For taxable and deductible temporary differences associated with lease liabilities and right-of-use assets, provisions associated with decommissioning obligations and corresponding assets arising from such single transactions and presented at the beginning of the earliest comparative period, the cumulative effect of initially applying such regulations shall be

adjusted into retained earnings or other related items at the beginning of the earliest comparative period presented. Details on adjustments refer to the table above.

**(2). Changes in accounting estimates**

Applicable  Not Applicable

**(3). Financial statements involving adjustments at the beginning of the year of first implementation first implemented new accounting standards or standard interpretations from 2023**

Applicable  Not Applicable

**41. Others**

Applicable  Not Applicable

**VI. Taxes**

**1. Main taxes and tax rates**

Main taxes and tax rates

Applicable  Not Applicable

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	Sales of western medicine and Chinese patent medicine, etc.	13%
	Sales of troche of Chinese traditional medicine, etc.	9%,
	Sales of birth control necessities	duty-free
	Sales of biologics	3%
	Sublease business	5%
	Taxable services (promotional services, etc.)	6%
	Income of small-scale taxpayers	3%, duty-free
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 20%—30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of lease income.	1.2%; 12%
Urban maintenance and construction tax	Turnover tax actually paid	7%、5%、1%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%
Enterprise income tax	Taxable income	25%、20%、15%

Different enterprise income tax rates applicable to different taxpayers:

Applicable  Not Applicable

Taxpayers	Income tax rate
Hainan Yifeng Internet Hospital Co., Ltd.	15%

Taxpayers	Income tax rate
Hengxiutang Pharmaceutical Co., Ltd. (the “Hengxiutang Pharmaceutical”)	15%
Eligible small enterprises with meager profit	20%
Taxpayers other than the above-mentioned	25%

## 2. Tax preferential policies

Applicable  Not Applicable

### 1. VAT

(1) Pursuant to the “Announcement of the State Taxation Administration on Clarifying Policies for VAT Reduction and Exemption of Small-scale VAT Taxpayers” (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 1), from January 1, 2023 to December 31, 2023, small-scale VAT taxpayers with monthly sales less than 100,000 yuan (inclusive) are exempted from VAT; during the same period, the taxable sales income of small-scale VAT taxpayers applicable to a VAT rate of 3% shall be levied at a reduced rate of 1%; projects with VAT prepaid and applicable to a VAT rate of 3% shall be levied at a reduced rate of 1%. Taxpayers in consumer services industry whose sales from providing consumer services account for more than 50% of the total sales are allowed to deduct an extra 10% of VAT payable based on their deductible input tax for the current period. The Company’s eligible small-scale VAT taxpayers enjoy the above-mentioned VAT preferential policies.

(2) Pursuant to the “Announcement on Tax Policies to Further Support the Entrepreneurship and Employment of Self-Employed Veterans” (Announcement of the Ministry of Finance, State Taxation Administration, and Ministry of Veterans Affairs [2023] No. 14), from January 1, 2023 to December 31, 2027, enterprises that recruit self-employed veterans, sign labor contracts with them for a period of more than one year, and pay social insurance premiums in accordance with the law, shall enjoy a deduction within the standard quota for VAT, urban maintenance and construction tax, education surcharge, local education surcharge and enterprise income tax within three years based on the actual number of employees, starting from the month when the labor contracts are signed and social insurance premiums are paid. The Company’s eligible subsidiaries enjoy the above-mentioned VAT preferential policies.

(3) Pursuant to the “Announcement on Tax Policies to Further Support the Entrepreneurship and Employment of Key Groups” (Announcement of the Ministry of Finance, State Taxation Administration, Ministry of Human Resources and Social Security, and Ministry of Agriculture and Rural Affairs [2023] No. 15), from January 1, 2023 to December 31, 2027, enterprises that recruit individuals who have been lifted out of poverty, as well as individuals who have been registered as unemployed for more than half a year at public employment service agencies of the human resources and social security departments and hold an “Employment and Entrepreneurship

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Certificate” or an “Unemployment Registration Certificate” (indicating “enterprise tax incentive policy”), sign labor contracts with them for a period of more than one year, and pay social insurance premiums in accordance with the law, shall enjoy a deduction within the standard quota for VAT, urban maintenance and construction tax, education surcharge, local education surcharge, and enterprise income tax within three years based on the actual number of employees, starting from the month when the labor contracts are signed and social insurance premiums are paid. The Company’s eligible subsidiaries enjoy the above-mentioned VAT preferential policies.

## 2. Urban maintenance and construction tax, education surcharge and local education surcharge

According to Article 2 of the “Announcement on Relevant Tax Policies to Further Support the Development of Small Enterprises with Meager Profit and Individually-owned Businesses” (Announcement of the Ministry of Finance and State Taxation Administration [2023] No. 12), from January 1, 2023 to December 31, 2027, the resource tax (excluding water resource tax), urban maintenance and construction tax, housing property tax, urban land use tax, stamp duty (excluding stamp duty of securities transactions), farmland occupation tax, education surcharge and local education surcharge shall be levied by half for small-scale VAT taxpayers, small enterprises with meager profit and individually-owned businesses. The Company’s eligible small-scale VAT taxpayers and small enterprises with meager profit enjoy the above preferential policies.

## 3. Enterprise income tax

(1) Pursuant to the “Notice of the Ministry of Finance and the State Taxation Administration on the Preferential Policies for Enterprise Income Tax in Hainan Free Trade Port” (Cai Shui [2020] No. 31), enterprise income tax of encouraged industries enterprises registered and operating substantively in Hainan Free Trade Port shall be levied at a reduced rate of 15%. Hainan Yifeng Internet Hospital Co., Ltd., a subsidiary of the Company, belongs to the encouraged industry enterprises and meets the relevant conditions, so it enjoys the above-mentioned preferential policies for enterprise income tax, which was levied at a reduced rate of 15% in the current period.

(2) The Company’s sub-subsidiary, Hengxiutang Pharmaceutical, was accredited as a high-tech enterprise by Department of Science and Technology of Hunan Province, Hunan Provincial Department of Finance and Hunan Provincial Tax Service, STA, and obtained the high-tech enterprise certificate numbered GR202243001098 on October 18, 2022, with a valid period of 3 years (2022-2024). The enterprise income tax of Hengxiutang Pharmaceutical was levied at a reduced rate of 15% in the current period.

(3) Pursuant to the “Announcement on the further Implementation of Income Tax Preferential Policies for Small Enterprises with Meager Profit and Individually-owned Businesses ” (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 12), the enterprise income tax of small enterprises with meager profit for the portion of the taxable

income is levied at 20% based on 25% of that portion of income, which will continue to be implemented until December 31, 2027. The Company's eligible small enterprises with meager profit enjoy the above-mentioned preferential policies for enterprise income tax in the current period.

### 3. Others

Applicable  Not Applicable

## VII. Notes to items of consolidated financial statements

### 1. Cash and bank balances

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Cash on hand	232,721.88	294,708.93
Cash in bank	2,469,121,545.98	2,917,904,939.52
Other cash and bank balances	1,096,551,470.95	1,194,319,556.21
Funds deposited in finance company		
Total	3,565,905,738.81	4,112,519,204.66
Including: Deposited overseas		

Other remarks:

Please refer to section VII 31 of notes to the financial statements for details on cash and bank balances with restrictions

### 2. Held-for-trading financial assets

Applicable  Not Applicable

Items	Closing balance	December 31, 2022	Reasons and basis for designation
Financial assets classified as at fair value through profit or loss	1,630,720,887.94	50,045,139.45	/
Including:			
Wealth management products	1,630,720,887.94	50,045,139.45	/
Financial assets designated as at fair value through profit or loss			
Including:			
Total	1,630,720,887.94	50,045,139.45	/

Other remarks

Applicable  Not Applicable

### 3. Held-for-trading financial assets

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Applicable  Not Applicable

**4. Notes receivable**

**(1) Details on categories**

Applicable  Not Applicable

**(2) Pledged notes at the balance sheet date**

Applicable  Not Applicable

**(3) Endorsed or discounted but undue notes at the balance sheet date**

Applicable  Not Applicable

**(4) Details on categories of provision for bad debts**

Applicable  Not Applicable

Notes receivable with provision made on an individual basis

Applicable  Not Applicable

Notes receivable with provision for bad debts made on a collective basis

Applicable  Not Applicable

Provision for bad debts withdrawn based on the general model of expected credit losses

Applicable  Not Applicable

Division basis for three stages and proportions of provision for bad debts

Applicable  Not Applicable

Reasons for significant changes in carrying amount of notes receivable in the current period

Applicable  Not Applicable

**(5) Provision for bad debts**

Applicable  Not Applicable

Significant provisions collected or reversed

Applicable  Not Applicable

Other remarks

None

**(6) Notes receivable actually written off in the current period**

Applicable  Not Applicable

Significant notes receivable written off in the current period

Applicable  Not Applicable

Remarks on notes receivable written off



Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**5. Accounts receivable**

**(1) Age analysis**

Applicable  Not Applicable

Ages	Closing balance	Opening balance
Within 1 year	2,148,878,038.45	1,858,939,147.39
1-2 years	9,776,519.62	3,903,810.52
2-3 years	1,472,003.84	755,815.32
3-4 years	248,427.57	14,445.10
4-5 years	14,445.10	10.00
Over 5 years	111,803.48	111,793.48
Total	2,160,501,238.06	1,863,725,021.81

**(2) Details on categories**

Applicable  Not Applicable

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis	2,160,501,238.06	100.00	22,226,918.18	1.03	2,138,274,319.88
Total	2,160,501,238.06	100.00	22,226,918.18	1.03	2,138,274,319.88

(Continued)

Categories	December 31, 2022				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis	1,863,725,021.81	100.00	19,784,142.68	1.06	1,843,940,879.13
Total	1,863,725,021.81	100.00	19,784,142.68	1.06	1,843,940,879.13

Accounts receivable with provision for bad debts made on an individual basis

Applicable  Not Applicable

Accounts receivable with provision for bad debts made on a collective basis

Applicable  Not Applicable

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped Medical insurance payments	1,733,651,816.08		
Portfolio grouped with ages	426,849,421.98	22,226,918.18	5.21
Subtotal	2,160,501,238.06	22,226,918.18	1.03

Explanation of provision for bad debts made on a collective basis

Applicable  Not Applicable

Provision for bad debts withdrawn based on the general model of expected credit losses

Applicable  Not Applicable

Division basis for three stages and proportions of provision for bad debts

None

Reasons for significant changes in carrying amount of accounts receivable in the current period

Applicable  Not Applicable

### (3) Changes in provision for bad debts

Applicable  Not Applicable

Items	Opening balance	Changes in provision for bad debts				Closing balance
		Accrual	Reversal	Write-off	Others	
Receivables with provision made on a collective basis	19,784,142.68	2,175,577.90		482,802.40	750,000.00	22,226,918.18
Total	19,784,142.68	2,175,577.90		482,802.40	750,000.00	22,226,918.18

Significant provisions collected or reversed

Applicable  Not Applicable

Other remarks

None

### (4) Accounts receivable written off in the current period

Applicable  Not Applicable

Items	Amount written off
Accounts receivable actually written off	482,802.40

Significant accounts receivable written off in the current period

Applicable  Not Applicable

Remarks on accounts receivable written off

Applicable  Not Applicable

**(5) Details of the top 5 debtors with largest balances of accounts receivable and contract assets**

Applicable  Not Applicable

Debtors	Book balance of accounts receivable	Book balance of contract assets	Book balance of Accounts receivable and contract assets	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Wuhan Medical Insurance Center	171,850,149.76		171,850,149.76	7.95	
Wuxi Social Insurance Fund Management Center	134,629,535.57		134,629,535.57	6.23	
Changsha Medical Security Service Center	113,711,988.43		113,711,988.43	5.26	
Ningjing Social Insurance Management Center	77,745,085.21		77,745,085.21	3.60	
Xuzhou Medical Insurance Fund Management Center	73,549,723.44		73,549,723.44	3.40	
Subtotal	571,486,482.41		571,486,482.41	26.44	

Other remarks

None

Other remarks

Applicable  Not Applicable

**6. Contract assets**

**(1) Details**

Applicable  Not Applicable

**(2) Reasons for significant changes in carrying amount of contract assets**

Applicable  Not Applicable

**(3) Details on provision for impairment**

Applicable  Not Applicable

Contract assets with provision for impairment made on an individual basis

Applicable  Not Applicable

Remarks on contract assets with provision for impairment made on an individual basis

Applicable  Not Applicable

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Contract assets with provision for impairment made on a collective basis

Applicable  Not Applicable

Provision for bad debts withdrawn based on the general model of expected credit losses

Applicable  Not Applicable

Division basis for stages and proportions of provision for bad debts

None

Reasons for significant changes in carrying amount of contract assets in the current period

Applicable  Not Applicable

**(4) Changes in provision for impairment**

Applicable  Not Applicable

Significant provisions collected or reversed

Applicable  Not Applicable

Other remarks

None

**(5) Contract assets actually written off in the current period**

Applicable  Not Applicable

Significant contract assets written off in the current period

Applicable  Not Applicable

Remarks on contract assets written off

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**7. Receivables financing**

**(1) Details on categories**

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Bank acceptance	11,889,888.58	1,784,671.86
Total	11,889,888.58	1,784,671.86

**(2) Pledged receivables financing at the balance sheet date**

Applicable  Not Applicable

**(3) Endorsed or discounted but undue notes at the balance sheet date**

Applicable  Not Applicable

Items	Closing balance derecognized
Bank acceptance	61,770,400.00
Subtotal	61,770,400.00

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

#### (4) Provision for impairment

Applicable  Not Applicable

Categories	Closing balance				
	Cost		Accumulated provision for credit impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	11,889,888.58				11,889,888.58
Including: Bank acceptance	11,889,888.58				11,889,888.58
Total	11,889,888.58				11,889,888.58

(Continued)

Categories	December 31, 2022				
	Cost		Accumulated provision for credit impairment		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	1,784,671.86				1,784,671.86
Including: Bank acceptance	1,784,671.86				1,784,671.86
Total	1,784,671.86				1,784,671.86

Receivables financing with provision for bad debts made on an individual basis

Applicable  Not Applicable

Remarks on receivables financing with provision for bad debts made on an individual basis

Applicable  Not Applicable

Receivables financing with provision for bad debts made on a collective basis

Applicable  Not Applicable

Provision for bad debts withdrawn based on the general model of expected credit losses

Applicable  Not Applicable

Division basis for stages and proportions of provision for bad debts

None

Reasons for significant changes in carrying amount of receivables financing in the current period

Applicable  Not Applicable

**(5) Changes in provision for credit impairment**

Applicable  Not Applicable

Significant provisions collected or reversed

Applicable  Not Applicable

Other remarks

None

**(6) Receivables financing actually written off in the current period**

Applicable  Not Applicable

Significant receivables financing written off in the current period

Applicable  Not Applicable

Remarks on receivables financing written off

Applicable  Not Applicable

**(7) Changes in receivables financing and its fair value**

Applicable  Not Applicable

**(8) Other remarks**

Applicable  Not Applicable

**8. Advances paid**

**(1) Age analysis**

Applicable  Not Applicable

Ages	Closing balance				December 31, 2022			
	Book balance	% to total	Provision for impairment	Carrying amount	Book balance	% to total	Provision for impairment	Carrying amount
Within 1 year	133,181,872.92	94.13		133,181,872.92	220,627,602.76	97.85		220,627,602.76
1-2 years	4,728,693.61	3.34		4,728,693.61	4,109,914.33	1.82		4,109,914.33
2-3 years	2,848,124.45	2.01		2,848,124.45	518,100.60	0.23		518,100.60
Over 3 years	735,119.66	0.52		735,119.66	217,019.06	0.10		217,019.06
Total	141,493,810.64	100.00		141,493,810.64	225,472,636.75	100.00		225,472,636.75

Reasons for unsettlement on advances paid with age over one year and significant amount

None

**(2) Details of the top 5 debtors with largest balances**

Applicable  Not Applicable

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Supplier F	14,964,323.34	10.58
Supplier G	10,404,676.69	7.35
Supplier H	9,400,238.14	6.64
Supplier I	7,142,726.84	5.05
Supplier J	5,867,883.75	4.15
Subtotal	47,779,848.76	33.77

Other remarks

Applicable  Not Applicable

## 9. Other receivables

### (1) Details

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Interest receivable		
Dividend receivable		
Other receivables	448,538,089.70	419,472,054.84
Total	448,538,089.70	419,472,054.84

Other remarks

Applicable  Not Applicable

### Interest receivable

#### (1) Details

Applicable  Not Applicable

#### (2) Significant overdue interest

Applicable  Not Applicable

#### (3) Provision for bad debts

Applicable  Not Applicable

Provision for bad debts made on an individual basis

Applicable  Not Applicable

Explanation of Provision for bad debts made on an individual basis

Applicable  Not Applicable

Provision for bad debts made on a collective basis

Applicable  Not Applicable

#### (4) Provision for bad debts based on the general model of expected credit losses

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Applicable  Not Applicable

Division basis for stages and proportions of provision for bad debts

None

Reasons for significant changes in carrying amount of interest receivable in the current period

Applicable  Not Applicable

**(5) Changes in provision for bad debts**

Applicable  Not Applicable

Significant provisions collected or reversed

Applicable  Not Applicable

Other remarks

None

**(6) Interest receivable actually written off in the current period**

Applicable  Not Applicable

Significant interest receivable written off in the current period

Applicable  Not Applicable

Remarks on interest receivable written off

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**Dividend receivable**

**(1) Dividend receivable**

Applicable  Not Applicable

**(2) Significant balance with age over one year**

Applicable  Not Applicable

**(3) Provision for bad debts**

Applicable  Not Applicable

Provision for bad debts made on an individual basis

Applicable  Not Applicable

Explanation of Provision for bad debts made on an individual basis

Applicable  Not Applicable

Provision for bad debts made on a collective basis

Applicable  Not Applicable



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**(4) Provision for bad debts based on the general model of expected credit losses**

Applicable  Not Applicable

Division basis for stages and proportions of provision for bad debts

None

Reasons for significant changes in carrying amount of dividend receivable in the current period

Applicable  Not Applicable

**(5) Changes in provision for bad debts**

Applicable  Not Applicable

Significant provisions collected or reversed

Applicable  Not Applicable

Other remarks

None

**(6) Dividend receivable actually written off in the current period**

Applicable  Not Applicable

Significant dividend receivable written off in the current period

Applicable  Not Applicable

Remarks on dividend receivable written off

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**Other receivables****(1) Age analysis**

Applicable  Not Applicable

Ages	Closing book balance	Book balance on December 31, 2022
Within 1 year	433,167,493.60	410,589,279.04
1-2 years	25,656,040.74	17,500,690.85
2-3 years	2,380,801.36	747,230.71
3-4 years	57,701.30	1,232,408.29
4-5 years	167,987.89	52,735.99
Over 5 years	4,830,633.52	4,801,002.17
Total	466,260,658.41	434,923,347.05

**(2) Other receivables categorized by nature**

Applicable  Not Applicable

Nature of receivables	Closing book balance	Book balance on December 31, 2022
Petty cash	10,627,234.05	9,787,465.96
Reserved fund of medicare payment	227,562,930.45	226,096,928.31
Security deposits	153,343,463.92	121,624,037.91
others	74,727,029.99	77,414,914.87
Total	466,260,658.41	434,923,347.05

**(3) Changes in provision for bad debts**

Applicable  Not Applicable

Items	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	9,078,664.86	1,099,867.25	5,272,760.10	15,451,292.21
Opening balance in the current period	—	—	—	
--Transferred to stage 2	-2,565,604.07	2,565,604.07		
--Transferred to stage 3		-476,160.27	476,160.27	
Provision made in the current period	3,235,805.72	-623,706.98	-250,342.96	2,361,755.78
Provision transferred by business combination				
Provision written off in the current period			90,479.28	90,479.28
Closing balance	9,748,866.51	2,565,604.07	5,408,098.13	17,722,568.71

Division basis for stages and proportions of provision for bad debts:

Stage 1 is where credit risk of other receivables has not increased significantly since initial recognition. Stage 2 is where credit risk of other receivables has increased significantly since initial recognition, but such receivables are not considered credit-impaired. Stage 3 is where other receivables are considered credit-impaired since initial recognition.

Items	Stage 1	Stage 2	Stage 3	Total
Provision proportion (%)	2.25	10.00	72.72	3.80

Reasons for significant changes in carrying amount of other receivables in the current period

Applicable  Not Applicable

Determination basis for provision for impairment made in the current period and whether credit risk has increased significantly

Applicable  Not Applicable

**(4) Changes in provision for bad debts**

Applicable  Not Applicable

Significant provisions collected or reversed

Applicable  Not Applicable

Other remarks

None

**(5) Other receivables actually written off in the current period**

Applicable  Not Applicable

Items	Amount written off
Other receivables actually written off	90,479.28

Significant other receivables written off in the current period

Applicable  Not Applicable

Remarks on other receivables written off

Applicable  Not Applicable

**(6) Details of the top 5 debtors with largest balances**

Applicable  Not Applicable

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Wuhan Medical Insurance Center	Medical insurance reserves	35,014,676.40	Within 1 year	7.51	
Wuxi Social Insurance Fund Management Center	Medical insurance reserves	32,515,153.91	Within 1 year	6.97	
Li Zhenguo	Equity transfer payment	21,407,891.50	1-2 years	4.59	2,140,789.15
Ningjing Social Insurance Management Center	Medical insurance reserves	16,262,431.92	Within 1 year	3.49	
Xuzhou Medical Insurance Fund Management Center	Medical insurance reserves	10,155,599.33	Within 1 year	2.18	
Subtotal		115,355,753.06		24.74	2,140,789.15

**(7) Other receivables related to the centralized fund management**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**10. Inventories**

**(1) Details**

Applicable  Not Applicable

Items	Closing balance			December 31, 2022		
	Book balance	Provision for write-down/impairment	Carrying amount	Book balance	Provision for write-down/impairment	Carrying amount
Goods on hand	3,728,652,379.58	19,185,978.09	3,709,466,401.49	3,579,370,459.75	16,775,948.33	3,562,594,511.42

Items	Closing balance			December 31, 2022		
	Book balance	Provision for write-down/impairment	Carrying amount	Book balance	Provision for write-down/impairment	Carrying amount
Low-value consumables	21,823,998.08		21,823,998.08	20,429,336.91		20,429,336.91
Raw materials	58,267,454.66		58,267,454.66	24,639,891.30		24,639,891.30
Work in process	12,762,808.19		12,762,808.19	987,864.06		987,864.06
Packages	5,642,998.44		5,642,998.44	5,897,672.34		5,897,672.34
Costs to fulfill a contract						
Total	3,827,149,638.95	19,185,978.09	3,807,963,660.86	3,631,325,224.36	16,775,948.33	3,614,549,276.03

**(2) Provision for inventory write-down/costs to fulfill a contract**

Applicable  Not Applicable

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Business combination	Reversal or write-off	Others	
Goods on hand	16,775,948.33	72,633,545.68		70,223,515.92		19,185,978.09
Total	16,775,948.33	72,633,545.68		70,223,515.92		19,185,978.09

Reasons for the reversal or write-off of provision for inventory write-down

Applicable  Not Applicable

Inventories with provision made on a collective basis

Applicable  Not Applicable

Determination basis of inventories with provision made on a collective basis

Applicable  Not Applicable

**(3) Closing capitalized amount of borrowing cost and calculation criteria and basis of capitalized amount**

Applicable  Not Applicable

**(4) Costs to fulfill a contract**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**11. Assets held for sale**

Applicable  Not Applicable

**12. Non-current assets due within one year**

Applicable  Not Applicable

**Debt investments due within one year**

Applicable  Not Applicable

**Other debt investments due within one year** Applicable  Not Applicable

Other remarks on non-current assets due within one year

None

**13. Other current assets** Applicable  Not Applicable

Items	Closing balance	Opening balance
	Book balance	Book balance
Amortized Housing rental tax	49,206,209.68	44,047,274.78
With-holdings on VAT of deducting and certificating	308,317,783.51	237,908,688.73
Security deposits and interests of time deposit		25,822,578.08
Others	26,600,349.65	2,661,007.73
Total	384,124,342.84	310,439,549.32

Other remarks

None

**14. Debt investments****(1) Details** Applicable  Not Applicable

Items	Closing balance			December 31, 2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Large-denomination Certificate of Deposit of Agricultural Bank of China	51,438,055.56		51,438,055.56			
Large-denomination Certificate of Deposit of Industrial and Commercial Bank of China	51,438,055.56		51,438,055.56			
Large-denomination Certificate of Deposit of Agricultural Bank of China	51,291,666.66		51,291,666.66			
Total	154,167,777.78		154,167,777.78			

Changes on provision for impairment of debt investments

 Applicable  Not Applicable**(2) Significant debt investments at the balance sheet date**

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Applicable  Not Applicable

**(3) Provision for impairment of debt investments**

Applicable  Not Applicable

Division basis for stages and proportions of provision for bad debts

None

Reasons for significant changes in carrying amount of debt investments in the current period

Applicable  Not Applicable

Determination basis for provision for impairment made in the current period and whether credit risk has increased significantly

Applicable  Not Applicable

**(4) Debt investments actually written off in the current period**

Applicable  Not Applicable

Significant debt investments written off in the current period

Applicable  Not Applicable

Remarks on debt investments written off

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**15. Other debt investments**

**(1) Details**

Applicable  Not Applicable

Changes on provision for credit impairment of other debt investments

Applicable  Not Applicable

**(2) Significant other debt investments at the balance sheet date**

Applicable  Not Applicable

**(3) Provision for credit impairment of other debt investments**

Applicable  Not Applicable

Division basis for stages and proportions of provision for bad debts

None

Reasons for significant changes in carrying amount of other debt investments in the current period

Applicable  Not Applicable

Determination basis for provision for impairment made in the current period and whether credit

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risk has increased significantly

Applicable  Not Applicable

**(4) Other debt investments actually written off in the current period**

Applicable  Not Applicable

Significant other debt investments written off in the current period

Applicable  Not Applicable

Remarks on other debt investments written off

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**16. Long-term receivables**

**(1) Details**

Applicable  Not Applicable

**(2) Details on categories of provision for bad debts**

Applicable  Not Applicable

Provision for bad debts made on an individual basis

Applicable  Not Applicable

Explanation of Provision for bad debts made on an individual basis

Applicable  Not Applicable

Provision for bad debts made on a collective basis

Applicable  Not Applicable

**(3) Provision for credit impairment of long-term receivables**

Applicable  Not Applicable

Division basis for stages and proportions of provision for bad debts

None

Reasons for significant changes in carrying amount of long-term receivables in the current period

Applicable  Not Applicable

Determination basis for provision for impairment made in the current period and whether credit risk has increased significantly

Applicable  Not Applicable

**(4) Changes in provision for bad debts**

Applicable  Not Applicable

Significant provisions collected or reversed

Applicable  Not Applicable

Other remarks

None

**(5) Long-term receivables actually written off in the current period**

Applicable  Not Applicable

Significant long-term receivables written off in the current period

Applicable  Not Applicable

Remarks on long-term receivables written off

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**17. Long-term equity investments**

(1) Details

Applicable  Not Applicable

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Joint ventures					
Taizhou Yifeng Baixingren Pharmacy Chain Co., Ltd. (the "Taizhou Baixingren")	5,249,115.35			316,574.96	
Total	5,249,115.35			316,574.96	

(Continued)

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others		
Joint ventures						
Taizhou Baixingren					5,565,690.31	
Total					5,565,690.31	

**(2) Impairment test on long-term equity investments**

Applicable  Not Applicable

Other remarks

None

**Recoverable amount determined based on the fair value less costs of disposal**



Applicable  Not Applicable

**Recoverable amount determined based on the present value of estimated future cash flows**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between aforementioned information and information used in previous impairment tests or external information**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between information used in previous impairment tests and actual performance**

Applicable  Not Applicable

Other remarks

None

**18. Other equity instrument investments**

**(1) Details**

Applicable  Not Applicable

Items	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Gains or losses included into other comprehensive income in the current period	Others
Jiuzhitang Co., Ltd.	327,379,600.00	53,621,041.95		51,224,558.05	
Total	327,379,600.00	53,621,041.95		51,224,558.05	

(Continued)

Items	Closing balance	Dividend income recognized in the current period	Accumulated gains or losses included into other comprehensive income at the end of the period
Jiuzhitang Co., Ltd.	432,225,200.00	17,084,000.00	28,555,612.65
Total	432,225,200.00	17,084,000.00	28,555,612.65

Reasons for equity instrument investments designated as at fair value through other comprehensive income.

At the end of the period, the Company held 42,710,000 shares of Jiuzhitang Co., Ltd., with a closing price of 10.12 yuan per share. As the item is a non-trading equity instrument, it is designated as an equity instrument measured at fair value through other comprehensive income.

**(2) Other equity instrument investments derecognized in the current period**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**19. Other non-current financial assets**

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Financial assets classified as at fair value through profit or loss	1,010,000.00	1,460,000.00
Including: Equity instrument investments	1,010,000.00	1,460,000.00
Total	1,010,000.00	1,460,000.00

Other remarks

Applicable  Not Applicable

## 20. Investment property

Measurement Model of Investment property

Applicable  Not Applicable

### (1) Investment property measured at cost

Applicable  Not Applicable

## 21. Fixed assets

### (1) Details

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Fixed assets	1,524,048,536.46	1,218,512,066.08
Disposal of fixed assets		
Total	1,524,048,536.46	1,218,512,066.08

Other remarks

Applicable  Not Applicable

## Fixed assets

### (1) Details

Applicable  Not Applicable

Items	Buildings and structures	Machinery	Electronic equipment	Office equipment	Transport facilities	Total
Cost						
Opening balance	1,004,401,988.03	75,343,671.86	393,703,040.09	374,289,190.36	19,547,122.83	1,867,285,013.17
Increase	289,063,338.27	8,980,002.70	127,423,814.03	78,777,748.68	2,803,190.31	507,048,093.99
1) Acquisition	13,143,882.13	3,575,577.95	127,233,400.36	77,507,238.25	2,803,190.31	224,263,289.00
2) Transferred in from construction in progress	275,919,456.14	5,404,424.75	121,103.67	1,267,476.99		282,712,461.55
3) Business combination			69,310.00	3,033.44		72,343.44
Decrease	2,914,696.43	145,575.26	36,502,034.68	20,787,426.79	914,882.49	61,264,615.65
1) Disposal/ Scrapping	2,914,696.43	145,575.26	36,502,034.68	20,787,426.79	914,882.49	61,264,615.65
Closing balance	1,290,550,629.87	84,178,099.30	484,624,819.44	432,279,512.25	21,435,430.65	2,313,068,491.51

Items	Buildings and structures	Machinery	Electronic equipment	Office equipment	Transport facilities	Total
Accumulated depreciation						
Opening balance	146,816,731.89	22,701,017.49	258,532,173.21	210,824,334.97	9,898,689.53	648,772,947.09
Increase	51,048,936.62	5,677,220.65	76,094,223.32	51,370,667.84	1,723,953.76	185,915,002.19
1) Accrual	51,048,936.62	5,677,220.65	76,094,223.32	51,370,667.84	1,723,953.76	185,915,002.19
2) Business combination						
Decrease	2,768,961.61	103,419.28	24,475,257.36	17,592,026.35	728,329.63	45,667,994.23
1) Disposal/ Scrapping	2,768,961.61	103,419.28	24,475,257.36	17,592,026.35	728,329.63	45,667,994.23
Closing balance	195,096,706.90	28,274,818.86	310,151,139.17	244,602,976.46	10,894,313.66	789,019,955.05
Carrying amount						
Closing balance	1,095,453,922.97	55,903,280.44	174,473,680.27	187,676,535.79	10,541,116.99	1,524,048,536.46
Opening balance	857,585,256.14	52,642,654.37	135,170,866.88	163,464,855.39	9,648,433.30	1,218,512,066.08

**(2) Fixed assets temporarily idle**

Applicable  Not Applicable

**(3) Fixed assets leased out under operating leases**

Applicable  Not Applicable

Items	Carrying amount
Buildings and structures	989,950.87
Subtotal	989,950.87

**(4) Fixed assets with certificate of titles being unsettled**

Applicable  Not Applicable

Items	Carrying amount	Reasons for unsettlement
Jiangxi Yifeng Pharmaceutical Factory	93,533,592.91	In progress

**(5) Impairment test on fixed assets**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**Recoverable amount determined based on the fair value less costs of disposal**

Applicable  Not Applicable

**Recoverable amount determined based on the present value of estimated future cash flows**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between aforementioned information and information used in previous impairment tests or external information**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between information used in previous impairment tests and actual performance**

Applicable  Not Applicable

**Disposal of fixed assets**

Applicable  Not Applicable

**22. Construction in progress**

**(1) Details**

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Construction in progress	175,121,866.79	239,848,057.90
Construction materials		
Total	175,121,866.79	239,848,057.90

Other remarks

Applicable  Not Applicable

**Construction in progress**

**(1) Details**

Applicable  Not Applicable

Projects	Closing balance			December 31, 2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Yifeng Health City	7,269,387.33		7,269,387.33	7,150,484.63		7,150,484.63
Jiangsu Yifeng Medicine product sorting and processing project (Phase I)				694,303.96		694,303.96
Jiangsu Yifeng Medicine product sorting and processing project (Phase II)	974,245.05		974,245.05			
Shanghai Yifeng Medicine Industry Base				179,823,716.99		179,823,716.99
Second headquarters project of Yifeng Pharmacy	19,680,975.01		19,680,975.01	10,843,213.07		10,843,213.07
Hubei Yifeng Medicine product sorting and processing center (Phase I)	126,910,848.73		126,910,848.73	41,336,339.25		41,336,339.25
Expansion project of Hebei Xinxing Medicine warehouse	19,083,829.78		19,083,829.78			
Other piecemeal projects	1,202,580.89		1,202,580.89			
Total	175,121,866.79		175,121,866.79	239,848,057.90		239,848,057.90

**(2) Changes in significant projects**

Applicable  Not Applicable

Projects	Budgets	Opening balance	Increase	Transferred to fixed assets	Transferred to intangible assets	Closing balance
Hubei Yifeng Medicine product sorting and processing center (Phase I)	350,000,00 0.00	41,336,339.25	85,574,509.48			126,910,848.73
Subtotal	350,000,00 0.00	41,336,339.25	85,574,509.48			126,910,848.73

(Continued)

Projects	Accumulated input to budget (%)	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in the current period	Annual capitalization rate (%)	Fund source
Hubei Yifeng Medicine product sorting and processing center (Phase I)	36.26	40.00				Raised funds
Subtotal	36.26	40.00				

**(3) Changes in provision for impairment**

Applicable  Not Applicable

**(4) Impairment test on construction in progress**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**Recoverable amount determined based on the fair value less costs of disposal**

Applicable  Not Applicable

**Recoverable amount determined based on the present value of estimated future cash flows**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between aforementioned information and information used in previous impairment tests or external information**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between information used in previous impairment tests and actual performance**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**Construction materials**

**(1) Details**

Applicable  Not Applicable

**23. Productive biological assets**

**(1) Productive biological assets measured at cost**

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Applicable  Not Applicable

**(2) Impairment test on productive biological assets measured at cost**

Applicable  Not Applicable

**Recoverable amount determined based on the fair value less costs of disposal**

Applicable  Not Applicable

**Recoverable amount determined based on the present value of estimated future cash flows**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between aforementioned information and information used in previous impairment tests or external information**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between information used in previous impairment tests and actual performance**

Applicable  Not Applicable

**(3) Productive biological assets based on the fair value**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**24. Oil and gas assets**

**(1) Details**

Applicable  Not Applicable

**(2) Impairment test on oil and gas assets**

Applicable  Not Applicable

Other remarks

None

**Recoverable amount determined based on the fair value less costs of disposal**

Applicable  Not Applicable

**Recoverable amount determined based on the present value of estimated future cash flows**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between aforementioned information and information used in previous impairment tests or external information**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between information used in previous impairment**

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**tests and actual performance**

Applicable  Not Applicable

Other remarks

None

**25. Right-of-use assets****(1) Details**

Applicable  Not Applicable

Items	Buildings and structures	Total
Cost		
Opening balance	5,869,364,521.55	5,869,364,521.55
Increase	2,395,740,453.43	2,395,740,453.43
1) Leased in	2,395,740,453.43	2,395,740,453.43
Decrease	1,630,001,478.19	1,630,001,478.19
1) Early or Expired Termination	1,630,001,478.19	1,630,001,478.19
Closing balance	6,635,103,496.79	6,635,103,496.79
Accumulated depreciation		
Opening balance	2,435,742,289.21	2,435,742,289.21
Increase	1,445,848,666.95	1,445,848,666.95
1) Accrual	1,445,848,666.95	1,445,848,666.95
Decrease	1,212,371,885.19	1,212,371,885.19
1) Early or Expired Termination	1,212,371,885.19	1,212,371,885.19
Closing balance	2,669,219,070.97	2,669,219,070.97
Carrying amount		
Closing balance	3,965,884,425.82	3,965,884,425.82
Opening balance	3,433,622,232.34	3,433,622,232.34

**(2) Impairment test on right-of-use assets**

Applicable  Not Applicable

Other remarks

None

**Recoverable amount determined based on the fair value less costs of disposal**

Applicable  Not Applicable

**Recoverable amount determined based on the present value of estimated future cash flows**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between aforementioned information and information used in previous impairment tests or external information**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between information used in previous impairment tests and actual performance**

Applicable  Not Applicable

Other remarks

None

**26. Intangible assets**

**(1) Details**

Applicable  Not Applicable

Items	Land use right	Software	Trademark	Drug Retailing License	Total
Cost					
Opening balance	373,504,822.85	220,570,726.16	2,481,185.16	5,526,653.13	602,083,387.30
Increase		33,942,902.53	237,623.62		34,180,526.15
1) Acquisition		1,788,472.01	237,623.62		2,026,095.63
2) Internal research and development		32,154,430.52			32,154,430.52
Decrease		16,030,821.54			16,030,821.54
1) Disposal		16,030,821.54			16,030,821.54
Closing balance	373,504,822.85	238,482,807.15	2,718,808.78	5,526,653.13	620,233,091.91
Accumulated amortization					
Opening balance	44,495,690.98	75,726,998.78	1,547,601.67	2,113,563.53	123,883,854.96
Increase	11,363,697.26	20,537,356.87	139,141.98	552,665.32	32,592,861.43
1) Accrual	11,363,697.26	20,537,356.87	139,141.98	552,665.32	32,592,861.43
Decrease		7,216,123.36			7,216,123.36
1) Disposal		7,216,123.36			7,216,123.36
Closing balance	55,859,388.24	89,048,232.29	1,686,743.65	2,666,228.85	149,260,593.03
Carrying amount					
Closing balance	317,645,434.61	149,434,574.86	1,032,065.13	2,860,424.28	470,972,498.88
Opening balance	329,009,131.87	144,843,727.38	933,583.49	3,413,089.60	478,199,532.34

At the balance sheet date, intangible assets formed through internal research and development account for 27.25% of total closing balance of intangible assets.

(2) Land use right with certificate of titles being unsettled

Applicable  Not Applicable



(3) Impairment test on intangible assets

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**Recoverable amount determined based on the fair value less costs of disposal**

Applicable  Not Applicable

**Recoverable amount determined based on the present value of estimated future cash flows**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between aforementioned information and information used in previous impairment tests or external information**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between information used in previous impairment tests and actual performance**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**27. Goodwill**

**(1) Details**

Applicable  Not Applicable

Investees or events resulting in goodwill	Opening balance	Increase due to business combination in the current period	Decrease due to disposal	Closing balance
Xinxing Pharmacy	1,067,133,311.81			1,067,133,311.81
Business and assets of Wu'an Kangjian Pharmacy	34,709,571.04			34,709,571.04
Business and assets of Xintai Yize Pharmacy	7,100,799.00			7,100,799.00
Business and assets of Sunshine Herbal Pharmacy	5,337,759.80			5,337,759.80
Business and assets of Cangzhou Yihetang Pharmacy	1,431,138.00			1,431,138.00
Business and assets of Shijiazhuang Cihao Pharmacy	1,371,076.00			1,371,076.00
Business and assets of Kangyide	1,297,370.00			1,297,370.00
Business and assets of Shijiazhuang Zhongjing Pharmacy	854,870.00			854,870.00
Business and assets of Tangshan Yuxiangyuan	564,475.00			564,475.00
Business and assets of Jishikang Pharmacy	546,662.00			546,662.00
Business and assets of Sanhe Herentang	29,049,874.00			29,049,874.00
Business and assets of Huabei Weishikang Pharmacy	3,784,890.00			3,784,890.00

Investees or events resulting in goodwill	Opening balance	Increase due to business combination in the current period	Decrease due to disposal	Closing balance
Business and assets of Huawei Pharmacy	556,981.00			556,981.00
Hengshui Hongda Hengkang Pharmacy	37,557,835.00			37,557,835.00
Business and assets of Handan Deyitang Pharmacy	29,163,341.00			29,163,341.00
Business and assets of Hebei Kangletang Pharmacy	764,438.00			764,438.00
Hengshui Zhongkang Weimin Pharmacy Co., Ltd.	90,299,576.99			90,299,576.99
Cangzhou Xinxing Wuzhou Pharmacy Chain Co., Ltd.	22,200,000.00			22,200,000.00
Cangzhou Xinxing Jinyangguang Pharmacy Chain Co., Ltd.	26,910,000.00			26,910,000.00
Xinxing Hebei	4,997,579.01			4,997,579.01
Tianjin Xianhe	7,900,000.00			7,900,000.00
Handan Xinxing	22,950,000.00			22,950,000.00
Tangshan Xinxing Deshuntang	107,100,000.00			107,100,000.00
Jiuzhou Medicine and Jiuzhou Pharmacy	158,100,000.00			158,100,000.00
Shanghai Shanghong	125,494,951.53			125,494,951.53
Jiangsu Shimin	125,079,027.86			125,079,027.86
Jiangxi Tianshun	39,000,000.00			39,000,000.00
Xinyu Baihuikang	28,800,000.00			28,800,000.00
Taizhou Yifeng	29,090,846.10			29,090,846.10
Business and assets of Xinghua Yishantang	6,500,000.00			6,500,000.00
Business and assets of Taizhou Baixingren	53,063,086.35			53,063,086.35
Business and assets of Jiangsu Yishu Medicine	1,500,000.00			1,500,000.00
Rudong Yifeng	24,058,466.53			24,058,466.53
Business and assets of Hunan Xinbaikang Medicine Chain Co., Ltd.	55,000,000.00			55,000,000.00
Business and assets of Liuyang Tianshun Pharmacy	34,761,350.00			34,761,350.00
Business and assets of Hengyang Dazhong Health Pharmacy	30,000,000.00			30,000,000.00
Business and assets of Qidong Guoda Health Pharmacy	14,351,615.00			14,351,615.00
Guangshengtang	30,410,738.87			30,410,738.87
Business and assets of Jingzhou Shashi Xinlianxin Pharmacy	8,506,023.00			8,506,023.00
Business and assets of Hubei Zhongjie Medicine	7,430,000.00			7,430,000.00
Business and assets of Jianli Tongze Pharmacy	8,600,000.00			8,600,000.00
Business and assets of Changsha Qingyuantang Pharmacy	11,252,750.00			11,252,750.00
Business and assets of Jiangxi Caisen	21,568,983.00			21,568,983.00
Business and assets of Nanxian Shijikang Pharmacy	2,500,000.00			2,500,000.00

Investees or events resulting in goodwill	Opening balance	Increase due to business combination in the current period	Decrease due to disposal	Closing balance
Business and assets of Wuhan Houdetang	13,826,081.00			13,826,081.00
Wuhan Longtai	65,216,667.52			65,216,667.52
Shaoguan Xiangqin	98,811,598.79			98,811,598.79
Yili Kangxin	66,966,216.62			66,966,216.62
Business and assets of Ningxiang Jiuzhitang	27,390,000.00			27,390,000.00
Business and assets of Shuangfeng Yongjitang	3,660,000.00			3,660,000.00
Business and assets of Lichuan Tong'an	18,800,000.00			18,800,000.00
Business and assets of Xiaogan Tiansheng	12,380,000.00			12,380,000.00
Business and assets of Guangfutang	25,722,500.50			25,722,500.50
Yangpu Yifeng	51,772,748.23			51,772,748.23
Putuo Yifeng	15,199,355.63			15,199,355.63
Suzhou Yuehai	72,409,550.90			72,409,550.90
Business and assets of Wuzhou Pharmacy	23,914,105.00			23,914,105.00
Shanghai Buyi	24,592,341.70			24,592,341.70
Hubei Yifeng Pukang Pharmacy Chain Co., Ltd.	33,477,084.46			33,477,084.46
Business and assets of Nantong Zhongzhichen Pharmacy	19,463,435.00			19,463,435.00
Business and assets of Suqian Dasheng Medicine	7,988,130.00			7,988,130.00
Business and assets of Guangyun Kangsheng Pharmacy	12,182,540.00			12,182,540.00
Business and assets of Suqian Jiujiu Medicine Supermarket	46,109,939.00			46,109,939.00
Business and assets of Suqian Jiahe Medicine	39,799,860.00			39,799,860.00
Business and assets of Kaixin Pharmacy	24,466,578.00			24,466,578.00
Jiankangren	60,518,524.51			60,518,524.51
Baicaotang	51,523,843.40			51,523,843.40
Huai'an Jisheng	39,466,506.83			39,466,506.83
Longshuntang	26,330,311.31			26,330,311.31
Nanjing Yifeng	29,599,720.61			29,599,720.61
Yueyang Yifeng	9,667,622.58			9,667,622.58
Jiyangtang	11,056,673.83			11,056,673.83
Sihong Shidai Medicine	37,390,726.94			37,390,726.94
Business and assets of Sihong Yifeng Jizhou Pharmacy	8,500,000.00			8,500,000.00
Aierkang	30,930,301.86			30,930,301.86
Business and assets of Yueyang Huarong Yikang Pharmacy	8,300,000.00			8,300,000.00
Business and assets of Changsha Tailai Senyantang	10,150,000.00			10,150,000.00

Investees or events resulting in goodwill	Opening balance	Increase due to business combination in the current period	Decrease due to disposal	Closing balance
Xuzhou Enqi	23,400,000.00			23,400,000.00
Rudong Yifeng Bencao	39,991,285.36			39,991,285.36
Yuehai Yongxitang	29,820,868.69			29,820,868.69
Macheng Yifeng	15,549,776.06			15,549,776.06
Yifeng Luoshi Xiehe	27,950,000.00			27,950,000.00
Business and assets of Yongzhou Daoxian Renrenkang Pharmacy	2,190,000.00			2,190,000.00
Pingjiang Yifeng	8,437,083.42			8,437,083.42
Business and assets of Zhuzhou Zhengxiang Pharmacy	22,380,000.00			22,380,000.00
Business and assets of Hunan Sinopharm Holdings Jiakiang Pharmacy	18,000,000.00			18,000,000.00
Business and assets of Jianhu Renmin Pharmacy and Jianhu Yuanshengtang Pharmacy	17,000,000.00			17,000,000.00
Fengxian Hengyuan	31,500,000.00			31,500,000.00
Dongtai Yifeng Kaixin Medicine Co., Ltd.	22,239,000.00			22,239,000.00
Business and assets of Jiangsu Wuwu Limin Medicine Chain Store	15,000,000.00			15,000,000.00
Suzhou Yifeng Yuehai Tong'an Kang Pharmacy Chain Co., Ltd.	15,615,853.66			15,615,853.66
Yancheng Jinyuan	37,634,283.13			37,634,283.13
Xuzhou Yifeng	22,985,583.59			22,985,583.59
Business and assets of Sanhuaitang	7,000,000.00			7,000,000.00
Business and assets of Miluo Tianheng Jirengtang Pharmacy	24,880,000.00			24,880,000.00
Business and assets of Zhuzhou Shifeng Shunkang Pharmacy	7,680,000.00			7,680,000.00
Business and assets of Hunan Zhongxin Pharmacy Retail Chain Co., Ltd.	13,800,000.00			13,800,000.00
Business and assets of Xiangtan Sishitang Pharmacy and Chunxiaoyuan Traditional Chinese Medicine Clinic	1,500,000.00			1,500,000.00
Business and assets of Hengyang Jianyi, Kangrentang and Shiyitang	1,700,000.00			1,700,000.00
Business and assets of Leiyang Siyanjing Pharmacy Co., Ltd.	37,700,000.00			37,700,000.00
Business and assets of Hunan Dehai Pharmacy Co., Ltd.	3,660,000.00			3,660,000.00
Jiangxi Jianmin	70,200,000.00			70,200,000.00
Business and assets of Poyang Hucheng Health Kaixinren Pharmacy	22,800,000.00			22,800,000.00
Business and assets of Yushan Baicao Tang Pharmacy	25,000,000.00			25,000,000.00
Chibi Kanghua	26,378,913.74			26,378,913.74
Xishui Yifeng	25,845,000.00			25,845,000.00

Investees or events resulting in goodwill	Opening balance	Increase due to business combination in the current period	Decrease due to disposal	Closing balance
Wuhan Jianghan	28,352,879.88			28,352,879.88
Yidu Yifeng	11,576,250.00			11,576,250.00
Anlu Yifeng	13,999,970.12			13,999,970.12
Hubei Aierkang	3,687,486.07			3,687,486.07
Business and assets of Badong Guoyaobu	15,300,000.00			15,300,000.00
Business and assets of Huanggang Tongjitang Xishui stores	2,300,000.00			2,300,000.00
Business and assets of Suizhou Haoyihao Pharmacy	15,000,000.00			15,000,000.00
Wuhan Haojiankang	31,071,780.29			31,071,780.29
Business and assets of Suizhou Baixing Pharmacy	1,500,000.00			1,500,000.00
Business and assets of Hubei Kanghua Pharmacy Chain Co., Ltd.	1,300,000.00			1,300,000.00
Jiuzhitang Medicine	102,064,935.48			102,064,935.48
Tangshan Xinxing Deshengtang		101,700,000.00		101,700,000.00
Qinhuangdao Xinxing Minle		56,700,000.00		56,700,000.00
Handan Xinxing Baixinkang		22,544,000.00		22,544,000.00
Shijiazhuang Yingqi Medical Service		1,399,867.03		1,399,867.03
Handan Xinxing Huakang		47,250,000.00		47,250,000.00
Langfang Xinxing Dekunyuan		24,792,000.00		24,792,000.00
Chengde Xinxing Xinyu		21,000,000.00		21,000,000.00
Suzhou Xinqunzhong Clinic		4,499,666.86		4,499,666.86
Yichun Yifeng		22,500,000.00		22,500,000.00
Guangshui Yifeng Kangji		7,840,000.00		7,840,000.00
Yingtian Yifeng		18,200,000.00		18,200,000.00
Business and assets of Xingtai Dongda Pharmaceutical Chain Co., Ltd.		26,320,000.00		26,320,000.00
Business and assets of Changzhou Renmin Baixing Pharmacy Co., Ltd.		35,000,000.00		35,000,000.00
Business and assets of Jiangling Miaoyuan Pharmacy		6,880,000.00		6,880,000.00
Business and assets of Hubei Zhonglian Pharmacy Chain Co., Ltd.		20,000,000.00		20,000,000.00
Business and assets of Longshan Laobaixing Xinteyao Health Pharmacy		6,000,000.00		6,000,000.00
Total	4,190,223,299.60	422,625,533.89		4,612,848,833.49

**(2) Provision for impairment**

Applicable  Not Applicable

Investees or events resulting in goodwill	Opening balance	Accrual	Decrease	Closing balance
Shaoguan Xiangqin	2,299,554.25			2,299,554.25
Total	2,299,554.25			2,299,554.25

**(3) Related information of asset groups or asset group portfolios which include goodwill**

Applicable    Not Applicable

Asset groups or asset group portfolios	Composition of asset groups or asset group portfolios and its basis	Operating segment and its basis	Whether asset groups or asset group portfolios are consistent with those at acquisition date/at goodwill impairment testing date in previous years
Jiyangtang	Operating long-term assets	Hubei region	Yes
Assets of Hengyang Dazhong Health Pharmacy	Operating long-term assets	Hunan region	Yes
Assets of Jianhu Renmin Pharmacy and Jianhu Yuanshengtang Pharmacy	Operating long-term assets	Jiangsu region	Yes
Jinzhou Pukang	Operating long-term assets	Hubei region	Yes
Jiankangren	Operating long-term assets	Jiangsu region	Yes
Assets of Lichuan Tong'an	Operating long-term assets	Hubei region	Yes
Pingjiang Yifeng	Operating long-term assets	Hunan region	Yes
Assets of Qidong Guoda Health Pharmacy	Operating long-term assets	Hunan region	Yes
Macheng Yifeng	Operating long-term assets	Hubei region	Yes
Asset groups of Dongtai Yifeng	Operating long-term assets	Jiangsu region	No
Aierkang	Operating long-term assets	Hubei region	Yes
Assets of Kaixin Pharmacy	Operating long-term assets	Jiangsu region	Yes
Assets of Wuhan Houdetang	Operating long-term assets	Hubei region	Yes
Wuhan Longtai	Operating long-term assets	Hubei region	Yes
Nanjing Yifeng	Operating long-term assets	Jiangsu region	Yes
Assets of Xiaogan Tiansheng	Operating long-term assets	Hubei region	Yes
Assets of Suqian Jiujiu Medicine Supermarket	Operating long-term assets	Jiangsu region	Yes
Assets of Guangfutang	Operating long-term assets	Hubei region	Yes
Assets group portfolios of Guangshengtang, Jingzhou Shashi Xinlianxin Pharmacy, Hubei Zhongjie Medicine and Jianli Tongze Pharmacy	Operating long-term assets	Hubei region	No
Assets of Huarong Yikang Pharmacy	Operating long-term assets	Hunan region	Yes
Yangpu Yifeng	Operating long-term assets	Shanghai region	Yes
Assets of Liuyang Tianshun Pharmacy	Operating long-term assets	Hunan region	Yes

Asset groups or asset group portfolios	Composition of asset groups or asset group portfolios and its basis	Operating segment and its basis	Whether asset groups or asset group portfolios are consistent with those at acquisition date/at goodwill impairment testing date in previous years
Rudong Yifeng Bencao	Operating long-term assets	Jiangsu region	Yes
Assets of Nanxian Shijikang Pharmacy	Operating long-term assets	Hunan region	Yes
Suzhou Yuehai and Suzhou Xinqunzhong Clinic	Operating long-term assets	Jiangsu region	No
Assets of Ningxiang Jiuzhitang	Operating long-term assets	Hunan region	Yes
Assets of Shuangfeng Yongjitang	Operating long-term assets	Hunan region	Yes
Assets of Sihong Shidai Medicine and Sihong Yifeng Jizhou Pharmacy	Operating long-term assets	Jiangsu region	Yes
Assets of Hunan Sinopharm Holdings Jiajiakang Pharmacy	Operating long-term assets	Hunan region	Yes
Assets of Xinbaikang Pharmacy	Operating long-term assets	Hunan region	Yes
Asset group portfolios of Taizhou Yifeng, Xinghua Yishantang, Taizhou Baixingren and Jiangsu Yishu Medicine	Operating long-term assets	Jiangsu region	Yes
Yifeng Luoshi Xiehe and Yongzhou Daoxian Renrenkang Pharmacy	Operating long-term assets	Hunan region	Yes
Yueyang Yifeng	Operating long-term assets	Hunan region	Yes
Assets of Suqian Jiahe Medicine	Operating long-term assets	Jiangsu region	Yes
Assets of Changsha Qingyuantang Pharmacy	Operating long-term assets	Hunan region	Yes
Assets of Suqian Dasheng Medicine	Operating long-term assets	Jiangsu region	Yes
Assets of Changsha Tailai Senyantang Pharmacy	Operating long-term assets	Hunan region	Yes
Jiuzhou Medicine and Jiuzhou Pharmacy	Operating long-term assets	Jiangsu region	Yes
Assets of Zhuzhou Zhengxiang Pharmacy	Operating long-term assets	Hunan region	Yes
Shaoguan Xiangqin	Operating long-term assets	Guangdong region	No
Huai'an Jisheng	Operating long-term assets	Jiangsu region	Yes
Jiangsu Shimin	Operating long-term assets	Jiangsu region	Yes
Asset group portfolios of Jiangxi Tianshun and Xinyu Baihuikang	Operating long-term assets	Jiangxi region	No
Assets of Guangyun Kangsheng Pharmacy	Operating long-term assets	Jiangsu region	Yes
Rudong Yifeng	Operating long-term assets	Jiangsu region	Yes
Asset groups of Miluo Tianheng	Operating long-term assets	Hunan region	No
Assets of Nantong Zhongzhichen	Operating long-term assets	Jiangsu region	Yes

Asset groups or asset group portfolios	Composition of asset groups or asset group portfolios and its basis	Operating segment and its basis	Whether asset groups or asset group portfolios are consistent with those at acquisition date/at goodwill impairment testing date in previous years
Pharmacy			
Yuehai Yongxitang	Operating long-term assets	Jiangsu region	Yes
Longshuntang	Operating long-term assets	Shanghai region	Yes
Baicaotang	Operating long-term assets	Jiangsu region	Yes
Asset groups of Xinkang Jianmin	Operating long-term assets	Jiangxi region	No
Xuzhou Enqi	Operating long-term assets	Jiangsu region	Yes
Asset groups of Anlu Yifeng	Operating long-term assets	Hubei region	No
Assets of Jiangxi Caisen	Operating long-term assets	Jiangxi region	Yes
Shanghai Buyi	Operating long-term assets	Shanghai region	Yes
Putuo Yifeng	Operating long-term assets	Shanghai region	Yes
Asset groups of Xinxing Chain	Operating long-term assets	Hebei region	No
Shanghai Shanghong	Operating long-term assets	Shanghai region	Yes
Assets of Wuzhou Pharmacy	Operating long-term assets	Shanghai region	Yes
Jiuzhitang Medicine	Operating long-term assets	Hunan region	Yes

Changes in composition of asset groups or asset group portfolios

Applicable  Not Applicable

Asset groups or asset group portfolios	Composition before changes	Composition after changes	Objective facts and basis for changes
Asset groups of Dongtai Yifeng	Operating long-term assets of asset groups of Dongtai Yifeng	Operating long-term assets after acquiring Changzhou Renmin	The Company continues to strengthen the regional integration of acquired assets, and newly acquired projects are operated under a unified management structure after the acquisition, with decisions and allocations regarding sales, distribution, and human resources made by the regional headquarters. In 2023, the Jiangsu regional headquarters newly acquired the assets of Changzhou Renmin stores, which, similar to the asset groups such as the former Dongtai Yifeng, are under the unified management of the regional headquarters Jiangsu Yifeng in procurement, distribution, sales and financial accounting. Therefore, based on the management structure and the synergistic effect of business combination, the goodwill is allocated to the benefiting asset groups. Apart from the



Asset groups or asset group portfolios	Composition before changes	Composition after changes	Objective facts and basis for changes
			newly acquired assets, there are no changes in the division of the former asset groups.
Assets group portfolios of Guangshengtang, Jingzhou Shashi Xinlianxin Pharmacy, Hubei Zhongjie Medicine and Jianli Tongze Pharmacy	Operating long-term assets of asset groups of Guangshengtang	Operating long-term assets of asset groups of Guangshengtang after acquiring Jiangling Miaoyuan	In 2023, Guangshengtang acquired the assets of Jiangling Miaoyuan stores, and carries out unified management in sales, procurement, distribution, human resources, and finance. Therefore, based on the management structure and the synergistic effect of business combination, the goodwill is allocated to the benefiting asset groups.
Suzhou Yuehai and Xinqunzhong Clinic	Operating long-term assets of asset groups of Suzhou Yuehai	Operating long-term assets of asset groups of Suzhou Yuehai after acquiring Xinqunzhong Clinic	In 2023, Suzhou Yuehai acquired relevant assets of Xinqunzhong Clinic, relocated the clinic to Yuehai Pharmacy for business operation, and carries out unified management in operations, distribution, and finance. Based on the management structure and the synergistic effect of business combination, the goodwill is allocated to the benefiting asset groups.
Shaoguan Xiangqin	Operating long-term assets of asset groups of Shaoguan Xiangqin	Assets and goodwill of Shaoguan Xiangqin and transferred-in former Guangdong Zengcheng Kangxin	Due to the need for integrated management, in 2023, all stores in asset group of Guangdong Zengcheng Kangxin were transferred to Shaoguan Xiangqin, and Shaoguan Xiangqin takes charge of unified management in sales, procurement, distribution, human resources, and finance. The former legal entity of Guangdong Zengcheng Kangxin is planned to be cancelled. Based on the management structure and the synergistic effect of business combination, the goodwill is allocated to the benefiting asset groups.
Asset group portfolios of Jiangxi Tianshun and Xinyu Baihuikang	Operating long-term assets of asset groups of Jiangxi Tianshun	Operating long-term assets of asset groups of Jiangxi Tianshun after acquiring Yichun Yifeng	In 2023, Jiangxi Tianshun acquired the equity of Yichun Yifeng, and carries out unified management in sales, procurement, distribution, human resources, and finance. Therefore, based on the management structure and the synergistic effect of business combination, the goodwill is allocated to the benefiting asset groups.
Asset groups of Miluo Tianheng	Operating long-term assets of asset groups of Miluo Tianheng	Operating long-term assets after acquiring Longshan Laobaixing	The Company continues to strengthen the regional integration of acquired assets, and newly acquired projects are operated under a unified management structure after the acquisition, with decisions and allocations regarding sales, distribution, and human resources made by the regional headquarters. In 2023, the Hunan regional headquarters newly acquired the

Asset groups or asset group portfolios	Composition before changes	Composition after changes	Objective facts and basis for changes
			<p>assets of Longshan Laobaixing, which, similar to the asset groups such as the former Miluo Tianheng, are under the unified management of the regional headquarters Hunan Yifeng in procurement, distribution, sales and financial accounting. Therefore, based on the management structure and the synergistic effect of business combination, the goodwill is allocated to the benefiting asset groups. Apart from the newly acquired assets, there are no changes in the division of the former asset groups.</p>
Asset groups of Xinkang Jianmin	Operating long-term assets of asset groups of Xinkang Jianmin	Operating long-term assets after acquiring Yingtan Yifeng	<p>The Company continues to strengthen the regional integration of acquired assets, and newly acquired projects are operated under a unified management structure after the acquisition, with decisions and allocations regarding sales, distribution, and human resources made by the regional headquarters. In 2023, the Jiangxi regional headquarters newly acquired the assets of Yingtan Yifeng, which, similar to the asset groups such as the former Xinkang Jianmin, are under the unified management of the regional headquarters Jiangxi Yifeng in procurement, distribution, sales and financial accounting. Therefore, based on the management structure and the synergistic effect of business combination, the goodwill is allocated to the benefiting asset groups. Apart from the newly acquired assets, there are no changes in the division of the former asset groups.</p>
Asset groups of Anlu Yifeng	Operating long-term assets of asset groups of Anlu Yifeng	Operating long-term assets after acquiring Yifeng Kangji, etc.	<p>The Company continues to strengthen the regional integration of acquired assets, and newly acquired projects are operated under a unified management structure after the acquisition, with decisions and allocations regarding sales, distribution, and human resources made by the regional headquarters. In 2023, the Hubei regional headquarters newly acquired the equity of Yifeng Kangji and the assets of Hubei Zhonglian, which, similar to the asset groups such as the former Anlu Yifeng, are under the unified management of the regional headquarters Hubei Yifeng in procurement, distribution, sales and financial accounting. Therefore, based on the management structure and the synergistic effect of business combination, the goodwill is allocated to the benefiting</p>

Asset groups or asset group portfolios	Composition before changes	Composition after changes	Objective facts and basis for changes
			asset groups. Apart from the newly acquired assets, there are no changes in the division of the former asset groups.
Asset groups of Xinxing Chain, etc.	Operating long-term assets of asset groups of Xinxing Chain	Operating long-term assets of assets of Xinxing Chain after acquiring the equity of Qinhuangdao Minle, etc.	In 2023, Xinxing Chain acquired the equity of Deshengtang, Langfang Xinxing, Chengde Xinxing, Handan Huakang, and Qinhuangdao Minle, as well as the assets of Xingtai Dongda stores. Xinxing Chain, as the regional headquarters, takes charge of unified management in sales, procurement, distribution, human resources, and finance. Based on the management structure and the synergistic effect of business combination, the goodwill is allocated to the benefiting asset groups.

Other remarks

Applicable  Not Applicable

#### (4) Specific method for determining recoverable amount

Recoverable amount determined based on the fair value less costs of disposal

Applicable  Not Applicable

Recoverable amount determined based on the present value of estimated future cash flows

Applicable  Not Applicable

Items	Carrying amount of asset groups or asset group portfolios which include goodwill	Recoverable amount	Provision for impairment
Jiyangtang	17,160,059.51	42,500,000.00	
Assets of Hengyang Dazhong Health Pharmacy	30,938,008.64	40,000,000.00	
Assets of Jianhu Renmin Pharmacy and Jianhu Yuanshengtang Pharmacy	17,888,734.02	19,000,000.00	
Jinzhou Pukang	45,126,446.15	83,000,000.00	
Jiankangren	128,665,877.44	197,000,000.00	
Assets of Lichuan Tong'an	19,325,593.89	26,800,000.00	
Pingjiang Yifeng	13,427,945.07	15,400,000.00	
Assets of Qidong Guoda Health Pharmacy	15,214,191.22	32,000,000.00	
Macheng Yifeng	23,688,157.66	25,100,000.00	
Asset groups of Dongtai Yifeng	267,727,753.00	369,000,000.00	

Items	Carrying amount of asset groups or asset group portfolios which include goodwill	Recoverable amount	Provision for impairment
Aierkang	41,764,423.49	122,000,000.00	
Assets of Kaixin Pharmacy	24,591,879.95	39,300,000.00	
Assets of Wuhan Houdetang	13,918,346.34	45,800,000.00	
Wuhan Longtai	66,581,478.70	94,000,000.00	
Nanjing Yifeng	31,328,909.28	65,000,000.00	
Assets of Xiaogan Tiansheng	12,768,649.40	21,300,000.00	
Assets of Suqian Jiujiu Medicine Supermarket	47,224,137.56	83,000,000.00	
Assets of Guangfutang	26,085,953.66	30,300,000.00	
Assets group portfolios of Guangshengtang, Jingzhou Shashi Xinlianxin Pharmacy, Hubei Zhongjie Medicine and Jianli Tongze Pharmacy	79,938,093.60	223,000,000.00	
Assets of Huarong Yikang Pharmacy	8,452,546.71	21,900,000.00	
Yangpu Yifeng	52,835,493.42	54,000,000.00	
Assets of Liuyang Tianshun Pharmacy	37,183,257.02	90,000,000.00	
Rudong Yifeng Bencao	52,216,948.43	54,000,000.00	
Assets of Nanxian Shijikang Pharmacy	2,567,133.55	10,200,000.00	
Suzhou Yuehai and Xinqunzhong Clinic	79,721,180.74	110,000,000.00	
Assets of Ningxiang Jiuzhitang	28,111,837.60	36,200,000.00	
Assets of Shuangfeng Yongjitang	3,732,264.91	4,830,000.00	
Assets of Sihong Shidai Medicine and Sihong Yifeng Jizhou Pharmacy	79,081,470.13	87,000,000.00	
Assets of Hunan Sinopharm Holdings Jiajiakang Pharmacy	19,592,189.26	20,600,000.00	
Assets of Xinbaikang Pharmacy	55,703,052.78	57,000,000.00	
Asset group portfolios of Taizhou Yifeng, Xinghua Yishantang, Taizhou Baixingren and Jiangsu Yishu Medicine	118,345,458.20	201,000,000.00	
Yifeng Luoshi Xiehe and	50,661,755.44	52,200,000.00	

Items	Carrying amount of asset groups or asset group portfolios which include goodwill	Recoverable amount	Provision for impairment
Yongzhou Daoxian Renrenkang Pharmacy			
Yueyang Yifeng	16,119,804.37	29,500,000.00	
Assets of Suqian Jiahe Medicine	40,448,874.82	41,600,000.00	
Assets of Changsha Qingyuantang Pharmacy	12,232,130.02	24,400,000.00	
Assets of Suqian Dasheng Medicine	8,340,648.77	21,300,000.00	
Assets of Changsha Tailai Senyantang Pharmacy	10,739,554.04	32,300,000.00	
Jiuzhou Medicine and Jiuzhou Pharmacy	340,503,046.50	663,000,000.00	
Assets of Zhuzhou Zhengxiang Pharmacy	23,637,937.97	33,800,000.00	
Shaoguan Xiangqin	182,315,184.93	186,000,000.00	
Huai'an Jisheng	84,731,153.75	91,000,000.00	
Jiangsu Shimin	242,831,203.39	249,000,000.00	
Asset group portfolios of Jiangxi Tianshun and Xinyu Baihuikang	157,236,364.34	165,000,000.00	
Assets of Guangyun Kangsheng Pharmacy	12,346,550.48	17,500,000.00	
Rudong Yifeng	42,122,712.88	128,000,000.00	
Asset groups of Miluo Tianheng	101,998,090.17	129,000,000.00	
Assets of Nantong Zhongzhichen Pharmacy	19,701,747.35	59,000,000.00	
Yuehai Yongxitang	45,438,513.82	94,000,000.00	
Longshuntang	52,308,403.83	53,800,000.00	
Baicaotang	106,640,013.12	213,000,000.00	
Asset groups of Xinkang Jianmin	197,298,858.47	253,000,000.00	
Xuzhou Enqi	39,081,174.58	194,000,000.00	
Asset groups of Anlu Yifeng	278,833,534.22	470,000,000.00	
Assets of Jiangxi Caisen	35,908,198.17	41,400,000.00	
Shanghai Buyi	24,621,988.15	25,100,000.00	
Putuo Yifeng	15,327,434.96	15,600,000.00	
Asset groups of Xinxing Chain	2,190,001,317.58	2,523,000,000.00	

Items	Carrying amount of asset groups or asset group portfolios which include goodwill	Recoverable amount	Provision for impairment
Shanghai Shanghong	248,560,723.17	253,000,000.00	
Assets of Wuzhou Pharmacy	24,015,193.78	50,500,000.00	
Jiuzhitang Medicine	324,424,685.42	352,000,000.00	
Items	6,389,334,269.82	8,781,230,000.00	

(Continued)

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
Jiyangtang	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.19% to 8.47%; the gross margin is expected to range from 34.15% to 34.25%; and the period expense rate is expected to range from 24.17% to 24.81%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 34.25%; and the period expense rate is expected to be 24.27%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Hengyang Dazhong Health Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.00% to 11.61%; the gross margin is expected to range from 28.21% to 28.21%; and the period expense rate is expected to range from 18.68% to 18.81%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 28.21%; and the period expense rate is expected to be 18.71%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Jianhu Renmin Pharmacy and Jianhu Yuanshengtang Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.00% to 10.35%; the gross margin is expected to range from 34.25% to 34.25%; and the period expense rate is expected to range from 24.46% to 24.57%, which are determined by the	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 34.25%; and the period expense rate is expected to be 24.50%. The Company is expected to achieve a stable operating status by 2028.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		Company based on business performance in previous years and expectations for the future development of the market industry.	Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	
Jinzhou Pukang	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from -0.45% to 3.14%; the gross margin is expected to range from 37.77% to 37.78%; and the period expense rate is expected to range from 24.99% to 25.20%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 37.77%; and the period expense rate is expected to be 25.14%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Jiankangren	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.18% to 8.91%; the gross margin is expected to range from 39.51% to 39.59%; and the period expense rate is expected to range from 30.22% to 30.88%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 39.59%; and the period expense rate is expected to be 30.31%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Lichuan Tong'an	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 0.76% to 3.00%; the gross margin is expected to range from 40.57% to 40.57%; and the period expense rate is expected to range from 32.30% to 32.53%, which are determined by the Company based on business performance in previous years and expectations for the future	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 40.57%; and the period expense rate is expected to be 32.53%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		development of the market industry.	future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	
Pingjiang Yifeng	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.21% to 4.05%; the gross margin is expected to range from 38.12% to 38.20%; and the period expense rate is expected to range from 30.61% to 31.22%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 38.20%; and the period expense rate is expected to be 30.71%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Qidong Guoda Health Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.00% to 4.59%; the gross margin is expected to range from 34.85% to 34.85%; and the period expense rate is expected to range from 23.71% to 23.92%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 34.85%; and the period expense rate is expected to be 23.80%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Macheng Yifeng	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.17% to 9.69%; the gross margin is expected to range from 39.83% to 39.87%; and the period expense rate is expected to range from 31.25% to 32.49%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 39.83%; and the period expense rate is expected to be 31.40%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.



Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
Asset groups of Dongtai Yifeng	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.29% to 6.79%; the gross margin is expected to range from 33.43% to 33.86%; and the period expense rate is expected to range from 23.93% to 24.80%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 33.86%; and the period expense rate is expected to be 24.01%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Aierkang	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.02% to 9.26%; the gross margin is expected to range from 37.21% to 37.23%; and the period expense rate is expected to range from 24.92% to 25.08%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 37.23%; and the period expense rate is expected to be 25.08%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Kaixin Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 2.76% to 3.00%; the gross margin is expected to range from 32.89% to 32.90%; and the period expense rate is expected to range from 23.73% to 23.87%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 32.90%; and the period expense rate is expected to be 23.74%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Wuhan Houdetang	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.00% to 4.96%; the gross margin is	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to	13.90%; the weighted average cost of capital (WACC) is

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		expected to range from 34.60% to 34.60%; and the period expense rate is expected to range from 21.19% to 21.32%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	be 34.60%; and the period expense rate is expected to be 21.32%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	determined based on the cost of equity capital and the cost of debt.
Wuhan Longtai	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.02% to 7.85%; the gross margin is expected to range from 32.95% to 33.04%; and the period expense rate is expected to range from 21.96% to 22.09%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 32.95%; and the period expense rate is expected to be 21.96%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Nanjing Yifeng	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.02% to 10.13%; the gross margin is expected to range from 34.45% to 34.46%; and the period expense rate is expected to range from 26.95% to 27.07%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 34.45%; and the period expense rate is expected to be 27.07%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Xiaogan Tiansheng	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.00% to 16.25%; the gross margin is expected to range from 26.36% to 26.36%; and the period expense rate is expected to range from 19.41% to	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 26.36%; and the period expense rate is expected to be 19.50%. The Company is expected to achieve a	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		19.62%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	debt.
Assets of Suqian Jiujiu Medicine Supermarket	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from -3.16% to 2.96%; the gross margin is expected to range from 35.51% to 35.51%; and the period expense rate is expected to range from 25.59% to 25.78%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 35.51%; and the period expense rate is expected to be 25.71%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Guangfutang	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.00% to 6.70%; the gross margin is expected to range from 36.08% to 36.08%; and the period expense rate is expected to range from 24.52% to 24.95%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 36.08%; and the period expense rate is expected to be 24.64%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets group portfolios of Guangshengtang, Jingzhou Shashi Xinlianxin Pharmacy, Hubei Zhongjie Medicine and Jianli Tongze Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.19% to 14.97%; the gross margin is expected to range from 34.17% to 34.20%; and the period expense rate is expected to range from 24.42% to 25.03%, which are determined by the Company based on business performance in previous years and	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 34.17%; and the period expense rate is expected to be 24.53%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		expectations for the future development of the market industry.	period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	
Assets of Huarong Yikang Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from -2.25% to 3.02%; the gross margin is expected to range from 36.59% to 36.63%; and the period expense rate is expected to range from 21.52% to 21.68%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 36.63%; and the period expense rate is expected to be 21.68%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Yangpu Yifeng	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 1.46% to 4.94%; the gross margin is expected to range from 32.69% to 32.70%; and the period expense rate is expected to range from 22.39% to 23.28%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 32.70%; and the period expense rate is expected to be 22.40%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Liuyang Tianshun Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from -1.59% to 3.03%; the gross margin is expected to range from 39.11% to 39.17%; and the period expense rate is expected to range from 24.44% to 24.65%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 39.17%; and the period expense rate is expected to be 24.58%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
			maintain a stable level of cash earnings.	
Rudong Yifeng Bencao	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.05% to 3.33%; the gross margin is expected to range from 37.08% to 37.10%; and the period expense rate is expected to range from 26.97% to 27.21%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 37.10%; and the period expense rate is expected to be 27.00%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Nanxian Shijikang Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.00% to 4.29%; the gross margin is expected to range from 41.30% to 41.30%; and the period expense rate is expected to range from 26.54% to 26.72%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 41.30%; and the period expense rate is expected to be 26.72%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Suzhou Yuehai and Xinqunzhong Clinic	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 0.64% to 4.77%; the gross margin is expected to range from 24.40% to 24.58%; and the period expense rate is expected to range from 12.01% to 12.20%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 24.40%; and the period expense rate is expected to be 12.01%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%, 13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Ningxiang Jiuzhitang	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from	During the stable period, the sales revenue growth rate is expected to be	13.90%; the weighted average cost of capital

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		-0.73% to 3.07%; the gross margin is expected to range from 34.38% to 35.49%; and the period expense rate is expected to range from 22.08% to 22.26%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	2.00%; the gross margin is expected to be 35.49%; and the period expense rate is expected to be 22.26%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	(WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Shuangfeng Yongjitang	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from -4.15% to 3.00%; the gross margin is expected to range from 31.65% to 31.65%; and the period expense rate is expected to range from 23.55% to 23.77%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 31.65%; and the period expense rate is expected to be 23.69%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Sihong Shidai Medicine and Sihong Yifeng Jizhou Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.24% to 4.17%; the gross margin is expected to range from 38.38% to 38.53%; and the period expense rate is expected to range from 31.17% to 32.03%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 38.53%; and the period expense rate is expected to be 31.23%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Hunan Sinopharm Holdings Jiajiakang Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from -0.10% to 3.00%; the gross margin is expected to range from 43.30% to 43.30%; and the period expense rate	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 43.30%; and the period expense rate is expected to be 31.87%. The	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		is expected to range from 31.72% to 31.97%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	capital and the cost of debt.
Assets of Xinbaikang Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 4.86% to 9.71%; the gross margin is expected to range from 42.24% to 43.90%; and the period expense rate is expected to range from 28.02% to 31.66%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 43.82%; and the period expense rate is expected to be 28.02%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Asset group portfolios of Taizhou Yifeng, Xinghua Yishantang, Taizhou Baixingren and Jiangsu Yishu Medicine	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.20% to 4.12%; the gross margin is expected to range from 37.26% to 37.50%; and the period expense rate is expected to range from 28.33% to 28.81%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 37.50%; and the period expense rate is expected to be 28.40%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Yifeng Luoshi Xiehe and Yongzhou Daoxian Renrenkang Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.00% to 5.00%; the gross margin is expected to range from 40.66% to 40.85%; and the period expense rate is expected to range from 32.28% to 33.64%, which are determined by the Company based on business	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 40.84%; and the period expense rate is expected to be 32.42%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		performance in previous years and expectations for the future development of the market industry.	the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	
Yueyang Yifeng	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.26% to 4.57%; the gross margin is expected to range from 36.81% to 36.87%; and the period expense rate is expected to range from 28.73% to 29.31%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 36.87%; and the period expense rate is expected to be 28.84%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Suqian Jiahe Medicine	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from -0.88% to 3.00%; the gross margin is expected to range from 22.94% to 22.94%; and the period expense rate is expected to range from 18.05% to 18.19%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 22.94%; and the period expense rate is expected to be 18.19%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Changsha Qingyuantang Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 1.91% to 3.00%; the gross margin is expected to range from 36.10% to 36.10%; and the period expense rate is expected to range from 26.71% to 26.92%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 36.10%; and the period expense rate is expected to be 26.92%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.



Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
			Company's business performance will maintain a stable level of cash earnings.	
Assets of Suqian Dasheng Medicine	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from -1.90% to 3.00%; the gross margin is expected to range from 32.72% to 32.72%; and the period expense rate is expected to range from 24.08% to 24.27%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 32.72%; and the period expense rate is expected to be 24.16%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Changsha Tailai Senyantang Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.00% to 5.80%; the gross margin is expected to range from 36.72% to 36.74%; and the period expense rate is expected to range from 24.27% to 24.48%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 36.74%; and the period expense rate is expected to be 24.48%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Jiuzhou Medicine and Jiuzhou Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 2.21% to 3.81%; the gross margin is expected to range from 36.41% to 36.47%; and the period expense rate is expected to range from 26.73% to 27.30%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 36.47%; and the period expense rate is expected to be 26.79%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Zhuzhou	5 years	From 2024 to 2028, the sales revenue	During the stable period, the sales	13.90%; the weighted

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
Zhengxiang Pharmacy		growth rate is expected to range from -0.74% to 3.00%; the gross margin is expected to range from 33.07% to 33.07%; and the period expense rate is expected to range from 23.18% to 23.34%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	revenue growth rate is expected to be 2.00%; the gross margin is expected to be 33.07%; and the period expense rate is expected to be 23.34%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Shaoguan Xiangqin	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.12% to 5.19%; the gross margin is expected to range from 37.43% to 37.47%; and the period expense rate is expected to range from 31.62% to 32.50%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 37.47%; and the period expense rate is expected to be 31.66%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	14.10%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Huai'an Jisheng	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 2.81% to 4.05%; the gross margin is expected to range from 38.26% to 38.41%; and the period expense rate is expected to range from 30.21% to 31.40%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 38.41%; and the period expense rate is expected to be 30.23%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Jiangsu Shimin	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from -0.76% to 6.91%; the gross margin is expected to range from 34.98% to	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 36.62%; and the period expense rate	13.70%; the weighted average cost of capital (WACC) is determined based on

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		36.62%; and the period expense rate is expected to range from 21.59% to 24.41%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	is expected to be 21.59%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	the cost of equity capital and the cost of debt.
Asset group portfolios of Jiangxi Tianshun and Xinyu Baihuikang	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.33% to 5.53%; the gross margin is expected to range from 37.30% to 37.40%; and the period expense rate is expected to range from 31.83% to 32.98%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 37.34%; and the period expense rate is expected to be 31.86%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	14.00%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Guangyun Kangsheng Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 2.85% to 3.00%; the gross margin is expected to range from 37.11% to 37.11%; and the period expense rate is expected to range from 28.39% to 28.64%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 37.11%; and the period expense rate is expected to be 28.64%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Rudong Yifeng	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.17% to 7.30%; the gross margin is expected to range from 40.23% to 40.32%; and the period expense rate is expected to range from 27.62% to 28.33%, which are determined by the	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 40.32%; and the period expense rate is expected to be 27.62%. The Company is expected to achieve a stable operating status by 2028.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		Company based on business performance in previous years and expectations for the future development of the market industry.	Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	
Asset groups of Miluo Tianheng	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.01% to 4.63%; the gross margin is expected to range from 37.65% to 37.68%; and the period expense rate is expected to range from 27.07% to 27.51%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 37.68%; and the period expense rate is expected to be 27.30%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	14.00%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Nantong Zhongzhichen Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.00% to 7.66%; the gross margin is expected to range from 30.66% to 30.66%; and the period expense rate is expected to range from 19.49% to 19.68%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 30.66%; and the period expense rate is expected to be 19.60%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Yuehai Yongxitang	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.19% to 5.76%; the gross margin is expected to range from 40.69% to 40.71%; and the period expense rate is expected to range from 29.18% to 29.55%, which are determined by the Company based on business performance in previous years and expectations for the future	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 40.69%; and the period expense rate is expected to be 29.37%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		development of the market industry.	future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	
Longshuntang	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from -1.24% to 8.04%; the gross margin is expected to range from 35.83% to 35.88%; and the period expense rate is expected to range from 23.79% to 25.06%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 35.83%; and the period expense rate is expected to be 23.81%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Baicaotang	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 2.93% to 3.11%; the gross margin is expected to range from 36.18% to 36.23%; and the period expense rate is expected to range from 23.81% to 24.33%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 36.23%; and the period expense rate is expected to be 23.86%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Asset groups of Xinkang Jianmin	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.35% to 6.72%; the gross margin is expected to range from 37.03% to 37.18%; and the period expense rate is expected to range from 27.24% to 28.51%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 37.18%; and the period expense rate is expected to be 27.38%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	14.10%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
Xuzhou Enqi	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.07% to 4.01%; the gross margin is expected to range from 38.41% to 38.42%; and the period expense rate is expected to range from 22.36% to 22.58%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 38.42%; and the period expense rate is expected to be 22.45%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Asset groups of Anlu Yifeng	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.36% to 16.93%; the gross margin is expected to range from 36.59% to 37.13%; and the period expense rate is expected to range from 26.62% to 29.83%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 37.13%; and the period expense rate is expected to be 26.70%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	14.00%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Assets of Jiangxi Caisen	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from -8.11% to 3.00%; the gross margin is expected to range from 36.76% to 36.76%; and the period expense rate is expected to range from 24.31% to 24.75%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 36.76%; and the period expense rate is expected to be 24.31%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	14.00%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Shanghai Buyi	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.10% to 13.26%; the gross margin is	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to	13.90%; the weighted average cost of capital (WACC) is

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		expected to range from 39.87% to 39.94%; and the period expense rate is expected to range from 20.99% to 22.67%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	be 39.90%; and the period expense rate is expected to be 20.99%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	determined based on the cost of equity capital and the cost of debt.
Putuo Yifeng	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from -1.20% to 4.91%; the gross margin is expected to range from 34.76% to 34.76%; and the period expense rate is expected to range from 26.11% to 27.46%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 34.76%; and the period expense rate is expected to be 26.11%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Asset groups of Xinxing Chain	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.62% to 7.95%; the gross margin is expected to range from 32.83% to 33.06%; and the period expense rate is expected to range from 23.26% to 24.97%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 33.06%; and the period expense rate is expected to be 23.26%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.70%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Shanghai Shanghong	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.10% to 5.16%; the gross margin is expected to range from 36.80% to 36.82%; and the period expense rate is expected to range from 25.03% to	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 36.81%; and the period expense rate is expected to be 25.03%. The Company is expected to achieve a	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
		25.78%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	debt.
Assets of Wuzhou Pharmacy	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 1.11% to 4.98%; the gross margin is expected to range from 38.70% to 38.71%; and the period expense rate is expected to range from 22.80% to 23.28%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 38.70%; and the period expense rate is expected to be 22.80%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.
Jiuzhitang Medicine	5 years	From 2024 to 2028, the sales revenue growth rate is expected to range from 3.45% to 10.62%; the gross margin is expected to range from 26.90% to 27.00%; and the period expense rate is expected to range from 22.18% to 23.11%, which are determined by the Company based on business performance in previous years and expectations for the future development of the market industry.	During the stable period, the sales revenue growth rate is expected to be 2.00%; the gross margin is expected to be 27.00%; and the period expense rate is expected to be 22.18%. The Company is expected to achieve a stable operating status by 2028. Therefore, the forecast period ends at the end of 2028, followed by a stable period from 2029 onwards into the future perpetuity, during which the Company's business performance will maintain a stable level of cash earnings.	13.90%; the weighted average cost of capital (WACC) is determined based on the cost of equity capital and the cost of debt.

Pursuant to the “Assessment Report on the Recoverable Value of Asset Group Portfolios Involved in the Impairment Test of Goodwill Formed by the Acquisition of Equity and Store Assets Proposed by Yifeng Pharmacy Chain Co., Ltd.” (Dong Zhou Ping Bao Zi [2024] No. 0957) issued by Shanghai Dongzhou Asset Appraisal Co., Ltd. on April 20, 2024, which is engaged by the Company, the recoverable amount of the above-mentioned asset groups or asset group portfolios that include goodwill is higher than their carrying amount, which suggests that the Company's goodwill is not impaired.



Reasons for the significant inconsistencies between aforementioned information and information used in previous impairment tests or external information

Applicable  Not Applicable

Reasons for the significant inconsistencies between information used in previous impairment tests and actual performance

Applicable  Not Applicable

**(5) Completion of performance commitment and its effect on goodwill impairment test**

Performance commitment when goodwill formed and reporting period or previous reporting period within performance commitment periods

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**28. Long-term prepayments**

Applicable  Not Applicable

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Renovation costs	367,847,507.32	234,230,466.91	156,917,118.18	2,467,703.12	442,693,152.93
Store transfer fees	55,593,143.53	25,088,097.53	26,055,446.73	1,671,808.33	52,953,986.00
Total	423,440,650.85	259,318,564.44	182,972,564.91	4,139,511.45	495,647,138.93

Other remarks

None

**29. Deferred tax assets and deferred tax liabilities**

**(1) Deferred tax assets before offset**

Applicable  Not Applicable

Items	Closing balance		December 31, 2022	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	59,127,821.57	14,685,991.11	52,011,383.22	12,978,754.52
Unrealized profit from internal transactions	235,459,783.00	58,864,945.75	160,690,815.60	40,172,703.90
Deductible losses	29,328,308.08	7,332,077.02	26,211,434.84	6,552,858.71
Share-based payment fees	23,689,648.30	5,922,412.08	18,230,904.00	4,557,726.00
Lease Liabilities and	4,173,343,988.97	1,043,335,997.25	3,664,638,707.73	916,159,676.94

Items	Closing balance		December 31, 2022	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Advances paid adjustment				
Changes in fair value			22,668,945.40	5,667,236.35
Total	4,520,949,549.92	1,130,141,423.21	3,944,452,190.79	986,088,956.42

**(2) Deferred tax liabilities before offset**

Applicable  Not Applicable

Items	Closing balance		December 31, 2022	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Assets appraisal appreciation due to business combination not under common control	78,478,653.88	19,619,663.47	94,841,175.08	23,710,293.77
Changes in fair value	28,555,612.65	7,138,903.16		
Right-of-use assets adjustment	3,965,884,425.82	991,471,106.46	3,433,622,232.34	858,405,558.09
Total	4,072,918,692.35	1,018,229,673.09	3,528,463,407.42	882,115,851.86

**(3) Deferred tax assets or liabilities after offset**

Applicable  Not Applicable

Items	Closing balance		December 31, 2022	
	Deferred tax assets offset by deferred tax liabilities	Deferred tax assets/liabilities after offset	Deferred tax assets offset by deferred tax liabilities	Deferred tax assets/liabilities after offset
Deferred tax assets	991,471,106.46	138,670,316.75	858,405,558.09	127,683,398.33
Deferred tax liabilities	991,471,106.46	26,758,566.63	858,405,558.09	23,710,293.77

**(4) Details of unrecognized deferred tax assets**

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Deductible temporary difference	2,307,197.66	2,299,554.25
Deductible losses	265,106,483.95	209,786,601.13
Total	267,413,681.61	212,086,155.38

**(5) Maturity years of deductible losses of unrecognized deferred tax assets**

Applicable  Not Applicable

Maturity years	Closing balance	December 31, 2022	Remarks
Year 2023		6,213,160.33	
Year 2024	6,777,279.41	15,681,868.13	

Maturity years	Closing balance	December 31, 2022	Remarks
Year 2025	15,268,901.76	16,284,165.83	
Year 2026	66,990,035.41	69,925,034.79	
Year 2027	99,245,366.98	101,682,372.05	
Year 2028	76,824,900.39		
Total	265,106,483.95	209,786,601.13	

Other remarks

Applicable  Not Applicable

### 30. Other non-current assets

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Prepayments for Deposit of equity transfer and Store acquisition	18,650,000.00	4,015,070.00
Prepayments for long-term assets	11,619,025.79	3,215,428.45
Total	30,269,025.79	7,230,498.45

Other remarks

None

### 31. Assets with title or use right restrictions

Applicable  Not Applicable

Items	Closing book balance	Closing carrying amount	Type of restrictions	Reasons for restrictions
Cash and bank balances	1,097,325,599.21	1,097,325,599.21		
Including: Principal of deposits for acceptance bills and its interest	1,096,521,187.18	1,096,521,187.18	Deposit for acceptance bills	Deposits
Deposits for government platforms	30,283.77	30,283.77	Deposit for government platforms	Deposits
Cash in bank	774,128.26	774,128.26	Judicial frozen funds	Judicial frozen funds
Debt investments	102,729,722.22	102,729,722.22	Pledged certificate of deposits	Pledged and frozen
Total	1,200,055,321.43	1,200,055,321.43		

(Continued)

Items	Opening book balance	Opening carrying amount	Type of restrictions	Reasons for restrictions
Cash and bank balances	1,194,319,556.21	1,194,319,556.21		
Including: Principal of deposits for acceptance bills	1,194,319,556.21	1,194,319,556.21	Deposits for acceptance bills	Deposits
Total	1,194,319,556.21	1,194,319,556.21		

Other remarks

None

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**32. Short-term borrowings****(1) Categories of short-term borrowings**

Applicable  Not Applicable

**(2) Overdue short-term borrowings**

Applicable  Not Applicable

Significant overdue short-term borrowings

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**33. Held-for-trading financial liabilities**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**34. Derivative financial liabilities**

Applicable  Not Applicable

**35. Notes payable****(1) Details**

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Trade acceptance		
Bank acceptance	6,215,388,292.66	5,082,931,546.02
Total	6,215,388,292.66	5,082,931,546.02

Notes payable due but unpaid totaled 0 yuan in the current period

**36. Accounts payable****(1) Details**

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Payment for goods	1,955,564,568.05	1,677,740,647.28
Total	1,955,564,568.05	1,677,740,647.28

**(2) Significant accounts payable with age over one year**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

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**37. Advances received****(1) Details** Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Rent charge	15,959,550.59	6,078,020.28
Total	15,959,550.59	6,078,020.28

**(2) Significant advances received overdue or with age over one year** Applicable  Not Applicable**(3) Reasons for significant changes in carrying amount of advances received in the current period** Applicable  Not Applicable

Other remarks

 Applicable  Not Applicable**38. Contract liabilities****(1) Details** Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Payment for goods	80,166,931.03	60,685,079.13
Total	80,166,931.03	60,685,079.13

**(2) Significant contract liabilities with age over one year** Applicable  Not Applicable**(3) Reasons for significant changes in the carrying amount of contract liabilities in the current period** Applicable  Not Applicable

Other remarks

 Applicable  Not Applicable**39. Employee benefits payable****(1) Details** Applicable  Not Applicable

Items	Opening balance	Increase	Business combination	Decrease	Closing balance
Short-term employee benefits	502,091,494.84	3,327,971,439.38	19,313.98	3,368,974,032.36	461,108,215.84
Post-employment benefits - defined contribution plan	3,120,018.46	283,502,661.25		283,997,285.55	2,625,394.16
Termination benefits		2,716,156.41		2,716,156.41	

Items	Opening balance	Increase	Business combination	Decrease	Closing balance
Total	505,211,513.30	3,614,190,257.04	19,313.98	3,655,687,474.32	463,733,610.00

## (2) Details of short-term employee benefits

Applicable  Not Applicable

Items	Opening balance	Increase	Business combination	Decrease	Closing balance
Wage, bonus, allowance and subsidy	494,085,199.12	2,947,962,754.56	19,313.98	2,987,160,551.48	454,906,716.18
Employee welfare fund		146,934,301.04		146,934,301.04	
Social insurance premium	1,639,064.95	165,448,158.61		165,543,969.70	1,543,253.86
Including: Medicare premium	1,488,209.81	151,840,517.30		151,940,783.92	1,387,943.19
Occupational injuries premium	24,409.91	7,590,670.71		7,586,276.49	28,804.13
Maternity premium	126,445.23	6,016,970.60		6,016,909.29	126,506.54
Housing provident fund	1,218,211.37	59,090,778.22		59,424,530.27	884,459.32
Trade union fund and employee education fund	5,149,019.40	8,535,446.95		9,910,679.87	3,773,786.48
Short-term paid leave					
Short-term profit sharing plan					
Subtotal	502,091,494.84	3,327,971,439.38	19,313.98	3,368,974,032.36	461,108,215.84

## (3) Details of defined contribution plan

Applicable  Not Applicable

Items	Opening balance	Increase	Business combination	Decrease	Closing balance
Basic endowment insurance premium	3,008,715.33	272,603,610.19		273,097,153.23	2,515,172.29
Unemployment insurance premium	111,303.13	10,899,051.06		10,900,132.32	110,221.87
Company annuity payment					
Subtotal	3,120,018.46	283,502,661.25		283,997,285.55	2,625,394.16

Other remarks

Applicable  Not Applicable

## 40. Taxes and rates payable

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
VAT	69,779,575.85	74,241,847.97
Enterprise income tax	165,759,933.41	176,872,984.12
Individual income tax withheld for tax authorities	11,382,301.79	17,702,027.25
Urban maintenance and construction tax	4,965,948.37	5,701,728.68
Stamp duty	5,419,343.01	2,588,532.43

Items	Closing balance	December 31, 2022
Housing property tax	920,459.64	882,378.65
Land use tax	1,171,426.83	1,171,212.38
Education surcharge	2,208,795.49	2,506,587.86
Local education surcharge	1,337,860.38	1,555,132.90
Others	142,508.80	205,160.89
Total	263,088,153.57	283,427,593.13

Other remarks

None

#### 41. Other payables

##### (1) Details

Applicable  Not Applicable

Itemns	Closing balance	December 31, 2022
Dividend payable	296,927.48	7,707,033.01
Other payables	810,149,750.80	752,478,266.35
Total	810,446,678.28	760,185,299.36

Other remarks

Applicable  Not Applicable

##### (2) Interest payable

Details

Applicable  Not Applicable

Significant interest payable overdue but unpaid

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

##### (3) Dividend payable

Details

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Dividend payable - Xinyu Xianglian Pharmaceutical Enterprise Management Center (LP)		7,707,033.01
Dividend payable - Guo Hongwu	296,927.48	
Subtotal	296,927.48	7,707,033.01

Other remarks, including significant dividend payable with age over one year

None

#### (4) Other payables

Details

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Security deposits and quality guarantee deposits	109,763,535.31	92,653,750.96
Payments for equipment and construction	37,825,417.59	66,015,404.83
Payments for equity transfer and store acquisition	221,460,641.53	256,908,249.80
Repurchase obligation of restricted shares	42,161,726.90	78,022,427.47
House rental fees	64,754,297.97	10,484,218.90
Temporary receipts payable	12,239,913.96	64,232,999.54
Expenses to be paid	46,225,919.25	78,563,606.23
Others	275,718,298.29	105,597,608.62
Subtotal	810,149,750.80	752,478,266.35

Significant other payables with age over one year

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

#### 42. Liabilities held for sale

Applicable  Not Applicable

#### 43. Non-current liabilities due within one year

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Long-term borrowings due within one year	103,484,354.30	92,923,245.47
Bonds payable due within one year		
Long-term payables due within one year		
Lease liabilities due within one year	1,354,982,443.44	1,184,876,580.03
Total	1,458,466,797.74	1,277,799,825.50

Other remarks

None

#### 44. Other current liabilities

Details

Applicable  Not Applicable



Items	Closing balance	December 31, 2022
Short-term bonds payable		
Payables for returned goods		
Output VAT to be recognized	6,656,678.33	5,215,576.73
Total	6,656,678.33	5,215,576.73

Current period movements

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

#### 45. Long-term borrowings

##### (1) Categories of long-term borrowings

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Pledged borrowings	133,617,147.68	228,668,070.87
Mortgaged borrowings		
Guaranteed borrowings		
Credit borrowings		
Total	133,617,147.68	228,668,070.87

Remarks on categories of long-term borrowings:

None

##### (2) Analysis of long-term borrowings maturity dates

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Due on demand or within one year	103,337,093.40	92,783,893.40
1-2 years	73,429,093.40	94,913,093.40
2-5 years	36,000,000.00	85,429,093.40
Over 5 years	24,000,000.00	48,000,000.00
Interest	335,315.18	465,236.14
Subtotal	237,101,501.98	321,591,316.34
Including: Long-term borrowings due within one year	103,484,354.30	92,923,245.47
Long-term borrowings due more than one year	133,617,147.68	228,668,070.87

In 2018, the Company borrowed 784,000,000.00 yuan from China Merchants Bank Co., Ltd. Changsha Branch with a term of 7 years, pledging 91% of its equity in Xinxing Pharmacy as guarantee. The closing balance of the principal is 122,858,186.80 yuan and the interest rate is

4.99%, which was reduced from 5.29% on August 10, 2022. In 2021, the Company borrowed 42,120,000.00 yuan from China Merchants Bank Co., Ltd. Changsha Branch with a term of 3 years, pledging 65% of equity in Jiangxi Jianmin held by Jiangxi Yifeng Pharmacy Chain Co., Ltd. (the “Jiangxi Yifeng”) for guarantee. The closing balance of the principal is 37,908,000.00 yuan and the interest rate is 4.29%. On August 29, 2022, the Company borrowed 80,000,000.00 yuan from China Construction Bank Corporation Changde Branch with a term of 7 years, pledging 51% of its equity in Jiuzhitang Medicine as guarantee. The closing balance of the principal is 76,000,000.00 yuan and the interest rate is 4.15%.

#### 46. Bonds payable

##### (1) Bonds payable

Applicable  Not Applicable

##### (2) Current period movements (not including other financial instruments such as preferred shares/perpetual bonds classified as financial liabilities)

Applicable  Not Applicable

##### (3) Remarks on convertible bonds

Applicable  Not Applicable

Accounting treatment and judgement basis of convertible bonds

Applicable  Not Applicable

##### (4) Other financial instruments classified as financial liabilities

Basic information of other financial instruments such as preferred shares or perpetual bonds outstanding at the balance sheet date

Applicable  Not Applicable

Current period movements of financial instruments such as preferred shares or perpetual bonds outstanding at the balance sheet date

Applicable  Not Applicable

Other remarks on financial instruments classified as financial liabilities

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

#### 47. Lease liabilities

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Unpaid lease payments	2,295,870,058.36	2,093,005,671.94

Items	Closing balance	December 31, 2022
Unrecognized financing expenses	90,359,746.56	141,929,268.75
Total	2,205,510,311.80	1,951,076,403.19

Other remarks

None

#### 48. Long-term payables

##### Details

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

##### Long-term payables

###### (1) Categories of long-term payables

Applicable  Not Applicable

##### Special payables

###### (1) Categories of special payables

Applicable  Not Applicable

#### 49. Long-term employee benefits payable

Applicable  Not Applicable

##### (1) Details

Applicable  Not Applicable

##### (2) Movements in defined benefit plan

Present value of obligations in defined benefit plan

Applicable  Not Applicable

Plan assets

Applicable  Not Applicable

Net defined benefit liability/asset

Applicable  Not Applicable

Contents and risks of defined benefit plan, and effect on amount, timing and uncertainty of future cash flows

Applicable  Not Applicable

Significant actuarial assumption, reasonableness of the assumption and sensitive analysis on defined benefit plan

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

#### 50. Provisions

Applicable  Not Applicable

#### 51. Deferred income

Details

Applicable  Not Applicable

Items	Opening balance	Increase	Business combination	Decrease	Closing balance	Reasons for balance
Government grants	54,666,280.23			592,926.59	54,073,353.64	Government grants
Unrealized gains and losses from leaseback	23,504.40			2,611.60	20,892.80	Finance lease
Total	54,689,784.63			595,538.19	54,094,246.44	

Other remarks

Applicable  Not Applicable

#### 52. Other non-current liabilities

Applicable  Not Applicable

#### 53. Share capital

Applicable  Not Applicable

Items	Opening balance	Movements					Closing balance
		Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Total shares	721,704,930	390,015		288,681,972	-197,120	288,874,867	1,010,579,797

Other remarks

Pursuant to the “Plan on Profit Distribution and Conversion of Capital Reserve to Share Capital of 2022” deliberated and approved by the 24<sup>th</sup> meeting of the fourth session of the Board of Directors on April 26, 2023, and the resolution of “Proposal of Plan on Profit Distribution and Conversion of Capital Reserve to Share Capital of 2022” approved by the shareholders’ meeting of 2022 on May 18, 2023, the Company distributed cash dividend of 0.40 yuan (tax inclusive) per share, and increase 0.40 share per share to all shareholders by converting capital reserve, based on the total share capital of 721,704,930 shares before the implementation of the plan. In total, cash dividend of 288,681,972.00 yuan has been distributed, and 288,681,972 shares has been converted. After the implementation of the plan, the share capital was increased by 288,681,972.00 yuan, and the capital reserve (capital premium) was decreased by 288,681,972.00 yuan.

Pursuant to the “Proposal on Repurchase and Cancellation of Part of Restricted Shares”

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deliberated and approved by the 24<sup>th</sup> meeting of the fourth session of the Board of Directors and the 21<sup>st</sup> meeting of the fourth session of the Board of Supervisors on April 26, 2023, the Company was agreed to repurchase and cancel 74,400 shares held by incentive objects who had resigned, been downgraded, or failed to reach performance evaluation standards. Pursuant to the “Proposal on Adjustment of Quantity and Price of Repurchase and Cancellation of Part of Restricted Shares” deliberated and approved by the 27<sup>th</sup> meeting of the fourth session of the Board of Directors and the 23<sup>rd</sup> meeting of the fourth session of the Board of Supervisors on June 29, 2023, the quantity of restricted shares to be repurchased and cancelled was adjusted from 74,400 shares to 104,160 shares, and the price was adjusted from 25.01 yuan per share to 17.58 yuan per share. Pursuant to the “Measures for the Administration of Equity Incentives for Listed Companies” and the “Restricted Share Incentive Plan of Yifeng Pharmacy Chain Co., Ltd. of 2022”, the Company has repurchased and canceled a total of 104,160 restricted shares that had been granted but the unlocking conditions have not yet been met, with share capital decreased by 104,160.00 yuan and capital reserve (share premium) decreased by 1,756,584.00 yuan.

Pursuant to the “Proposal on the Second Repurchase and Cancellation of Part of Restricted Shares in Equity Incentive Plan of 2022” deliberated and approved by the 29<sup>th</sup> meeting of the fourth session of the Board of Directors and the 24<sup>th</sup> meeting of the fourth session of the Board of Supervisors on August 14, 2023, the Company was agreed to repurchase and cancel 92,960 shares held by incentive objects who had resigned or been downgraded. Pursuant to the “Measures for the Administration of Equity Incentives for Listed Companies” and the “Restricted Share Incentive Plan of Yifeng Pharmacy Chain Co., Ltd. of 2022”, the Company has repurchased and canceled a total of 92,960 restricted shares that had been granted but the unlocking conditions have not yet been met, with share capital decreased by 92,960.00 yuan and capital reserve (share premium) decreased by 1,567,704.00 yuan.

Pursuant to the “Proposal on Granting Reserved Equity to the Incentive Objects of Restricted Shares Incentive Plan of 2022” deliberated and approved by the 31<sup>st</sup> meeting of the fourth session of the Board of Directors and the 26<sup>th</sup> meeting of the fourth session of the Board of Supervisors on August 29, 2023, the Company plans to grant 402,165 ordinary shares (A shares), each with par value of one yuan, to a total of 42 incentive objects through targeted issuance, with a grant price of 18.95 yuan per share. Since three incentive objects gave up restricted shares planned to be granted by the Company, the actual number of incentive objects is 39, with a total of 390,015 shares being granted, and registered capital increased by 390,015.00 yuan. As of October 16, 2023, the Company has received a total of 7,390,791.00 yuan from 39 incentive objects, among which, 390,015.00 yuan was included in share capital and 7,000,776.00 yuan was included in capital reserve (share premium). The above-mentioned changes in registered capital had been verified by Pan-China Certified Public Accountants LLP, and a Capital Verification Report (PCCPACVR [2023] 2-31) was issued thereon.

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#### 54. Other equity instruments

##### (1) Basic information of other financial instruments such as preferred shares or perpetual bonds outstanding as of the balance sheet date

Applicable  Not Applicable

##### (2) Current period movements of financial instruments such as preferred shares or perpetual bonds outstanding at the balance sheet date

Applicable  Not Applicable

Information and reasons of Current period movements of financial instruments, accounting treatment and judgement basis

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

#### 55. Capital reserve

Applicable  Not Applicable

Items	Opening balance	Increase	Decrease	Closing balance
Share/capital premium	3,991,354,684.91	17,220,485.92	292,941,800.33	3,715,633,370.50
Other capital reserve	85,345,399.00	41,169,112.30		126,514,511.30
Total	4,076,700,083.91	58,389,598.22	292,941,800.33	3,842,147,881.80

Other remarks, including current period movements and reasons of movement

1) Current increase of share premium: a. 7,000,776.00 yuan was due to grant of restricted shares, please refer to section X(VII) of notes to the financial statements for details; b. 6,435,727.26 yuan was due to the disposal of non-controlling interest of subsidiaries, please refer to section X(X)2 (2)of notes to the financial statements for details; and c. 3,783,982.66 yuan was due to changes in equity (excluding net profit or loss) of the subsidiary Xinxing Pharmacy.

2) Current decrease of share premium: a. 288,681,972.00 yuan was due to conversion of capital reserve to share capital, please refer to section X(VII) of notes to the financial statements for details; b. 3,324,288.00 yuan was due to repurchase of restricted shares, please refer to section X(VII), of notes to the financial statements for details; and c. 935,540.33 yuan was due to acquisition of non-controlling interest of subsidiaries, please refer to section X(X)2(2) of notes to the financial statements for details.

3) Other capital reserve current was increased by 41,169,112.30 yuan due to share-based payment recognized from issuance of restricted shares in the current period.

#### 56. Treasury shares

Applicable  Not Applicable

Items	Opening balance	Increase	Decrease	Closing balance
Restricted shares	77,410,952.00	7,390,791.00	42,563,261.85	42,238,481.15
Total	77,410,952.00	7,390,791.00	42,563,261.85	42,238,481.15

Other remarks, including current period movements and reasons of movement

Current increase of treasury shares was due to recognition of issued restricted share repurchase obligation in the current period, and current decrease of treasury shares was due to the reversal of the unlocked restricted share repurchase obligation recognized before.

### 57. Other comprehensive income (OCI)

Applicable  Not Applicable

Items	Opening balance	Current period cumulative					Closing balance
		Net OCI after tax				Less: OCI previously recognized but transferred to retained earnings in the current period (attributable to parent company after tax)	
		Current period cumulative before income tax	Less: OCI previously recognized but transferred to profit or loss in the current period	Less: Income tax expenses	Attributable to parent company		
Items not to be reclassified subsequently to profit or loss	-17,001,709.05	51,224,558.05		12,806,139.51	38,418,418.54		21,416,709.49
Including: Changes in fair value of other equity instrument investments	-17,001,709.05	51,224,558.05		12,806,139.51	38,418,418.54		21,416,709.49
Total	-17,001,709.05	51,224,558.05		12,806,139.51	38,418,418.54		21,416,709.49

Other remarks, including adjustments of initial recognition amount of hedging items from effective portion of cash flow hedging profits and losses

None

### 58. Special reserve

Applicable  Not Applicable

### 59. Surplus reserve

Applicable  Not Applicable

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	132,066,047.02	66,216,102.98		198,282,150.00
Discretionary surplus reserve				
Reserve fund				
Enterprise development fund				
Others				
Total	132,066,047.02	66,216,102.98		198,282,150.00

Other remarks

Current increase is due the appropriation of surplus reserve at 10% of the net profit generated by the parent company in the current period.

**60. Undistributed profit** Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	3,720,020,128.04	2,693,579,088.57
Add: Increase due to adjustment (or less: decrease)	-2,862,658.05	906,182.14
Opening balance after adjustment	3,717,157,469.99	2,694,485,270.71
Add: Net profit attributable to owners of the parent company	1,411,985,024.41	1,261,841,039.80
Less: Appropriation of statutory surplus reserve	66,216,102.98	23,585,921.52
Dividend payable on ordinary shares	288,681,972.00	215,582,919.00
Closing balance	4,774,244,419.42	3,717,157,469.99

Other remarks

Pursuant to related requirements stipulated in the CASBEs, adjustments of -2,862,658.05 yuan are made on opening balance of undistributed profit on retroactive basis.

**61. Operating revenue/Operating cost****(1) Details of Operating revenue/Operating cost** Applicable  Not Applicable

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	22,077,562,498.66	13,908,901,380.54	19,381,778,677.11	11,964,451,794.17
Other operations	510,664,903.56	48,697,474.20	504,617,158.84	61,112,247.88
Total	22,588,227,402.22	13,957,598,854.74	19,886,395,835.95	12,025,564,042.05

**(2) Breakdown of revenue** Applicable  Not Applicable

Other remarks

 Applicable  Not Applicable**(3) Information related to performance obligations** Applicable  Not Applicable**(4) Transaction price allocated to the remaining performance obligations** Applicable  Not Applicable**(5) Significant changes in contracts or significant adjustments on transaction price** Applicable  Not Applicable

Other remarks

None



**62. Taxes and surcharges**
 Applicable    Not Applicable

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	35,465,407.90	28,306,929.39
Education surcharge	15,674,596.23	12,541,119.79
Stamp duty	17,299,709.05	11,599,135.45
Local education surcharge	10,450,521.34	8,310,156.82
Housing property tax	7,838,151.74	6,792,490.80
Land use tax	2,630,372.52	2,607,832.17
Vehicle and vessel use tax	30,243.57	20,964.25
Others		76,855.08
Total	89,389,002.35	70,255,483.75

Other remarks

None

**63. Selling expenses**
 Applicable    Not Applicable

Items	Current period cumulative	Preceding period comparative
Employee benefits	2,809,254,666.69	2,544,910,435.32
House rent and property fees	1,514,364,484.71	1,336,577,503.80
Advertising promotion and sales service fees	367,224,634.13	342,346,432.05
Amortization of long-term prepayments	181,370,295.07	145,330,103.25
Utility bills	144,656,651.36	122,003,030.69
Freight expenses	126,062,967.65	120,778,550.92
Depreciation and amortization	135,291,410.84	101,280,370.67
Office expenses	76,911,445.10	71,745,221.99
Organization expenses	41,632,349.38	32,489,707.40
Transportation and business travelling expenses	41,539,549.10	29,113,617.40
Others	49,141,705.99	31,697,966.68
Total	5,487,450,160.02	4,878,272,940.17

Other remarks

None

**64. Administrative expenses**
 Applicable    Not Applicable

Items	Current period cumulative	Preceding period comparative
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Items	Current period cumulative	Preceding period comparative
Employee benefits	718,236,117.42	700,113,530.83
Depreciation	71,223,439.11	57,398,130.97
Business entertainment expenses	54,370,528.07	53,748,498.67
Consulting service fees	47,202,303.94	49,681,200.06
Share-based payments	41,169,112.30	23,159,834.00
Amortization of intangible assets	18,550,693.80	10,464,335.57
Amortization of low-value consumables	5,823,383.73	3,358,650.27
Others	5,849,281.11	6,136,479.93
Total	962,424,859.48	904,060,660.30

Other remarks

None

#### 65. R&D expenses

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Amortization of Intangible assets	14,110,402.04	14,650,300.67
Material	13,798,816.73	4,953,504.31
Employee benefits	4,081,993.55	4,360,748.41
Depreciation	1,480,886.21	1,297,043.46
Others	77,886.38	48,042.15
Total	33,549,984.91	25,309,639.00

Other remarks

None

#### 66. Financial expenses

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Interest expense	160,528,586.40	165,208,532.62
Less: Interest income	93,286,397.47	73,208,764.18
Financial institute charges	18,942,414.15	12,812,707.39
Total	86,184,603.08	104,812,475.83

Other remarks

None

#### 67. Other income

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Government grants related to assets	401,359.91	417,913.24
Government grants related to income	43,933,681.43	32,290,672.58
Tax deduction and exemption for small-scale taxpayer	25,856,801.13	9,950,248.55
Refund of handling fees for withholding individual income tax	2,602,921.20	1,202,328.42
VAT deduction and exemption for poverty alleviation personnel and veterans	3,340,149.99	
Total	76,134,913.66	43,861,162.79

Other remarks

None

#### 68. Investment income

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	316,574.96	-11,413.00
Investment income from Other equity instrument investments	17,084,000.00	
Investment income from financial instruments	24,958,558.90	6,953,820.05
Including: Financial assets classified as at fair value through profit or loss	24,958,558.90	6,953,820.05
Investment income from disposal of subsidiaries	13,074.67	-73,684.08
Total	42,372,208.53	6,868,722.97

Other remarks

None

#### 69. Gains on net exposure to hedging risk

Applicable  Not Applicable

#### 70. Gains on changes in fair value

Applicable  Not Applicable

#### 71. Credit impairment loss

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
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Items	Current period cumulative	Preceding period comparative
Bad debts	-4,537,333.68	-10,465,943.08
Total	-4,537,333.68	-10,465,943.08

Other remarks

None

## 72. Assets impairment loss

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Inventory write-down loss	-72,633,545.68	-56,018,740.98
Total	-72,633,545.68	-56,018,740.98

Other remarks

None

## 73. Gains on asset disposal

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of fixed assets	1,460,232.34	2,825,230.77	1,460,232.34
Gains on disposal of Right-of-use assets	40,358,701.38	20,341,910.73	40,358,701.38
Total	41,818,933.72	23,167,141.50	41,818,933.72

Other remarks

None

## 74. Non-operating revenue

Details

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants [Note]	595,167.68	111,747.23	595,167.68
Compensation	1,385,890.73	909,588.31	1,385,890.73
Cash short and over	2,527,261.15	2,534,863.24	2,527,261.15
Exempted payments	1,109,567.13	805,134.58	1,109,567.13
Confiscatory income	1,475,505.71	1,430,741.72	1,475,505.71
Gains on scrapping of fixed assets	1,025,366.12	140,595.52	1,025,366.12
Others	4,586,164.89	6,308,928.27	4,586,164.89
Total	12,704,923.41	12,241,598.87	12,704,923.41

Other remarks

Applicable  Not Applicable

## 75. Non-operating expenditures

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Donation expenditures	6,406,521.25	1,030,307.25	6,406,521.25
Penalty expenditures and overdue fines	937,491.87	2,174,060.37	937,491.87
Compensation expenses	3,132,097.54	4,497,464.89	3,132,097.54
Losses on scrapping of intangible assets	8,759,898.90	6,083,204.66	8,759,898.90
Losses on scrapping of fixed assets	4,991,790.85	4,387,408.50	4,991,790.85
Others	5,668,317.26	2,115,064.12	5,668,317.26
Total	29,896,117.67	20,287,509.79	29,896,117.67

Other remarks

None

## 76. Income tax expenses

### (1) Details

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	477,407,759.56	464,346,001.57
Deferred income tax expenses	-20,744,785.07	-10,285,006.62
Total	456,662,974.49	454,060,994.95

### (2) Reconciliation of accounting profit to income tax expenses

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Profit before tax	2,037,593,919.93	1,877,487,027.13
Income tax expenses based on tax rate applicable to the parent company	509,398,479.98	469,371,756.78
Effect of different tax rate applicable to subsidiaries	-30,197,400.73	-19,171,090.19
Effect of prior income tax reconciliation	882,422.20	-3,435,177.34
Effect of non-taxable income	-141,277,682.11	-89,512,291.03
Effect of non-deductible costs, expenses and losses	99,646,125.92	74,736,164.44
Effect of utilization of deductible losses not previously recognized as deferred tax assets	-3,822,964.31	-1,593,274.92

Items	Current period cumulative	Preceding period comparative
Effect of deductible temporary differences or deductible losses not recognized as deferred tax assets in the current period	22,033,993.54	23,664,907.21
Income tax expenses	456,662,974.49	454,060,994.95

Other remarks

Applicable  Not Applicable

#### 77. Other comprehensive income

Applicable  Not Applicable

Please refer to section VII 56 of notes to the financial statements for details.

#### 78. Notes to items of the consolidated cash flow statement

##### (1) Cash flow related to operating activities

Other cash receipts related to operating activities

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Interest income	89,069,632.14	57,680,036.65
Government grants	44,337,282.43	32,290,672.58
Intercompany balances and others	216,292,968.05	69,919,617.47
Deposits for notes	100,320,828.82	
Total	450,020,711.44	159,890,326.70

Remarks on other cash receipts related to operating activities

None

Other cash payments related to operating activities

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Cash payments related to selling expenses	986,561,162.17	750,174,527.13
Cash payments related to administrative expenses	113,245,496.85	109,566,178.66
Cash payments related to financial expenses	18,942,414.15	12,812,707.39
Deposits for notes		200,868,938.61
Intercompany balances and others	83,455,950.56	81,114,634.22
Total	1,202,205,023.73	1,154,536,986.01

Remarks on other cash payments related to operating activities

None

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**(2) Cash flow related to investing activities**

Significant cash receipts related to investing activities

 Applicable  Not Applicable

Significant cash payments related to investing activities

 Applicable  Not Applicable

Other cash receipts related to investing activities

 Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Redemption of wealth management products and structured deposits	3,660,000,000.00	710,000,000.00
Receipt of interest income on wealth management products and structured deposits	22,480,295.18	9,096,406.63
Total	3,682,480,295.18	719,096,406.63

Remarks on other cash receipts related to investing activities

None

Other cash payments related to investing activities

 Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Payments for acquisition of wealth management products and structured deposits	5,388,100,000.00	610,000,000.00
Prepaid payments for equity transfer and store acquisition	15,650,000.00	4,015,070.00
Total	5,403,750,000.00	614,015,070.00

Remarks on other cash payments related to investing activities

None

**(3) Cash flow related to financing activities**

Other cash receipts related to financing activities

 Applicable  Not Applicable

Other cash payments related to financing activities

 Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Payments for issuance costs of convertible bonds	1,230,000.00	
Payments for interest arising from repurchase of equity incentive	45,677.44	129,873.11

Items	Current period cumulative	Preceding period comparative
Repurchase of restricted shares	3,521,408.00	2,850,265.60
Payments for house rent	1,602,759,502.03	1,351,559,819.89
Payments for acquisition of non-controlling interest	1,400,000.00	10,230,000.00
Total	1,608,956,587.47	1,364,769,958.60

Remarks on other cash payments related to financing activities

None

Changes in liabilities related to financing activities

Applicable  Not Applicable

Items	Opening balance	Increase		Decrease		Closing balance
		Changes in cash	Changes in non-cash	Changes in cash	Changes in non-cash	
Long-term borrowings (including long-term borrowings due within one year)	321,591,316.34		335,315.18	84,825,129.54		237,101,501.98
Lease liabilities (lease liabilities due within one year)	3,135,952,983.22		2,027,299,274.05	1,602,759,502.03		3,560,492,755.24
Subtotal	3,457,544,299.56		2,027,634,589.23	1,687,584,631.57		3,797,594,257.22

#### (4) Presentation of cash flows on a net basis

Applicable  Not Applicable

#### (5) Significant activities not involving cash receipts and payments

Applicable  Not Applicable

### 79. Supplementary information to the cash flow statement

#### (1) Supplementary information to the cash flow statement

Applicable  Not Applicable

Supplementary information	Current period cumulative	Preceding period comparative
<b>(1) Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	1,580,930,945.44	1,423,426,032.18
Add: Provision for assets impairment	77,170,879.36	66,484,684.06
Depreciation of fixed assets, oil and gas assets, productive biological assets	185,915,002.19	159,652,438.40
Depreciation of right-of-use assets	1,430,310,433.50	1,254,123,985.22
Amortization of intangible assets	32,592,861.43	27,324,571.55
Amortization of long-term prepayments	182,972,564.91	145,378,461.51
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	-41,818,933.72	-23,167,141.50
Fixed assets retirement loss (Less: gains)	12,726,323.63	10,330,017.64
Losses on changes in fair value (Less: gains)		



Supplementary information	Current period cumulative	Preceding period comparative
Financial expenses (Less: gains)	160,528,586.40	165,208,532.62
Investment losses (Less: gains)	-42,372,208.53	-6,868,722.97
Decrease of deferred tax assets (Less: increase)	-16,654,154.77	-13,495,711.37
Increase of deferred tax liabilities (Less: decrease)	-4,090,630.30	21,547,597.76
Decrease of inventories (Less: increase)	-261,544,910.25	-459,394,401.53
Decrease of operating receivables (Less: increase)	-258,276,649.06	-1,013,307,787.54
Increase of operating payables (Less: decrease)	1,542,951,573.07	2,139,864,914.12
Others	42,399,112.30	23,159,834.00
Net cash flows from operating activities	4,623,740,795.60	3,920,267,304.15
<b>(2) Significant investing and financing activities not related to cash receipts and payments:</b>		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets leased in under finance leases		
<b>(3) Net changes in cash and cash equivalents:</b>		
Cash at the end of the period	2,468,580,139.60	2,918,199,648.45
Less: Cash at the beginning of the period	2,918,199,648.45	1,927,200,486.57
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	-449,619,508.85	990,999,161.88

**(2) Net cash payments for the acquisition of subsidiaries**

Applicable  Not Applicable

**(3) Net cash receipt for the disposal of subsidiaries**

Applicable  Not Applicable

**(4) Composition of cash and cash equivalents**

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
1) Cash	2,468,580,139.60	2,918,199,648.45
Including: Cash on hand	232,721.88	294,708.93
Cash in bank on demand for payment	2,468,347,417.72	2,917,904,939.52
Other cash and bank balances on demand for payment		
2) Cash equivalents		
Including: Bond investments maturing within three months		

Items	Closing balance	December 31, 2022
3) Cash and cash equivalents at the end of the period	2,468,580,139.60	2,918,199,648.45
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

**(5) Cash and cash equivalents with use restrictions**

Applicable  Not Applicable

Items	Closing balance	Reasons for use restrictions and for considered as cash and cash equivalents cash and cash equivalents
Cash and bank balances	6,188,730.80	Raised Funds
Subtotal	6,188,730.80	

**(6) Cash and bank balances not considered as cash and cash equivalents**

Applicable  Not Applicable

Items	Closing balance	December 31, 2022	Reasons for not considered as cash and cash equivalents
Cash and bank balances	1,097,325,599.21	1,194,319,556.21	Deposits and judicial frozen funds
Subtotal	1,097,325,599.21	1,194,319,556.21	

Other remarks

Applicable  Not Applicable

**80. Notes to items of the consolidated statement of changes in equity**

Remarks on other items of closing balance of previous year and changes in equity

Applicable  Not Applicable

**81. Monetary items in foreign currencies**

**(1) Monetary items in foreign currencies**

Applicable  Not Applicable

**(2) Remarks on foreign operations, including significant foreign operating entities, main operating place, functional currencies, basis for selection of functional currencies**

Applicable  Not Applicable

**82. Leases**

**(1) The Company as lessee**

Applicable  Not Applicable

1) Please refer to section VII 25 of notes to the financial statements for details on right-of-use assets.

2) Please refer to section V 38 of notes to the financial statements for details on the Company's accounting policies on short-term leases and leases for which the underlying asset is of low value. The amounts of short-term leases and low-value asset leases included into profit or loss are 0

yuan:

3) Profit or loss and cash flows related to leases

Items	Current period cumulative	Preceding period comparative
Interest expenses on lease liabilities	134,822,305.16	137,226,599.48
Income from subleasing right-of-use assets	29,620,319.17	27,705,895.25
Total cash outflows related to leases	1,602,159,315.01	1,351,559,819.89
Gains or losses arising from sale and leaseback transactions	5,700.00	2,611.60

4) Please refer to section XII of notes to the financial statements for details on maturity analysis of lease liabilities and related liquidity risk management.

Variable lease payments included in profit or loss but not included in the measurement of lease liabilities

Applicable  Not Applicable

Rent expenses on short-term leases and low-value asset leases

Applicable  Not Applicable

Sale and leaseback transactions and judgement basis

Applicable  Not Applicable

The total amounts of cash payment related to lease are 1,602,159,315.01 yuan.

**(2) The Company as lessor**

Operating lease

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Lease income	29,871,070.50	27,705,895.25

Finance lease

Applicable  Not Applicable

Reconciliation of undiscounted lease payments to net investment in the lease

Applicable  Not Applicable

Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

Applicable  Not Applicable

Remaining years	Closing balance	December 31, 2022
Within 1 year	275,625.00	262,500.00
1-2 years	275,625.00	275,625.00

Remaining years	Closing balance	December 31, 2022
2-3 years	45,937.50	275,625.00
3-4 years		45,937.50
4-5 years		
Total	597,187.50	859,687.50

**(3) Recognition of profits and losses from finance lease sales as a manufacturer or dealer**

Applicable  Not Applicable

Other remarks

None

**83. Others**

Applicable  Not Applicable

**VIII. R&D costs**

**(1) R&D costs**

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Amortization of intangible assets	14,110,402.04	14,650,300.67
Direct materials	13,798,816.73	4,953,504.31
Employee benefits	37,275,207.95	39,856,302.96
Depreciation	1,480,886.21	1,297,043.46
Others	77,886.38	48,042.15
Total	66,743,199.31	60,805,193.55
Including: R&D costs to be expensed	33,549,984.91	25,309,639.00
R&D costs to be capitalized	33,193,214.40	35,495,554.55

Other remarks

None

**(2) Development expenditures**

Applicable  Not Applicable

Items	Opening balance	Increase		Decrease		Closing balance
		Internal development expenditures	Others	Recognized as intangible assets	Transferred out into profit or loss	
Construction of O2O Healthcare Cloud Service Platform	7,251,672.96	33,193,214.40		32,154,430.52	4,793,758.20	3,496,698.64
Total	7,251,672.96	33,193,214.40		32,154,430.52	4,793,758.20	3,496,698.64

Capitalization of important R&D projects

Applicable  Not Applicable

Impairment of development expenditures

Applicable  Not Applicable

Other remarks

None

**(3) Important outsourced R&D projects in progress**

Applicable  Not Applicable

**IX. Changes in the consolidation scope**

**1. Business combination not under common control**

Applicable  Not Applicable

**(1) Business combination not under common control in the current period**

Applicable  Not Applicable

Acquirees	Equity acquisition date	Equity acquisition cost	Proportion of equity acquired (%)	Equity acquisition method	Acquisition date
Tangshan Xinxing Deshengtang	March, 2023	113,000,000.00	100.00	Equity Transfer	March, 2023
Qinhuangdao Xinxing Minle	March, 2023	63,000,000.00	70.00	Equity Transfer	March, 2023
Handan Xinxing Baixinkang	August, 2023	23,344,000.00	80.00	Equity Transfer	August, 2023
Shijiazhuang Yingqi Medical Service	September, 2023	1,400,000.00	70.00	Equity Transfer	September, 2023
Handan Xinxing Huakang	December, 2023	52,500,000.00	70.00	Equity Transfer	December, 2023
Langfang Xinxing Dekunyuan	December, 2023	27,192,000.00	80.00	Equity Transfer	December, 2023
Chengde Xinxing Xinyu	December, 2023	23,100,000.00	70.00	Equity Transfer	December, 2023
Suzhou Xinqunzhong Clinic	December, 2023	4,500,000.00	90.00	Equity Transfer	December, 2023
Yichun Yifeng	August, 2023	24,600,000.00	60.00	Equity Transfer	August, 2023
Guangshui Yifeng Kangji	February, 2023	8,540,000.00	70.00	Equity Transfer	February, 2023
Yingtian Yifeng	October, 2023	19,500,000.00	65.00	Equity Transfer	October, 2023

(Continued)

Acquirees	Determination basis for acquisition date	Acquiree's income from acquisition date to period end	Acquiree's net profit from acquisition date to period end	Acquiree's cash flows from acquisition date to period end		
				Net inflows from operating activities	Net inflows from investing activities	Net inflows from financing activities
Tangshan Xinxing Deshengtang	Complete the	93,764,703.94	-6,119,043.70	-3,494,414.60	-1,426,611.65	4,974,914.65

Acquirees	Determination basis for acquisition date	Acquiree's income from acquisition date to period end	Acquiree's net profit from acquisition date to period end	Acquiree's cash flows from acquisition date to period end		
				Net inflows from operating activities	Net inflows from investing activities	Net inflows from financing activities
Qinhuangdao Xinxing Minle	property handover	177,629,497.69	8,902,494.32	2,317,017.16	-593,393.34	-1,639,492.00
Handan Xinxing Baixinkang	procedures and achieve	23,228,121.12	-930,921.50	1,324,901.80	-943,490.04	-360,386.41
Shijiazhuang Yingqi Medical Service	substantial control over the acquired party	383,972.95	100,732.80	-245,011.67	-2,961.98	
Handan Xinxing Huakang		11,373,553.75	167,668.94	-6,610,684.61	-347,397.17	6,999,767.10
Langfang Xinxing Dekunyuan		5,622,021.57	156,257.26	-2,273,326.34	-212,070.10	2,536,000.00
Chengde Xinxing Xinyu		400,383.51	455,537.26	-2,894,707.12		2,979,312.78
Suzhou Xinqunzhong Clinic			-23,318.12	7,925.21		
Yichun Yifeng		18,232,068.26	-44,450.08	1,928,557.54	-2,438,347.55	1,227,015.00
Guangshui Yifeng Kangji		23,989,621.74	102,121.07	3,001,690.32	-1,101,050.81	-210,568.91
Yingtian Yifeng		5,822,192.46	256,619.76	897,179.17	-1,410,204.82	1,177,740.00

## (2) Combination costs and goodwill

Applicable  Not Applicable

Items	Tangshan Xinxing Deshengtang	Qinhuangdao Xinxing Minle	Handan Xinxing Baixinkang	Shijiazhuang Yingqi Medical Service
Combination costs	113,000,000.00	63,000,000.00	23,344,000.00	1,400,000.00
Cash	113,000,000.00	63,000,000.00	23,344,000.00	1,400,000.00
Total combination costs	113,000,000.00	63,000,000.00	23,344,000.00	1,400,000.00
Less: Share of fair value of net identifiable assets acquired	11,300,000.00	6,300,000.00	800,000.00	132.97
Goodwill	101,700,000.00	56,700,000.00	22,544,000.00	1,399,867.03

(Continued)

Items	Handan Xinxing Huakang	Langfang Xinxing Dekunyuan	Chengde Xinxing Xinyu	Suzhou Xinqunzhong Clinic
Combination costs	52,500,000.00	27,192,000.00	23,100,000.00	4,500,000.00
Cash	52,500,000.00	27,192,000.00	23,100,000.00	4,500,000.00
Total combination costs	52,500,000.00	27,192,000.00	23,100,000.00	4,500,000.00
Less: Share of fair value of net identifiable assets acquired	5,250,000.00	2,400,000.00	2,100,000.00	333.14
Goodwill	47,250,000.00	24,792,000.00	21,000,000.00	4,499,666.86

(Continued)

Items	Yichun Yifeng	Guangshui Yifeng Kangji	Yingtian Yifeng
Combination costs	24,600,000.00	8,540,000.00	19,500,000.00
Cash	24,600,000.00	8,540,000.00	19,500,000.00
Total combination costs	24,600,000.00	8,540,000.00	19,500,000.00
Less: Share of fair value of net identifiable assets acquired	2,100,000.00	700,000.00	1,300,000.00
Goodwill	22,500,000.00	7,840,000.00	18,200,000.00

Determination method of fair value of combination costs, contingent considerations and their movements

Applicable  Not Applicable

Completion of performance commitment

Applicable  Not Applicable

Main reasons for goodwill in large amount

Applicable  Not Applicable

Large amounts of goodwill are formed by the difference between the combination costs and shares of fair value of net identifiable assets acquired

Other remarks

In November 2022, the Company's subsidiary Tangshan Xinxing Deshuntang, Bi Hongsheng, Yin Hui, Yin Zhixue and Tangshan Deshengtang Medicine Chain Co., Ltd. signed the "Framework Agreement on the Restructuring and Acquisition of Tangshan Deshengtang Medicine Chain Co., Ltd.". Pursuant to the agreement, the third party which designated and actually controlled by Bi Hongsheng, Yin Hui and Yin Zhixue contributed capital to set up Tangshan Xinxing Deshengtang prior to January 31, 2023, and completed the injection of the entire business and related assets of Tangshan Deshengtang Medicine Chain Co., Ltd. to Tangshan Xinxing Deshengtang prior to March 31, 2023. After the injection of business and assets, the Company acquired 100.00% of equity of Tangshan Deshengtang Medicine Chain Co., Ltd. held by Bi Hongsheng, Yin Hui, Yin Zhixue and the designated third party at a consideration of 113.00 million yuan. The equity transfer and registration in administration for market regulation had been completed in March 2023.

In October 2022, the Company's subsidiary Xinxing Pharmacy, Shang Yong, Guo Tiezhu, Du Keqiang, Xu Jihe, and Qinhuangdao Minle Medicine Chain Co., Ltd. signed the "Framework Agreement on the Restructuring and Acquisition of Qinhuangdao Minle Medicine Chain Co., Ltd.". Pursuant to the agreement, the third party which designated and actually controlled by Shang Yong, Guo Tiezhu, Du Keqiang, and Xu Jihe contributed capital to set up Qinhuangdao Xinxing Minle prior to November 30, 2022, and completed the injection of the entire business and related assets of Qinhuangdao Minle Medicine Chain Co., Ltd. to Qinhuangdao Xinxing Minle

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prior to February 28, 2023. After the injection of business and assets, the Company acquired 70.00% of equity of Qinhuangdao Minle Medicine Chain Co., Ltd. held by Shang Yong, Guo Tiezhu, Du Keqiang, Xu Jihe and the designated third party at a consideration of 63.00 million yuan. The equity transfer and registration in administration for market regulation had been completed in March 2023.

In May 2023, the Company's subsidiary Xinxing Pharmacy, Wang Yunqiang, Cong Houmao, Fan Kaimin, and Hebei Baixinkang Medicine Chain Co., Ltd. signed the "Framework Agreement on the Restructuring and Acquisition of Hebei Baixinkang Medicine Chain Co., Ltd.". Pursuant to the agreement, the third party which designated and actually controlled by Wang Yunqiang, Cong Houmao, and Fan Kaimin contributed capital to set up Handan Xinxing Baixinkang prior to June 30, 2023, and completed the injection of the entire business and related assets of Hebei Baixinkang Medicine Chain Co., Ltd. to Handan Xinxing Baixinkang prior to July 31, 2023. After the injection of business and assets, the Company acquired 80.00% of equity of Hebei Baixinkang Medicine Chain Co., Ltd. held by Wang Yunqiang, Cong Houmao, Fan Kaimin and the designated third party at the consideration of 23.34 million yuan. The equity transfer and registration in administration for market regulation had been completed in August 2023.

In August 2023, the Company's subsidiary Xinxing Pharmacy, Shijiazhuang Yingqi Pharmacy Co., Ltd., and Shijiazhuang Yingqi Medical Service signed the "Framework Agreement on the Equity Transfer of Shijiazhuang Yingqi Medical Service". Pursuant to the agreement, Xinxing Pharmacy acquired 70.00% of equity of Shijiazhuang Yingqi Medical Service at the consideration of 1.40 million yuan. The equity transfer and registration in administration for market regulation had been completed in September 2023.

In August 2023, the Company's subsidiary Xinxing Pharmacy, Wang Ruimin, Feng Chunxiang, Feng Xuefang, and Linzhang Huakang Pharmacy Chain Co., Ltd. signed the "Framework Agreement on the Restructuring and Acquisition of Linzhang Huakang Pharmacy Chain Co., Ltd.". Pursuant to the agreement, the third party which designated and actually controlled by Wang Ruimin, Feng Chunxiang, and Feng Xuefang contributed capital to set up Handan Xinxing Huakang prior to September 30, 2023, and completed the injection of the entire business and related assets of Linzhang Huakang Pharmacy Chain Co., Ltd. to Handan Xinxing Huakang prior to October 31, 2023. After the injection of business and assets, the Company acquired 70.00% of equity of Linzhang Huakang Pharmacy Chain Co., Ltd. held by Wang Ruimin, Feng Chunxiang, Feng Xuefang and the designated third party at the consideration of 52.50 million yuan. The equity transfer and registration in administration for market regulation had been completed in December 2023.

In July 2023, the Company's subsidiary Xinxing Pharmacy, Sun Shuzhi and Langfang Dekunyuan Pharmaceutical Retail Chain Co., Ltd. signed the "Framework Agreement on the Restructuring and Acquisition of Langfang Dekunyuan Pharmaceutical Retail Chain Co., Ltd., Sun Shuzhi



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Clinic in Southwest Street Village and The Third Clinic in Northwest Street Village, Shuyang Town, Xianghe County”. Pursuant to the agreement, the third party which designated and actually controlled by Sun Shuzhi contributed capital to set up Langfang Xinxing Dekunyuan prior to September 20, 2023, and completed the injection of the entire business and related assets of Langfang Dekunyuan Pharmaceutical Retail Chain Co., Ltd. to Langfang Xinxing Dekunyuan prior to October 31, 2023. After the injection of business and assets, the Company acquired 80.00% of equity of Langfang Dekunyuan Pharmaceutical Retail Chain Co., Ltd. held by Sun Shuzhi and the designated third party at the consideration of 27.19 million yuan. The equity transfer and registration in administration for market regulation had been completed in December 2023.

In October 2023, the Company’s subsidiary Xinxing Pharmacy, Zhang Zhen and Chengde Xinyu Pharmacy Chain Co., Ltd. signed the “Framework Agreement on the Restructuring and Acquisition of Chengde Xinyu Pharmacy Chain Co., Ltd.”. Pursuant to the agreement, the third party which designated and actually controlled by Zhang Zhen contributed capital to set up Chengde Xinxing Xinyu prior to December 31, 2023, and completed the injection of the entire business and related assets of Chengde Xinyu Pharmacy Chain Co., Ltd. to Chengde Xinxing Xinyu prior to February 28, 2024. After the injection of business and assets, the Company acquired 100.00% of equity of Chengde Xinyu Pharmacy Chain Co., Ltd. held by Zhang Zhen and the designated third party at the consideration of 23.10 million yuan. The equity transfer and registration in administration for market regulation had been completed in December 2023.

In May 2023, the Company’s subsidiary Suzhou Yuehai, Zhang Xihong and Wang Yujuan signed the “Framework Agreement on the Equity Transfer of Suzhou Xinqunzhong Clinic (General Partnership)”. Pursuant to the agreement, Suzhou Yuehai acquired 90.00% of equity of Suzhou Xinqunzhong Clinic at the consideration of 4.50 million yuan. The equity transfer and registration in administration for market regulation had been completed in December 2023.

In April 2023, the Company’s subsidiary Jiangxi Ganxi Yifeng Pharmacy Chain Co., Ltd., Chen Zhilin, Deng Shuihua and Yichun Laobaixing Medicine Chain Co., Ltd. signed the “Framework Agreement on the Restructuring and Acquisition of Yichun Laobaixing Medicine Chain Co., Ltd.”. Pursuant to the agreement, the third party which designated and actually controlled by Chen Zhilin and Deng Shuihua contributed capital to set up Yichun Yifeng prior to May 31, 2023, and completed the injection of the entire business and related assets of Yichun Laobaixing Medicine Chain Co., Ltd. to Yichun Yifeng prior to July 31, 2023. After the injection of business and assets, the Company acquired 60.00% of equity of Yichun Laobaixing Medicine Chain Co., Ltd. held by Chen Zhilin, Deng Shuihua and the designated third party at the consideration of 24.60 million yuan. The equity transfer and registration in administration for market regulation had been completed in August 2023.

In February 2023, the Company’s subsidiary Hubei Yifeng Pharmacy Chain Co., Ltd., Li Qionghua, Guangshui Yingshan Kangji Pharmacy General Store, Guangshui Yingshan Kangsheng

Pharmacy, Guangshui Kangji Pharmacy Aviation Road Store, Guangshui Yingshan Kangji Pharmacy, Guangshui Yingshan Kangliji Pharmacy, Guangshui Kangsanji Pharmacy, Guangshui Haoran Pharmacy, Guangshui Yingshan Kangji Pharmacy Sixian Road Store, Guangshui Yingshan Kangji Pharmacy Zhenxiao Store, Guangshui Yingshan Kangji Pharmacy, and Guangshui Yingshan Kanglishiji Pharmacy (hereinafter referred to as 11 pharmacies including Guangshui Yingshan Kangji Pharmacy General Store) signed the “Framework Agreement on the Restructuring and Acquisition of 11 Pharmacies Including Guangshui Yingshan Kangji Pharmacy General Store”. Pursuant to the agreement, the third party which designated and actually controlled by Li Qionghua contributed capital to set up Guangshui Yifeng Kangji prior to March 15, 2023, and completed the injection of the entire business and related assets of 11 pharmacies including Guangshui Yingshan Kangji Pharmacy General Store to Guangshui Yifeng Kangji prior to April 15, 2023. After the injection of business and assets, the Company acquired 70.00% of equity of 11 pharmacies including Guangshui Yingshan Kangji Pharmacy General Store held by Li Qionghua and the designated third party at the consideration of 7.84 million yuan and 70.00% of approved net assets. The equity transfer and registration in administration for market regulation had been completed in February 2023.

In February 2023, the Company’s subsidiary Jiangxi Yifeng, Wang Yang, Zhou Wei and Yingtian Jiujiu Medicine Chain Co., Ltd. signed the “Framework Agreement on the Restructuring and Acquisition of Yingtian Jiujiu Medicine Chain Co., Ltd.”. Pursuant to the agreement, the third party which designated and actually controlled by Wang Yang and Zhou Wei contributed capital to set up Yingtian Yifeng prior to September 20, 2023, and completed the injection of the entire business and related assets of Yingtian Jiujiu Medicine Chain Co., Ltd. to Yingtian Yifeng prior to October 31, 2023. After the injection of business and assets, the Company acquired 65.00% of equity of Yingtian Jiujiu Medicine Chain Co., Ltd. held by Wang Yang, Zhou Wei and the designated third party at the consideration of 18.20 million yuan and 65.00% of approved net assets. The equity transfer and registration in administration for market regulation had been completed in October 2023.

**(3) Acquisition-date identifiable assets and liabilities of acquirees**

Applicable     Not Applicable

Items	Tangshan Xinxing Deshengtang		Qinhuangdao Xinxing Minle		Handan Xinxing Baixinkang	
	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount
Assets	11,300,000.00	11,300,000.00	9,000,000.00	9,000,000.00	1,000,000.00	1,000,000.00
Cash and bank balances						
Accounts receivable						
Other receivables	11,300,000.00	11,300,000.00	9,000,000.00	9,000,000.00	1,000,000.00	1,000,000.00
Advances paid						
Inventories						

Items	Tangshan Xinxing Deshengtang		Qinhuangdao Xinxing Minle		Handan Xinxing Baixinkang	
	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount
Fixed assets						
Right-of-use assets						
Intangible assets						
Long-term prepayments						
Deferred tax assets						
Other assets						
Liabilities						
Accounts payable						
Advances received						
Employee benefits payable						
Taxes and rates payable						
Other payables						
Lease liabilities						
Deferred tax liabilities						
Other liabilities						
Net assets	11,300,000.00	11,300,000.00	9,000,000.00	9,000,000.00	1,000,000.00	1,000,000.00
Less: Non-controlling interest			2,700,000.00	2,700,000.00	200,000.00	200,000.00
Net assets acquired	11,300,000.00	11,300,000.00	6,300,000.00	6,300,000.00	800,000.00	800,000.00

(Continued)

Items	Shijiazhuang Yingqi Medical Service		Handan Xinxing Huakang		Langfang Xinxing Dekunyuan	
	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount
Assets	478,649.50	478,649.50	7,500,000.00	7,500,000.00	3,000,000.00	3,000,000.00
Cash and bank balances	300,000.00	300,000.00				
Accounts receivable	23,810.32	23,810.32				
Other receivables	24,167.81	24,167.81	7,500,000.00	7,500,000.00	3,000,000.00	3,000,000.00
Advances paid	100,511.55	100,511.55				
Inventories	30,159.82	30,159.82				
Fixed assets						
Right-of-use assets						
Intangible assets						
Long-term prepayments						
Deferred tax assets						
Other assets						
Liabilities	478,459.55	478,459.55				

Items	Shijiazhuang Yingqi Medical Service		Handan Xinxing Huakang		Langfang Xinxing Dekunyuuan	
	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount
Accounts payable						
Advances received						
Employee benefits payable						
Taxes and rates payable						
Other payables	478,459.55	478,459.55				
Lease liabilities						
Deferred tax liabilities						
Other liabilities						
Net assets	189.95	189.95	7,500,000.00	7,500,000.00	3,000,000.00	3,000,000.00
Less: Non-controlling interest	56.99	56.99	2,250,000.00	2,250,000.00	600,000.00	600,000.00
Net assets acquired	132.97	132.97	5,250,000.00	5,250,000.00	2,400,000.00	2,400,000.00

(Continued)

Items	Chengde Xinxing Xinyu		Suzhou Xinqunzhong Clinic		Yichun Yifeng	
	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount
Assets	3,000,000.00	3,000,000.00	176,726.65	176,726.65	3,500,000.00	3,500,000.00
Cash and bank balances			93.51	93.51		
Accounts receivable			50,452.42	50,452.42		
Other receivables	3,000,000.00	3,000,000.00			3,500,000.00	3,500,000.00
Advances paid						
Inventories			126,180.72	126,180.72		
Fixed assets						
Right-of-use assets						
Intangible assets						
Long-term prepayments						
Deferred tax assets						
Other assets						
Liabilities			176,356.49	176,356.49		
Accounts payable						
Advances received						
Employee benefits payable						
Taxes and rates payable						
Other payables			176,356.49	176,356.49		
Lease liabilities						
Deferred tax liabilities						

Items	Chengde Xinxing Xinyu		Suzhou Xinqunzhong Clinic		Yichun Yifeng	
	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount
Other liabilities						
Net assets	3,000,000.00	3,000,000.00	370.16	370.16	3,500,000.00	3,500,000.00
Less: Non-controlling interest	900,000.00	900,000.00	37.02	37.02	1,400,000.00	1,400,000.00
Net assets acquired	2,100,000.00	2,100,000.00	333.14	333.14	2,100,000.00	2,100,000.00

(Continued)

Items	Guangshui Yifeng Kangji		Yingtang Yifeng	
	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount
Assets	1,000,000.00	1,000,000.00	2,000,000.00	2,000,000.00
Cash and bank balances				
Accounts receivable				
Other receivables	1,000,000.00	1,000,000.00	2,000,000.00	2,000,000.00
Advances paid				
Inventories				
Fixed assets				
Right-of-use assets				
Intangible assets				
Long-term prepayments				
Deferred tax assets				
Other assets				
Liabilities				
Accounts payable				
Advances received				
Employee benefits payable				
Taxes and rates payable				
Other payables				
Lease liabilities				
Deferred tax liabilities				
Other liabilities				
Net assets	1,000,000.00	1,000,000.00	2,000,000.00	2,000,000.00
Less: Non-controlling interest	300,000.00	300,000.00	700,000.00	700,000.00
Net assets acquired	700,000.00	700,000.00	1,300,000.00	1,300,000.00

Fair value determination method on identifiable assets and liabilities

The fair value of identifiable assets and liabilities is determined based on “Market Value Valuation Report on the Relevant Asset Groups of Tangshan Deshengtang Medicine Chain Co.,

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Ltd. Involved in the Proposed Asset Acquisition of Tangshan Xinxing Deshuntang Pharmaceutical Chain Co., Ltd., a Subsidiary of Yifeng Pharmacy Chain Co., Ltd.” (Dong Zhou Zi Bao Zi [2023] No. 1567) and “Retrospective Valuation Report on the Market Value of the Relevant Asset Groups of Hebei Baixinkang Medicine Chain Co., Ltd. Involved in the Asset Acquisition of Shijiazhuang Xinxing Pharmacy Chain Co., Ltd., a Subsidiary of Yifeng Pharmacy Chain Co., Ltd.” (Dong Zhou Zi Bao Zi [2023] No. 2102) issued by Shanghai Dongzhou Asset Appraisal Co., Ltd.; “Value Consulting Report on the Operating Asset Groups of 89 Retail Pharmacies and 2 Clinics Owned by Qinhuangdao Minle Medicine Chain Co., Ltd. Proposed to be Acquired by Shijiazhuang Xinxing Pharmacy Chain Co., Ltd.” (Jing Kun Ping Zi Zi [2023] No. 0103), “Value Consulting Report on the Operating Asset Groups of 50 Retail Pharmacies Owned by Linzhang Huakang Pharmacy Chain Co., Ltd. Proposed to be Acquired by Shijiazhuang Xinxing Pharmacy Chain Co., Ltd.” (Jing Kun Ping Zi Zi [2023] No. 0156); “Value Consulting Report on the Operating Asset Groups of 30 Retail Pharmacies of Yichun Laobaixing Medicine Chain Co., Ltd. Owned by Chen Zhilin and Deng Shuihua Proposed to be Acquired by Jiangxi Ganxi Yifeng Pharmacy Chain Co., Ltd.” (Jing Kun Ping Zi Zi [2023] No. 0154), “Value Consulting Report on the Operating Asset Groups of 11 Retail Pharmacies Including Guangshui Yingshan Kangji Pharmacy General Store Owned by Li Qionghua and Wang Haoran Proposed to be Acquired by Hubei Yifeng Pharmacy Chain Co., Ltd.” (Jing Kun Ping Zi Zi [2023] No. 0083) and “Value Consulting Report on the Operating Asset Groups of 29 Retail Pharmacies Owned by Yingtan Jiujiu Medicine Chain Co., Ltd. Proposed to be Acquired by Jiangxi Yifeng Pharmacy Chain Co., Ltd.” (Jing Kun Ping Zi Zi [2023] No. 0163) issued by Beijing Kunyuan Zhicheng Asset Appraisal Co., Ltd.

Contingent liabilities of acquirees assumed in business combination

None

Other remarks

None

**(4) Gains/Losses on fair value remeasurement of equity held before the acquisition date**

Whether there is a transaction that achieves corporate merger through multiple transactions step by step and obtains control rights within the reporting period.

Applicable  Not Applicable

**(5) Combination costs or fair value of acquiree’s identifiable assets/liabilities failed to be reasonably determined at the acquisition date or at the end of current period**

Applicable  Not Applicable

**(6) Other remarks**

Applicable  Not Applicable

**2. Business combination under common control**

Applicable  Not Applicable

### 3. Reverse acquisition

Applicable  Not Applicable

### 4. Disposal of subsidiaries

One-time disposal leading to loss of control over a subsidiary

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

Disposal of subsidiaries in stages leading to loss of control in the current period

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

### 5. Changes in the consolidation scope due to other reasons

Remarks on changes in the consolidation scope due to other reasons

Applicable  Not Applicable

#### 1. Entities brought into the consolidation scope

Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Holding proportion (%)
Hunan Yifeng Hengtai Medicine Co., Ltd.	Establishment	February 2023		100.00% [Note 1]
Shijiazhuang Yingqi Internet Hospital Co., Ltd.	Establishment	September 2023		70.00% [Note 2]
Wuxi Jiuzhou Traditional Chinese Medicine Clinic Co., Ltd.	Establishment	August 2023		100.00% [Note 3]
Changzhou Yifeng Chain Pharmacy Co., Ltd.	Establishment	July 2023		100.00% [Note 4]
Suqian Yifeng Chain Pharmacy Co., Ltd.	Establishment	November 2023		100.00% [Note 5]
Shanghai Yifeng Longshuntang Traditional Chinese Medicine Clinic Co., Ltd.	Establishment	January 2023		100.00% [Note 6]
Gao'an Yifeng Pharmacy Chain Co., Ltd.	Establishment	July 2023		100.00% [Note 7]
Yichun Yifeng Pharmacy Chain Medical Co., Ltd.	Establishment	October 2023		60.00% [Note 8]
Qinhuangdao Yifeng Xinxing Pharmacy Chain Co., Ltd.	Establishment	June 2023	1,400,000.00	70.00% [Note 9]
Baoding Xinxing Pharmacy Chain Operating Co., Ltd.	Establishment	June 2023		100.00% [Note 10]
Guangdong Yifeng Xiangqin Pharmacy Medicine Chain Co., Ltd.	Establishment	May 2023		100.00%
Guangzhou Yifeng Clinic Co., Ltd.	Establishment	September 2023		100.00% [Note 11]

Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Holding proportion (%)
Hubei Yifeng Pharmacy Chain Medical Co., Ltd.	Establishment	October 2023		100.00%

Note 1: The Company holds 100% of equity of Hunan Yifeng Medicine, and Hunan Yifeng Medicine holds 100% of the equity of Hunan Yifeng Hengtai Medicine Co., Ltd.

Note 2: The Company holds 91% of equity of Xinxing Pharmacy, Xinxing Pharmacy holds 70% of equity of Shijiazhuang Yingqi Medical Service, and Shijiazhuang Yingqi Medical Service holds 70% of equity of Shijiazhuang Yingqi Internet Hospital Co., Ltd.

Note 3: The Company holds 100% of equity of Jiangsu Yifeng, Jiangsu Yifeng holds 51% of equity of Jiuzhou Medicine, and Jiuzhou Medicine holds 100% of equity of Wuxi Jiuzhou Traditional Chinese Medicine Clinic Co., Ltd.

Note 4: The Company holds 100% of equity of Jiangsu Yifeng, and Jiangsu Yifeng holds 100% of equity of Changzhou Yifeng Chain Pharmacy Co., Ltd.

Note 5: The Company holds 100% of equity of Jiangsu Yifeng, and Jiangsu Yifeng holds 100% of equity of Suqian Yifeng Chain Pharmacy Co., Ltd.

Note 6: The Company holds 93% of equity of Shanghai Yifeng, Shanghai Yifeng holds 51% of equity of Longshuntang, and Longshuntang holds 100% of equity of Shanghai Yifeng Longshuntang Traditional Chinese Medicine Clinic Co., Ltd.

Note 7: The Company holds 100% of equity of Jiangxi Yifeng, Jiangxi Yifeng holds 60% of equity of Jiangxi Tianshun, Jiangxi Tianshun holds 100% of equity of Jiangxi Ganxi Yifeng Pharmacy Chain Co., Ltd., and Jiangxi Ganxi Yifeng Pharmacy Chain Co., Ltd. holds 100% of equity of Gao'an Yifeng Pharmacy Chain Co., Ltd.

Note 8: The Company holds 100% of equity of Jiangxi Yifeng, Jiangxi Yifeng holds 60% of equity of Jiangxi Ganxi Yifeng Pharmacy Medicine Chain Co., Ltd., and Jiangxi Ganxi Yifeng Pharmacy Medicine Chain Co., Ltd. holds 60% of equity of Yichun Yifeng Pharmacy Chain Medical Co., Ltd.

Note 9: The Company holds 91% of equity of Hebei Xinxing Pharmacy Chain Co., Ltd., Hebei Xinxing Pharmacy Chain Co., Ltd. holds 70% of equity of Qinhuangdao Yifeng Xinxing Pharmacy Chain Co., Ltd.

Note 10: The Company holds 91% of equity of Hebei Xinxing Pharmacy Chain Co., Ltd., Hebei Xinxing Pharmacy Chain Co., Ltd. holds 100% of equity of Baoding Xinxing Pharmacy Chain Operating Co., Ltd.

Note 11: The Company holds 100% of equity of Guangdong Yifeng Xiangqin Pharmacy Medicine Chain Co., Ltd., Guangdong Yifeng Xiangqin Pharmacy Medicine Chain Co., Ltd. holds 100% of



equity of Guangzhou Yifeng Clinic Co., Ltd.

## 2. Entities excluded from the consolidation scope

Entities	Equity disposal method	Equity disposal date	Disposal-date net assets	Net profit from the period beginning to the disposal date
Xincheng Clinic of Rudong Yifeng Bencao Pharmacy Chain Co., Ltd.	Cancellation	June 2023		-20,413.61
Suzhou Zhongqiao Medicine Co., Ltd.	Cancellation	August 2023		-901.98
Suzhou Wujiang Beishe Dakang Pharmacy Co., Ltd.	Cancellation	August 2023		-945.41
Shanghai Yifeng Weimin Pharmacy Co., Ltd.	Cancellation	May 2023		-43,574.52

## 6. Other remarks

Applicable  Not Applicable

## V. Interest in other entities

### 1. Interest in subsidiaries

#### (1) Composition of the consolidation scope

Applicable  Not Applicable

Subsidiaries	Main operating place	Registration capital((CNY 10,000))	Place of registration	Business nature	Holding proportion (%)		Acquisition method
					Direct	Indirect	
Hunan Yifeng Medicine	Hunan	15,000.00	Changsha	Business	100.00		Business combination under common control
Jiangsu Yifeng	Jiangsu	15,000.00	Nanjing	Business	100.00		Business combination under common control

Remarks on inconsistency between holding proportion and voting right proportion in subsidiaries  
None

Basis for the control of an investee while holding its half or less than half voting rights, and the non-control of an investee while holding its more than half voting rights  
None

Basis for control of significant structured entities brought into the consolidation scope  
None

Basis for determining an entity being acting as an agent or a principal  
None

Other remarks

The Company has brought 123 subsidiaries including Xinxing Pharmacy, Jiangsu Yifeng Pharmacy Chain Co., Ltd. (the “Jiangsu Yifeng”), Shanghai Yifeng Pharmacy Chain Co., Ltd. (the

“Shanghai Yifeng”), Jiangxi Yifeng, Hunan Yifeng Medicine Co., Ltd. (the “Hunan Yifeng Medicine”), and Jiuzhitang Medicine into the consolidation scope.

**(2) Significant not wholly-owned subsidiaries**

Applicable  Not Applicable

**(3) Main financial information of significant not wholly-owned subsidiaries**

Applicable  Not Applicable

**(4) Significant restriction on use of the group assets and liquidation of the group liabilities**

Applicable  Not Applicable

**(5) Financial and other support provided for structured entities brought into the consolidation scope**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**2. Transactions resulting in changes in subsidiaries’ equity but without losing control**

Applicable  Not Applicable

**(1) Changes in subsidiaries’ equity**

Applicable  Not Applicable

Subsidiaries	Date of change	Holding proportion before change	Holding proportion after change
Hebei Xinxing Pharmacy Chain Co., Ltd.	September 2023	99.19%	91.00%
Pingjiang Yifeng	May 2023	70.00%	80.00%

**(2) Effect of transactions on non-controlling interest and equity attributable to parent company**

Applicable  Not Applicable

Items	Hebei Xinxing Pharmacy Chain Co., Ltd.	Pingjiang Yifeng
Acquisition costs/Disposal considerations	900,000.00	1,400,000.00
Cash	900,000.00	1,400,000.00
Total acquisition costs/ disposal considerations	900,000.00	1,400,000.00
Less: Share in subsidiaries’ net assets based on acquired/ disposed net assets proportion	-5,535,727.26	464,459.67
Balance	6,435,727.26	935,540.33
Including: Capital reserve adjusted	6,435,727.26	935,540.33

Other remarks

Applicable  Not Applicable

**3. Interest in joint ventures or associates**

Applicable  Not Applicable

(1). Significant joint ventures or associates

Applicable  Not Applicable

(2). Main financial information of significant joint ventures

Applicable  Not Applicable

(3). Main financial information of significant associates

Applicable  Not Applicable

(4). Aggregated financial information of insignificant joint ventures and associates

Applicable  Not Applicable

Items	Closing balance/Current period cumulative	Opening balance/Preceding period comparative
Joint ventures		
Total carrying amount of investments	5,565,690.31	5,249,115.35
Proportionate shares in the following items		
Net profit	316,574.96	-11,413.00
Other comprehensive income		
Total comprehensive income	316,574.96	-11,413.00

Other remarks

None

(5). Significant restrictions on remittance of fund from joint ventures or associates to the Company

Applicable  Not Applicable

(6). Excess losses incurred by joint ventures or associates

Applicable  Not Applicable

(7). Unrecognized commitments related to investments in joint ventures

Applicable  Not Applicable

(8). Contingent liabilities related to investments in joint ventures or associates

Applicable  Not Applicable

**4. Significant joint operations**

Applicable  Not Applicable

**5. Interest in unconsolidated structured entities**

Remarks on unconsolidated structured entities

Applicable  Not Applicable

**6. Others**

Applicable  Not Applicable

**XI. Government grants**

**1. Government grants recognized based on receivables**

Applicable  Not Applicable

Reasons for not receiving government grants receivable at the expected time point

Applicable  Not Applicable

**2. Liabilities related to government grants**

Applicable  Not Applicable

Items	Opening balance	Increase	Amount included into other income	Amount included into non-operating revenue
Deferred income	49,893,077.47		401,359.91	
Deferred income	4,773,202.76			191,566.68
Subtotal	54,666,280.23		401,359.91	191,566.68

(Continued)

Items	Amount offsetting costs	Amount offsetting assets	Other changes	Closing balance	Related to assets/Related to income
Deferred income				49,491,717.56	Related to assets
Deferred income				4,581,636.08	Related to assets
Subtotal				54,073,353.64	

**3. Government grants included into profit or loss**

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Related to income	43,933,681.43	32,290,672.58
Related to assets	401,359.91	417,913.24
Other	595,167.68	111,747.23
Total	44,930,209.02	32,820,333.05

Other remarks

None

**XII. Risks related to financial instruments**

**1. Financial instruments risks**

Applicable  Not Applicable

In risk management, the Company aims to seek the appropriate balance between the risks and

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benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance, so as to maximize the profits of shareholders and other equity investors. Based on such risk management objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits on a timely and reliable basis.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. The Management has deliberated and approved policies concerning such risks, and details are:

(I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

1. Credit risk management practice

(1) Evaluation method of credit risk

At each balance sheet date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

1) Quantitative standard mainly relates to the scenario in which, at the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;

2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability;

(2) Definition of default and credit-impaired assets

A financial instrument is defined as defaulted when one or more following events have occurred, of which the standard is consistent with that for credit-impairment:

1) significant financial difficulty of the debtor;

2) a breach of binding clause of contract;

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- 3) it is very likely that the debtor will enter bankruptcy or other financial reorganization;
- 4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

## 2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss given default, and exposure to default risk. The Company develops a model of the probability of default, loss given default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g. counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

3. Please refer to section V (I) 3 and 6 of notes to the financial statements for details on the reconciliation table of opening balance and closing balance of provision for losses of financial instrument.

## 4. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances and receivables. In order to control such risks, the Company has taken the following measures:

### (1) Cash and bank balances

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

### (2) Receivables

The Company performs credit assessment on customers using credit settlement on a regular basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on balance of receivables, to avoid significant risks in bad debts.

As the Company's credit risks fall into several business partners and customers, as of December 31 2023, 26.44% (December 31, 2022: 24.68%) of the total accounts receivable was due from the five largest customers of the Company. The Company has no significant central credit risk.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset at the balance sheet.

## (II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparties of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company comprehensively utilizes financing tools such as notes settlement, bank borrowings, etc. and adopts long-term and short-term financing methods to optimize financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

Financial liabilities classified based on remaining time period till maturity

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Bank borrowings (including due within one year)	237,101,501.98	258,452,597.56	112,971,855.83	80,864,754.23	64,615,987.50
Notes payable	6,215,388,292.66	6,215,388,292.66	6,215,388,292.66		
Accounts payable	1,955,564,568.05	1,955,564,568.05	1,955,564,568.05		
Other payable	810,446,678.28	810,446,678.28	810,446,678.28		
Lease liabilities (including due within one year)	3,560,492,755.24	3,785,968,727.53	1,490,098,669.17	2,248,097,941.31	47,772,117.05
Subtotal	12,778,993,796.21	13,025,820,864.08	10,584,470,063.99	2,328,962,695.54	112,388,104.55

(Continued)

Items	December 31, 2022				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Bank borrowings (including due within one year)	321,591,316.34	356,980,381.47	106,731,200.12	104,309,543.98	145,939,637.37
Notes payable	5,082,931,546.02	5,082,931,546.02	5,082,931,546.02		
Accounts payable	1,677,740,647.28	1,677,740,647.28	1,677,740,647.28		
Other payable	760,185,299.36	760,185,299.36	760,185,299.36		
Lease liabilities (including due within one year)	3,135,952,983.22	3,395,085,831.51	1,302,080,159.57	1,872,368,528.95	220,637,142.99
Subtotal	10,978,401,792.22	11,272,923,705.64	8,929,668,852.35	1,976,678,072.93	366,576,780.36

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market price. Market risk mainly includes interest risk and foreign currency risk.

1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market interest. The Company's fair value interest risks arise from fixed-rate financial instruments, while the cash flow interest risks arise from floating-rate financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating-rate financial instruments based on the market environment, and maintains a proper financial instruments portfolio through regular review and monitoring.

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## 2. Foreign currency risk

Foreign currency risk is the risk arising from changes in fair value or future cash flows of financial instrument resulted from changes in exchange rate. The Company is mainly operated in mainland China, whose main activities are denominated in RMB, hence, the Company bears insignificant market risk arising from foreign exchange changes.

### 2. Hedging businesses

#### (1) Risk management of hedging businesses

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

#### (2) Conducting eligible hedging businesses and applying hedge accounting

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

#### (3) Reasons and effects of not applying hedge accounting

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

### 3. Financial assets transfer

#### (1) Basics condition of financial assets transfer

Applicable  Not Applicable

#### (2) Financial assets derecognized due to transfer

Applicable  Not Applicable

#### (3) Assets and liabilities arising from transferred but still involved financial assets

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

## XIII. Fair value disclosure

### 1. Details of fair value of assets and liabilities at fair value at the balance sheet date

Applicable  Not Applicable

Items	Fair value as at the balance sheet date			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total



Items	Fair value as at the balance sheet date			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Recurring fair value measurement				
1. Held-for-trading financial assets and other non-current financial assets			1,631,730,887.94	1,631,730,887.94
Financial assets classified as at fair value through profit or loss			1,631,730,887.94	1,631,730,887.94
Wealth management products			1,630,720,887.94	1,630,720,887.94
Equity instrument investments			1,010,000.00	1,010,000.00
2. Receivables financing			11,889,888.58	11,889,888.58
3. Other equity instrument investments	432,225,200.00			432,225,200.00
Total assets at recurring fair value measurement	432,225,200.00		1,643,620,776.52	2,075,845,976.52

## 2. Basis for determining level 1 fair value at recurring and non-recurring fair measurement

Applicable  Not Applicable

Level 1 fair value at recurring and non-recurring fair measurement is determined based on the closing price of the active market such as exchanges at the balance sheet date.

## 3. Qualitative and quantitative information of valuation technique(s) and key input(s) for level 2 fair value at recurring and non-recurring fair value measurement

Applicable  Not Applicable

## 4. Qualitative and quantitative information of valuation technique(s) and key input(s) for level 3 fair value at recurring and non-recurring fair measurement

Applicable  Not Applicable

As there is no significant change in the operating environment, operating situation and financial position of investees, the Company takes investment cost as the reasonable estimate of the fair value of equity instrument investments. The fair value of other equity instrument investments is measured based on the public market quotation.

The Company regards capital-guaranteed floating-income wealth management products as financial assets measured at fair value through profit or loss, and determines the fair value based on principal plus the market value of expected earnings as of the balance sheet date using expected cash flow model.

Due to the fact that the term of bank acceptance is relative short and the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company takes par value of bank acceptances as the reasonable estimate of their fair value.

## 5. Items for level 3 recurring fair value measurement, a reconciliation from the opening balances to the closing balances, and sensitive analysis on unobservable inputs

Applicable  Not Applicable

**6. Items at recurring fair value measurement with inter-level transfer, and reasons and policies for determining inter-level transfer time**

Applicable  Not Applicable

**7. Changes in valuation techniques in the current period and reasons for changes**

Applicable  Not Applicable

**8. Fair value of financial assets and liabilities not at fair value**

Applicable  Not Applicable

**9. Other**

Applicable  Not Applicable

**XIV. Related party relationships and transactions**

1. Parent company

Applicable  Not Applicable

Parent company	Place of registration	Business nature	Registered capital(CN¥ 10,000)	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
Ningbo Meishan Bonded Port Houxin Venture Capital Investment Partnership Enterprise (Limited Partnership)	Ningbo	Investment	66,330.7289	21.65	21.65

Remarks on the parent company

None

The Company's ultimate controlling party is Gao Yi.

Other remarks

None

**2. Subsidiaries**

Please refer to section X of notes to the financial statements for details on the Company's subsidiaries.

Applicable  Not Applicable

**3. Joint ventures and associates of the Company**

Applicable  Not Applicable

Details of other joint ventures or associates carrying out related party transactions with the Company in the current period or in preceding period but with balance in the current period are as follows:

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

#### 4. Other related parties of the Company

Applicable  Not Applicable

Related parties	Relationships with the Company
Jiuzhitang Co., Ltd.	Holding 49% of equity of Jiuzhitang Medicine, which is a subsidiary of the Company
Jiuzhitang Pharmaceutical Trading Co., Ltd.	Subsidiary of Jiuzhitang Co., Ltd.
Hunan Siqi Biopharmaceutical Co., Ltd.	Subsidiary of Jiuzhitang Co., Ltd.
Chengdu Jiuzhitang Jinding Pharmaceutical Co., Ltd.	Subsidiary of Jiuzhitang Co., Ltd.
Hainan Jiuzhitang Pharmaceutical Co., Ltd.	Subsidiary of Jiuzhitang Co., Ltd.
Mudanjiang Youbo Pharmaceutical Co., Ltd.	Subsidiary of Jiuzhitang Co., Ltd.
Jiuzhitang (Hunan) Health Management Co., Ltd.	Subsidiary of Jiuzhitang Co., Ltd.
Taizhou Baixingren	Joint venture

Other remarks

None

#### 5. Related party transactions

##### (1) Purchase and sale of goods, rendering and receiving of services

Purchase of goods and receiving of services

Applicable  Not Applicable

Related parties	Content of transactions	Current period cumulative	Preceding period comparative
Jiuzhitang Co., Ltd.	Purchase of medicine	78,898,456.73	36,266,882.38
Jiuzhitang Co., Ltd.	Purchase of utilities, etc.	668,776.99	716,508.06
Jiuzhitang Pharmaceutical Trading Co., Ltd.	Purchase of medicine	27,125,278.46	11,284,071.60
Hunan Siqi Biopharmaceutical Co., Ltd.	Purchase of medicine	1,406,627.30	2,052,604.92
Chengdu Jiuzhitang Jinding Pharmaceutical Co., Ltd.	Purchase of medicine	4,433,047.85	2,145,219.23
Hainan Jiuzhitang Pharmaceutical Co., Ltd.	Purchase of medicine	695,787.60	845,414.16
Jiuzhitang (Hunan) Health Management Co., Ltd.	Purchase of medicine	13,187.96	

Related parties	Content of transactions	Current period cumulative	Preceding period comparative
Mudanjiang Youbo Pharmaceutical Co., Ltd.	Purchase of medicine		529,110.12

Note: The proposal of "Confirmation of the ordinary course of related party transactions in 2022 and Forecast of the ordinary course of related party transactions in 2023" were approved by the 24th meeting of the forth session of the Board of Directors dated April 26, 2023. It was estimated that the total procurement of goods from the related party, Jiuzhitang Co., Ltd. and its subsidiaries, in 2023 will not exceed 150 million yuan. The actual amount occurred in 2023 did not exceed the approved transaction quota.

Sale of goods and rendering of services

Applicable  Not Applicable

Related parties	Content of transactions	Current period cumulative	Preceding period comparative
Jiuzhitang Pharmaceutical Trading Co., Ltd.	Sale of medicine	86,894.59	720,613.43
Jiuzhitang (Hunan) Health Management Co., Ltd.	Sale of medicine	19,093,516.03	10,870,296.16

Remarks on purchase and sale of goods, rendering and receiving of services

Applicable  Not Applicable

The above preceding period comparative of related party transactions of purchase and sale between the Company, Jiuzhitang Co., Ltd., and its subsidiaries was the statistical data from June to December 2022.

## (2) Related party trust/contracting and consignment/outsourcing

The Company as the trustee or contractor

Applicable  Not Applicable

Remarks on related party trust/contracting

Applicable  Not Applicable

The Company as the trustor or contractee

Applicable  Not Applicable

Remarks on related party consignment/outsourcing

Applicable  Not Applicable

## (3). Related party leases

The Company as the lessor

Applicable  Not Applicable

The Company as the lessee

Applicable  Not Applicable

Lessors	Types of assets leased	Expenses for short-term leases and leases of low-value assets with simplified approach and variable lease payments not included in the measurement of lease liabilities		Variable lease payments not included in the measurement of lease liabilities	
		Current period cumulative	Preceding period comparative	Current period cumulative	Preceding period comparative
Jiuzhitang Co., Ltd.	Buildings and structures				

(Continued)

Lessors	Types of assets leased	Lease expenses paid		Increased principal of lease liabilities		Interest expenses recognized	
		Current period cumulative	Preceding period comparative	Current period cumulative	Preceding period comparative	Current period cumulative	Preceding period comparative
Jiuzhitang Co., Ltd.	Buildings and structures	5,076,256.65	726,000.00	14,743.52	7,831.36		3,252,735.16

Remarks on related party leases

Applicable  Not Applicable

None

**(4). Related party trust**

The Company and its subsidiaries as guarantors

Applicable  Not Applicable

The Company as the trustee

Applicable  Not Applicable

Guarantors	Financing banks	Amount of borrowings [Note]	Commencement date	Maturity date	Whether the guarantee is mature
Gao Yi	China Merchants Bank Co., Ltd. Changsha Shaoshan Road Sub-branch	122,858,186.80	8/10/2018	8/10/2025	No

Guarantors	Financing banks	Amount of borrowings [Note]	Commencement date	Maturity date	Whether the guarantee is mature
Gao Yi	China Merchants Bank Co., Ltd. Changsha Shaoshan Road Sub-branch	37,908,000.00	12/30/2021	12/30/2024	No
Gao Yi	China Construction Bank Corporation Changde Dingcheng Sub-branch	947,227,331.62	8/1/2022	8/1/2029	No

Remarks on related party trust

Applicable  Not Applicable

The borrowings disclosed refer to the balance of merger and acquisition loan borrowings and the amount of bank acceptance that have been issued but not yet matured before the new credit contract takes effect.

**(5). Call loans between related parties**

Applicable  Not Applicable

**(6). Assets transfer and debt restructuring of the related parties**

Applicable  Not Applicable

**(7). Key management's emoluments**

Applicable  Not Applicable

Unit: Ten Thousand Yuan

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	2,288.02	1,984.27

**(8). Other related party transactions**

Applicable  Not Applicable

None

**6. Balances due to or from related parties**

**(1). Balances due from related parties**

Applicable  Not Applicable

Items	Related parties	Closing balance		December 31, 2022	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Jiuzhitang (Hunan) Health Management Co., Ltd.	711,768.78	35,588.44		
Accounts receivable	Jiuzhitang Pharmaceutical Trading Co., Ltd.			144,343.95	7,217.20
Subtotal		711,768.78	35,588.44	144,343.95	7,217.20

**(2). Balances due to related parties**

Applicable  Not Applicable

Items	Related parties	Closing balance	December 31, 2022
Accounts payable	Jiuzhitang Co., Ltd.	3,780,845.69	6,132,854.56
Accounts payable	Jiuzhitang Pharmaceutical Trading Co., Ltd.	604,238.60	5,715,711.24
Accounts payable	Hunan Siqi Biopharmaceutical Co., Ltd.	571,892.00	1,136,507.89
Accounts payable	Chengdu Jiuzhitang Jinding Pharmaceutical Co., Ltd.	1,518,135.55	1,446,954.52
Accounts payable	Hainan Jiuzhitang Pharmaceutical Co., Ltd.	214,032.00	285,708.43
Accounts payable	Jiuzhitang (Hunan) Health Management Co., Ltd.	7,465.20	
Accounts payable	Mudanjiang Youbo Pharmaceutical Co., Ltd.		576,730.00
Subtotal		6,696,609.04	15,294,466.64
Other payables	Jiuzhitang Co., Ltd.	149,367.56	1,200.62
Other payables	Taizhou Baixingren	10,797,825.21	11,622,268.64
Subtotal		10,947,192.77	11,623,469.26

**(3). Others**

Applicable  Not Applicable

**7. Related party commitments**

Applicable  Not Applicable

**8. Others**

Applicable  Not Applicable

**XV. Share-based payment**

**1. Equity instruments**

Applicable  Not Applicable

Objects	Quantity and amount of equity instruments							
	Granted in the current period		Vested in the current period		Unlocked in the current period		Expired in the current period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Management personnel	390,015.00	7,390,791.00			2,062,480.00	36,844,732.00	197,120.00	3,521,408.00
Total	390,015.00	7,390,791.00			2,062,480.00	36,844,732.00	197,120.00	3,521,408.00

Share options and other equity instruments outstanding at the balance sheet date

Applicable  Not Applicable

Objects	Share options outstanding		Other equity instruments outstanding	
	Range of exercise prices	Remaining contractual life	Range of exercise prices	Remaining contractual life
Management personnel	17.58	8 months		

Management personnel	18.95	Phase I: 7 months Phase II: 19 months		
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Other remarks

(1) Details

On September 16, 2022, “Proposal on the First Grant of Restricted Shares to Incentive Objects of the 2022 Restricted Share Incentive Plan” was deliberated and approved by the 18<sup>th</sup> meeting of the fourth session of the Board of Directors and the 16<sup>th</sup> meeting of the fourth session of the Board of Supervisors. It was confirmed that the conditions for the first grant had been met, and it was decided to grant 3,132,000 restricted shares to 245 incentive objects at a price of 25.01 yuan per share, with the grant date on September 16, 2022. During the process of capital verification upon payment, the actual number of incentive objects granted by the Company changed from 245 to 241, and the actual number of restricted shares granted changed from 3,132,000 to 3,095,200 shares.

On August 29, 2023, “Proposal on Granting Reserved Equity to the Incentive Objects of Restricted Shares Incentive Plan of 2022” was deliberated and approved by the 31<sup>st</sup> meeting of the fourth session of the Board of Directors and the 26<sup>th</sup> meeting of the fourth session of the Board of Supervisors. It was confirmed that the conditions for granting reserved equity under the incentive plan had been met, and it was decided to grant 402,165 restricted shares to 42 incentive objects at a price of 18.95 yuan per share, with the grant date on August 30, 2023.

(2) Arrangement of the restricted shares sale restriction period

The restricted shares sale restriction period for the restricted shares granted for the first time under this incentive plan is 12 months and 24 months from the date of completion of the registration for the first granted restricted shares. The unlocking period for the restricted shares granted for the first time by the Company and the timing for each unlocking period are as shown in the following table:

Arrangements for unlocking period	Timing for unlocking period	Proportion of the number of restricted shares that can be unlocked to the total number of restricted shares
The first unlocking period	From the first trading day after 12 months from the date of completion of the first grant to the last trading day within 24 months from the date of completion of the first grant.	50%
The second unlocking period	From the first trading day after 24 months from the date of completion of the first grant to the last trading day within 36 months from the date of completion of the first grant.	50%

The restricted shares sale restriction period for the reserved granted restricted shares under this



incentive plan is 12 months and 24 months from the date of completion of the registration for the reserved granted restricted shares. The unlocking period for the restricted shares reserved granted by the Company and the timing for each unlocking period are as shown in the following table:

Arrangements for unlocking period	Timing for unlocking period	Proportion of the number of restricted shares that can be unlocked to the total number of restricted shares
The first unlocking period	From the first trading day after 12 months from the date of completion of the reserved grant to the last trading day within 24 months from the date of completion of the reserved grant.	50%
The second unlocking period	From the first trading day after 24 months from the date of completion of the reserved grant to the last trading day within 36 months from the date of completion of the reserved grant.	50%

### (3) Unlocking conditions

#### 1) Requirements for performance evaluation

The restricted shares first granted under the incentive plan have an unlocking evaluation period of two fiscal years from 2022 to 2023, with an evaluation conducted for each fiscal year. The requirement for unlocking of restricted shares is the achievement of performance evaluation targets.

The performance evaluation targets for each fiscal year of the restricted shares first granted are as shown in the following table:

Unlocking periods	Requirements for performance evaluation
The first unlocking period	Based on the net profit of 2021, the net profit of the Company in 2022 increases by no less than 20% compared to 2021.
The second unlocking period	Based on the net profit of 2021, the net profit of the Company in 2023 increases by no less than 45% compared to 2021.

The restricted shares reserved granted under the incentive plan have an unlocking evaluation period of two fiscal years from 2023 to 2024, with an evaluation conducted for each fiscal year. The requirement for unlocking of restricted shares is the achievement of performance evaluation targets.

The performance evaluation targets for each fiscal year of the restricted shares reserved granted are as shown in the following table:

Unlocking periods	Requirements for performance evaluation
The first unlocking period	Based on the net profit of 2021, the net profit of the Company in 2023 increases by no less than 45% compared to 2021.
The second unlocking period	Based on the net profit of 2021, the net profit of the Company in 2024 increases by no less than 70% compared to 2021.

The aforementioned “net profit” refers to the net profit attributable to the owners of the parent company. If the Company fails to meet the above performance evaluation targets, all restricted shares of incentive objects that can be unlocked in the corresponding year of evaluation shall not be unlocked, and shall be repurchased and cancelled by the Company. The repurchase price shall be the grant price plus the interest on bank deposits for the corresponding period.

## 2) Requirements for individual performance evaluation

The Company conducts a comprehensive evaluation of the individual annual performance categories for incentive objects, and the comprehensive evaluation results are shown in the following table.

Evaluation results	Standard	Standard coefficient
Satisfactory	Annual evaluation completion rate $\geq$ 80%	1.0
Unsatisfactory	Annual evaluation completion rate $<$ 80%	0

If the individual performance evaluation meets the unlocking conditions, the incentive object may apply to unlock the restricted shares eligible for unlocking during that period in accordance with the relevant provisions of the incentive plan based on the evaluation results. If the individual performance evaluation fails to meet the unlocking conditions, the portion of restricted shares eligible for unlocking in the current period for that incentive object shall be cancelled, and shall be repurchased and cancelled by the Company at the grant price. If the conditions for obtaining and exercising rights and interests granted to incentive objects are not met, the relevant rights and interests shall not be deferred to the next period.

## 2. Equity-settled share-based payment

Applicable  Not Applicable

Determination method for grant-date fair value of equity instruments	Balance of the closing price on the grant date and the exercise price of the restricted shares
Determination method for the number of equity instruments expected to vest	Based on the equity instruments corresponding to the in-service incentive objects, the Company's performance, and individual evaluation results.
Reasons for significant difference between the estimates in the current period and preceding period	N/A
Capital reserve accumulated due to equity-settled share-based payment	59,400,016.30

Other remarks

None

## 3. Cash-settled share-based payment

Applicable  Not Applicable

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**4. Total share-based payments recognized in the current period**

Applicable  Not Applicable

Objects	Equity-settled share-based payment	Cash-settled share-based payment
Management personnel	41,169,112.30	
Subtotal	41,169,112.30	

Other remarks

None

**5. Modifications and cancellations of share-based payment**

Applicable  Not Applicable

**6. Others**

Applicable  Not Applicable

**XVI. Commitments and contingencies****1. Significant commitments**

Applicable  Not Applicable

None

**2. Significant contingencies****(1). Significant contingencies**

Applicable  Not Applicable

**(2). Remarks on insignificant contingencies not been issued**

Applicable  Not Applicable

**3. Others**

Applicable  Not Applicable

**XVII. Events after the balance sheet date****1. Significant non-adjusting events**

Applicable  Not Applicable

**2. Profit distribution after the balance sheet date**

Applicable  Not Applicable

Profit or dividend planned to be distributed	505,289,898.50
Profit or dividend approved to be distributed	

Pursuant to the Proposal of Profit Distribution Plan of 2023 deliberated and approved by the 24<sup>th</sup> meeting of the fourth session of the Board of Directors, based on the total share capital at the equity registration date, the Company distributed cash dividend of 0.5 yuan (tax inclusive) per

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share to all shareholders, and increased 0.2 share per share to all shareholders by converting capital reserve, without issuing bonus shares.

If the company's total share capital changes due to repurchase and cancellation of equity incentive shares between the date of approval of this proposal and the date of equity registration for the implementation of equity distribution, the company will maintain the constant proportion of distribution (additional issuance) per share and adjust the total amount of distribution (additional issuance) accordingly.

This plan still should be deliberated and approved by the shareholders' meeting.

### **3. Sales return**

Applicable  Not Applicable

### **4. Other remarks**

Applicable  Not Applicable

## **XVIII. Other significant events**

### **1. Corrections of prior period errors**

#### **(1) Retroactive restatement method**

Applicable  Not Applicable

#### **(2) Prospective application method**

Applicable  Not Applicable

### **2. Debt restructuring**

Applicable  Not Applicable

### **3. Assets exchange**

#### **(1). Non-cash assets exchange**

Applicable  Not Applicable

#### **(2). Other assets exchange**

Applicable  Not Applicable

### **4. Annuity plan**

Applicable  Not Applicable

### **5. Discontinued operations**

Applicable  Not Applicable

### **6. Segment information**

#### **(1). Identification basis for reportable segments**

Applicable  Not Applicable

Reportable segments are identified according to the structure of the Company's internal

organization, management requirements and internal reporting system, and based on industry segments. Assessments are respectively performed on the operation performance of retail business and wholesale business. Assets and liabilities shared by different segments are allocated among segments proportionate to their respective sizes.

**(2). Financial information of reportable segments**

Applicable  Not Applicable

Items	Retail business	Wholesale business	Inter-segment offsetting	Total
Operating revenue	20,185,078,131.34	5,254,841,654.57	-3,362,357,287.25	22,077,562,498.66
Operating cost	12,193,594,911.77	4,833,697,688.32	-3,118,391,219.55	13,908,901,380.54
Total assets	26,289,889,392.29	11,951,215,541.58	-14,104,565,739.23	24,136,539,194.64
Total liabilities	17,828,776,001.79	8,730,272,924.58	-12,869,597,393.57	13,689,451,532.80

**(3). If the company does not have a reporting segment, or cannot disclose the total assets and liabilities of each reporting segment, the reasons shall be stated**

Applicable  Not Applicable

**(4). Other remarks**

Applicable  Not Applicable

**7. Other significant transactions and events that may be influential for investors in decision-making**

Applicable  Not Applicable

**8. Others**

Applicable  Not Applicable

**IXX. Notes to items of parent company financial statements**

**1. Accounts receivable**

**(1) Age analysis**

Applicable  Not Applicable

Ages	Closing balance	Opening balance
Within 1 year	492,921,964.50	347,746,087.10
1-2 years	220,567.54	122,332.98
2-3 years	8,613.29	3,250.00
3-4 years	2,717.49	
Total	493,153,862.82	347,871,670.08

**(2) Provision for bad debts**

Applicable  Not Applicable

Categories	Closing balance

	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis	493,153,862.82	100.00	5,812,230.14	1.18	487,341,632.68
Total	493,153,862.82	100.00	5,812,230.14	1.18	487,341,632.68

(Continued)

Categories	December 31, 2022				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis	347,871,670.08	100.00	3,232,236.49	0.93	344,639,433.59
Total	347,871,670.08	100.00	3,232,236.49	0.93	344,639,433.59

Accounts receivable with provision made on an individual basis

Applicable  Not Applicable

Accounts receivable with provision for bad debts made on a collective basis

Applicable  Not Applicable

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped Medical insurance payments	377,169,254.88		
Portfolio grouped with ages	115,984,607.94	5,812,230.14	5.01
Subtotal	493,153,862.82	5,812,230.14	1.18

Remarks on accounts receivable with provision for bad debts made on a collective basis

Applicable  Not Applicable

Provision for bad debts withdrawn based on the general model of expected credit losses

Applicable  Not Applicable

Division basis for stages and proportions of provision for bad debts

None

Reasons for significant changes in carrying amount of accounts receivable in the current period

Applicable  Not Applicable

**(3) Changes in provision for bad debts**

Applicable  Not Applicable

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Write-off	Others	

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Write-off	Others	
Receivables with provision made on a collective basis	3,232,236.49	2,579,993.65						5,812,230.14
Total	3,232,236.49	2,579,993.65						5,812,230.14

Significant provisions collected or reversed

Applicable  Not Applicable

Other remarks

None

**(4) Accounts receivable written off**

Applicable  Not Applicable

Significant accounts receivable written off in the current period

Applicable  Not Applicable

Remarks on accounts receivable written off

Applicable  Not Applicable

**(5) Details of the top 5 debtors with largest balances**

Applicable  Not Applicable

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Changsha Medical Security Affairs Center	113,711,988.43	23.06	
Pukang (Hangzhou) Health Technology Co., Ltd.	39,387,713.10	7.99	
Hengyang Medical Security Bureau	20,540,716.47	4.17	
Youjia Jianbao Health Technology (Beijing) Co., Ltd.	17,046,344.87	3.46	
Zhuzhou Medical Security Affairs Center	14,034,736.26	2.85	
Subtotal	204,721,499.13	41.53	

Other remarks

None

Others

Applicable  Not Applicable

2. Other receivables

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
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Items	Closing balance	December 31, 2022
Interest receivable	855,724.12	
Dividend receivable	581,621,336.22	68,563,059.65
Other receivables	794,138,361.20	747,795,719.34
Total	1,376,615,421.54	816,358,778.99

Other remarks

Applicable  Not Applicable

### Interest receivable

#### (1) Classification of interest receivables

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Interest receivable to Subsidiaries	855,724.12	
Subtotal	855,724.12	

#### (2) Significant overdue interest

Applicable  Not Applicable

#### (3) Provision for bad debts

Applicable  Not Applicable

Interest receivable with provision made on an individual basis

Applicable  Not Applicable

Remark of interest receivable with provision made on an individual basis

Applicable  Not Applicable

Interest receivable with provision made on a collective basis

Applicable  Not Applicable

#### (4). Provision for bad debts withdrawn based on the general model of expected credit losses

Applicable  Not Applicable

Division basis for stages and proportions of provision for bad debts

None

Reasons for significant changes in carrying amount of interest receivable in the current period

Applicable  Not Applicable

Determination basis for provision for impairment made in the current period and whether credit risk has increased significantly

Applicable  Not Applicable

#### (5) Changes in provision for bad debts



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Applicable  Not Applicable

Significant interest receivable written off in the current period

Applicable  Not Applicable

Other remarks

None

**(6) Interest receivable actually written off**

Applicable  Not Applicable

Significant interest receivable written off in the current period

Applicable  Not Applicable

Remarks on interest receivable written off

Applicable  Not Applicable

Other remarks

None

**Dividend receivable**

**(1) Dividend receivable**

Applicable  Not Applicable

Items	Closing balance	December 31, 2022
Dividend receivable to Subsidiaries	581,621,336.22	68,563,059.65
Subtotal	581,621,336.22	68,563,059.65

**(2) Significant balance with age over one year**

Applicable  Not Applicable

**(3) Provision for bad debts**

Applicable  Not Applicable

Dividend receivable with provision made on an individual basis

Applicable  Not Applicable

Remark of dividend receivable with provision made on an individual basis

Applicable  Not Applicable

Dividend receivable with provision made on a collective basis

Applicable  Not Applicable

**(4) Provision for bad debts withdrawn based on the general model of expected credit losses**

Applicable  Not Applicable

Division basis for stages and proportions of provision for bad debts

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None

Reasons for significant changes in carrying amount of dividend receivable in the current period

Applicable  Not Applicable

**(5) Changes in provision for bad debts**

Applicable  Not Applicable

Significant provisions collected or reversed

Applicable  Not Applicable

Other remarks

None

**(6) Other receivables actually written off in the current period**

Applicable  Not Applicable

Significant other receivables written off in the current period

Applicable  Not Applicable

Remarks on other receivables written off

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**Other receivables**

**(1) Age analysis**

Ages	Closing book balance	Book balance on December 31, 2022
Within 1 year	773,113,789.41	743,523,819.55
1-2 years	24,253,860.37	6,309,834.01
2-3 years	337,612.88	352,444.22
3-4 years	62,048.83	5,000.00
4-5 years		
Over 5 years		
Total	797,767,311.49	750,191,097.78

**(2) Other receivables categorized by nature**

Applicable  Not Applicable

Nature of receivables	Closing book balance	Book balance on December 31, 2022
Security deposits	25,859,213.46	20,953,340.98
Medical insurance reserves	34,897,794.71	44,717,501.88

Nature of receivables	Closing book balance	Book balance on December 31, 2022
Store petty cash	22,500.00	1,418,500.00
Balances due from related parties within the consolidation scope	712,667,149.76	656,935,539.17
Others	24,320,653.56	26,166,215.75
Subtotal	797,767,311.49	750,191,097.78

**(3) Changes in provision for bad debts**

Applicable  Not Applicable

Items	Stage 1	Stage 2	Stage 3	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	2,316,577.24	78,801.20		2,395,378.44
Opening balance in the current period	—	—	—	
--Transferred to stage 2	-2,226,035.28	2,226,035.28		
--Transferred to stage 3		-9,252.40	9,252.40	
Provision made in the current period	1,303,120.65	-69,548.80		1,233,571.85
Provision written off in the current period				
Closing balance	1,393,662.61	2,226,035.28	9,252.40	3,628,950.29

Division basis for stages and proportions of provision for bad debts:

Stage 1 is where credit risk of other receivables has not increased significantly since initial recognition. Stage 2 is where credit risk of other receivables has increased significantly since initial recognition, but such receivables are not considered credit-impaired. Stage 3 is where other receivables are considered credit-impaired since initial recognition.

Items	Stage 1	Stage 2	Stage 3	Total
Provision proportion (%)	0.18	9.18	2.74	0.45

Reasons for significant changes in carrying amount of other receivables in the current period

Applicable  Not Applicable

Determination basis for provision for impairment made in the current period and whether credit risk has increased significantly

Applicable  Not Applicable

**(4) Changes in provision for bad debts**

Applicable  Not Applicable

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Write-off	Others	
Receivables with provision made on	2,395,378.44	1,233,571.85						3,628,950.29

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Write-off	Others	
a collective basis								
Total	2,395,378.44	1,233,571.85					3,628,950.29	

Significant provisions collected or reversed

Applicable  Not Applicable

Other remarks

None

**(5) Other receivables actually written off in the current period**

Applicable  Not Applicable

Significant other receivables written off in the current period

Applicable  Not Applicable

Remarks on other receivables written off

Applicable  Not Applicable

**(6) Details of the top 5 debtors with largest balances**

Applicable  Not Applicable

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Shanghai Yifeng Pharmacy Medicine Co., Ltd.	Balances due from related parties within the consolidation scope	210,918,526.58	Within 1 year	26.44	
Jiangxi Yifeng	Balances due from related parties within the consolidation scope	127,009,205.90	Within 1 year	15.92	
Hunan Yifeng Pharmaceutical Holding Co., Ltd.	Balances due from related parties within the consolidation scope	104,576,074.80	Within 1 year	13.11	
Guangshengtang	Balances due from related parties within the consolidation scope	88,168,174.24	Within 1 year	11.05	
Jiangsu Yifeng	Balances due from related parties within the consolidation scope	61,365,026.16	Within 1 year	7.69	
Subtotal		592,037,007.68		74.21	

**(7) Other receivables related to the centralized fund management**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

### 3. Long-term equity investments

Applicable  Not Applicable

Items	Closing balance			December 31, 2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	2,600,755,329.68		2,600,755,329.68	2,597,255,329.68		2,597,255,329.68
Total	2,600,755,329.68		2,600,755,329.68	2,597,255,329.68		2,597,255,329.68

#### (1) Investments in subsidiaries

Applicable  Not Applicable

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in the current period	Closing balance of provision for impairment
Jiangsu Yifeng	150,000,000.00			150,000,000.00		
Shanghai Yifeng	4,650,000.00			4,650,000.00		
Jiangxi Yifeng	50,000,000.00			50,000,000.00		
Hubei Yifeng	50,000,000.00			50,000,000.00		
Hunan Yifeng Medicine	150,750,000.00			150,750,000.00		
Hubei Yifeng Medicine	100,000,000.00			100,000,000.00		
Jiangxi Yifeng Medicine	100,000,000.00			100,000,000.00		
Wuhan Longtai	66,646,000.00			66,646,000.00		
Shaoguan Xiangqin	109,000,000.00			109,000,000.00		
Guangshengtang	34,933,000.00			34,933,000.00		
Yili Kangxin	66,000,000.00			66,000,000.00		
Xinxing Pharmacy	1,444,786,329.68			1,444,786,329.68		
Yueyang Yifeng	11,690,000.00			11,690,000.00		
Hebei Xinxing Pharmacy Chain Co., Ltd.	9,100,000.00			9,100,000.00		
Yifeng Luoshi Xiehe	28,600,000.00			28,600,000.00		
Pingjiang Yifeng	9,100,000.00	1,400,000.00		10,500,000.00		
Tianjin Xianhe	8,000,000.00	100,000.00		8,100,000.00		
Jiuzhitang Medicine	204,000,000.00			204,000,000.00		
Tianjin Yifeng Pharmacy Chain Co., Ltd.		2,000,000.00		2,000,000.00		
Subtotal	2,597,255,329.68	3,500,000.00		2,600,755,329.68		

#### (2) Investment in associates and joint ventures

Applicable  Not Applicable

#### (3) Impairment testing of long-term equity investments

Applicable  Not Applicable

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Other remarks

None

**Recoverable amount determined based on the fair value less costs of disposal**

Applicable  Not Applicable

**Recoverable amount determined based on the present value of estimated future cash flows**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between aforementioned information and information used in previous impairment tests or external information**

Applicable  Not Applicable

**Reasons for the significant inconsistencies between information used in previous impairment tests and actual performance**

Applicable  Not Applicable

**4. Operating revenue/Operating cost**

**(1) Details**

Applicable  Not Applicable

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	4,639,899,369.88	3,059,643,113.79	4,318,244,031.95	2,741,437,577.26
Other operations	202,256,450.46	30,123,957.74	200,697,945.64	28,918,642.76
Total	4,842,155,820.34	3,089,767,071.53	4,518,941,977.59	2,770,356,220.02

**(2) Breakdown of revenue from contracts with customers by main categories**

Applicable  Not Applicable

Other remarks

Applicable  Not Applicable

**(3) Information related to performance obligations**

Applicable  Not Applicable

**(4) Transaction price allocated to the remaining performance obligations**

Applicable  Not Applicable

**(5) Significant changes in contracts or significant adjustments on transaction price**

Applicable  Not Applicable

Other remarks

None

**5. Investment income**

Applicable  Not Applicable

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under cost method	585,289,073.82	64,074,026.29
Investment income from financial instruments	15,587,350.75	6,953,820.05
Including: Financial assets classified as at fair value through profit or loss	15,587,350.75	6,953,820.05
Total	600,876,424.57	71,027,846.34

Other remarks

None

## XX. Other supplementary information

### 1. Non-recurring profit or loss

Applicable  Not Applicable

Items	Amount	Remarks
Gains on disposal of non-current assets, including write-off of provision for impairment	29,092,610.09	
Government grants included in profit or loss (excluding those closely related to operating activities of the Company, satisfying government policies and regulations, enjoyed based on certain standards, and continuously affecting gains or losses of the Company)	44,930,209.02	
Gains on changes in fair value of financial assets and financial liabilities held by non-financial enterprises, and gains from disposal of financial assets and financial liabilities, excluding those arising from hedging business related to operating activities	13,074.67	
Fund possession charge from non-financial entities and included in profit or loss		
Gains on assets consigned to the third party for investment or management		
Gains on designated loans		
Losses on assets incurred due to force majeure such as natural disasters		
Reversed provision for impairment of receivables based on impairment testing on an individual basis		
Gains on acquisition of subsidiaries, joint ventures and associates due to the surplus of acquisition-date fair value of net identifiable assets in acquiree over the acquisition cost		
Net profit on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date		
Gains on non-cash assets exchange		
Gains on debt restructuring		
One-off expenses incurred due to the discontinuation of relevant operating activities, such as severance payments		

Items	Amount	Remarks
One-off effects on profit or loss due to amendments of laws and regulations on taxation, accounting, etc.		
Share-based payments recognized at one time due to cancellation or modification of equity incentive plan		
Gains arising from changes in the fair value of employee benefits payable after the vesting date for cash-settled share-based payment		
Gains on changes in fair value of investment properties with subsequent measurement using the fair value model		
Gains on transactions with unfair value		
Contingent gains on non-operating activities		
Management charges for consigned operations		
Other non-operating revenue or expenditures	-5,060,038.31	
Other profit or loss satisfying the definition of non-recurring profit or loss		
Subtotal	68,975,855.47	
Less: Enterprise income tax affected	16,885,907.38	
Non-controlling interest affected (after tax)	1,617,512.91	
Net non-recurring profit or loss attributable to shareholders of the parent company	50,472,435.18	

Remarks on the exception that the Company recognized non-recurring profit or loss as listed in the “Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (2023 Edition)” as recurring profit or loss based on relevant definition and principle are as follows:

Applicable  Not Applicable

Items	Amount	Reasons
Investment income	24,958,558.90	Related to ordinary course of operating activities

Other remarks

Applicable  Not Applicable

Effect on non-recurring profit or loss in 2022 due to implementation of “Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (2023 Edition)”

Items	Amount
Net non-recurring profit or loss attributable to the owner of the parent company in 2022	35,316,295.14
Net non-recurring profit or loss attributable to the owner of the parent company calculated based on the “Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (2023 Edition)” in 2022	34,414,548.82
Difference	-901,746.32

Effect on non-recurring profit or loss in 2021 due to implementation of “Interpretation



Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (2023 Edition)”

Items	Amount
Net non-recurring profit or loss attributable to the owner of the parent company in 2022	29,164,848.76
Net non-recurring profit or loss attributable to the owner of the parent company calculated based on the “Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (2023 Edition)” in 2022	28,436,923.52
Difference	-727,925.24

**2. ROE and EPS**

Applicable  Not Applicable

Profit of the reporting period	Weighted average ROE (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	15.44	1.40	1.40
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	14.89	1.35	1.35

**3. Differences in accounting data under domestic and foreign accounting standards**

Applicable  Not Applicable

**4. Others**

Applicable  Not Applicable

Chairman of the Board: Gao Yi

April 26, 2024