

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**国药集团**  
SINOPHARM

**CHINA TRADITIONAL CHINESE MEDICINE HOLDINGS CO. LIMITED**  
**中國中藥控股有限公司**

*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 570)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

The board (the “Board”) of directors (the “Directors”) of China Traditional Chinese Medicine Holdings Co. Limited (the “Company”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2025 (the “Reporting Period” or the “Period”):

	Year ended 31 December		Change
	2025	2024	
	RMB'000	RMB'000	
<b>Revenue</b>			
Chinese medicinal herbs integration business	829,724	1,386,669	-40.2%
TCM decoction pieces	3,334,450	3,314,794	0.6%
Concentrated TCM granules	6,097,744	6,972,013	-12.5%
TCM finished drugs	4,248,309	4,552,955	-6.7%
TCM great health	234,552	283,277	-17.2%
<b>Total</b>	<b>14,744,779</b>	<b>16,509,708</b>	<b>-10.7%</b>
Gross profit	7,091,128	7,856,308	-9.7%
<b>(Loss)/profit for the year</b>	<b>(458,089)</b>	<b>20,771</b>	<b>N/A</b>
<b>Adjusted net profit<sup>1</sup></b>	<b>333,353</b>	<b>635,540</b>	<b>-47.5%</b>
Basic (loss)/earnings per share (RMB cents)	(6.79)	1.07	N/A

Note:

- Details for the adjusted net profit please refer to section “Non-HKFRS measure — adjusted net profit” in the financial review of this announcement.

## **CHAIRMAN’S STATEMENT**

Dear shareholders,

In 2025, China’s pharmaceutical industry underwent a period of profound structural adjustment. The expanded drug centralized procurement, advanced medical insurance payment reform and fully improved regulatory standards across the industry constituted the core macroeconomic backdrop for the Group’s operations. To pursue long-term healthy development, the Group proactively promoted strategic transformation, choosing a path of “short-term financial pressure in return for long-term asset health”. Although our performance posed a phased fluctuation during the year, achieving revenue of RMB14.75 billion and net profit of RMB-0.46 billion, we laid a solid foundation for future sustainable growth by orderly clearing historical burdens, reshaping governance structure and focusing on core industrial value.

## **MACROECONOMIC ENVIRONMENT AND INDUSTRY LANDSCAPE**

Currently, China’s pharmaceutical market is undergoing a profound transformation from “scale-driven” to “value-driven”. At the policy level, the normalization of volume-based procurement and the continued advancement of medical insurance payment reform have accelerated industry consolidation and the elimination of inefficient capacity, which created a more favorable competitive environment for leading companies with significant cost advantages and solid evidence-based medical evidences. At the market level, supported by the rigid demand brought about by aging population, the long-term growth logic of the TCM industry remains solid, although the value assessment system is being restructured, with the focus shifting from revenue scale to the clinical value of products, the level of quality standardization and traceability of supply chain. In terms of the competitive landscape, the industry as a whole is evolving towards a high-quality model centered on “product strength” and “professional academic promotion”, where leading companies with the ability to integrate and control the entire industry chain are expected to enjoy greater market concentration benefits.

## **BOARD GOVERNANCE AND STRATEGIC RESTRUCTURING**

During 2025, the Board focused its efforts on “governance optimization” and “improvement in asset quality” in order to continuously build a more transparent, efficient listed company platform which meets the expectation of international capital market.

In terms of governance structure, the Group continued to reinforce compliance management and steadily promoted the transformation of its marketing model towards professional promotion oriented at academic value. By effecting optimization of organizational structure, the Group aimed to improve overall operational efficiency and organizational vitality, and to promote a more market-oriented personnel selection, appointment, incentive and constraint mechanism to strengthen “performance oriented” and stimulate the management team’s operational potential.

In terms of asset portfolio and financial strategy, in order to focus on core businesses and optimize resource allocation, the Group initiated disposal procedures for some non-core businesses or those not aligned with its strategies. Simultaneously, we prudently addressed related historically outstanding issues as planned, including impairment provisions for certain goodwill and intangible assets. Although these adjustments had certain impact on net profit during the period, they helped to solidify asset quality and reduce potential risks in the future. While revenue scale changed due to proactive business restructuring, the quality of revenue from core businesses improved, cash flow remained robust, and the market position of three core segments, namely concentrated TCM granules, TCM finished drugs and TCM decoction pieces, remained stable.

## **PROSPECTS**

2026 is the first year of the state's "15th Five-Year Plan" and the beginning of the Group's new strategic cycle. Our core strategy is clearly defined as "returning to the essence of industry and focusing on core responsibilities and businesses". We are committed to achieving sustained improvement in operational quality and overall competitiveness through clear strategy, effective execution and sound operations.

Firstly, focus on industry to enhance operational efficiency and synergy. We will enhance headquarters' "strategy + operations" control to break down internal barriers, and establish cross-business procurement, research and development ("R&D") and marketing collaboration mechanisms to maximize economies of scale. We will continue to promote capacity integration, digital construction and lean management, systematically optimize cost structure, and strive to increase overall operational efficiency, profit margin and return on capital.

Secondly, delve into the entire chain to ensure controllable quality and efficiency. We will optimize the entire chain layout of "medicinal materials – extraction – preparation", increase strategic reserves of traditional Chinese medicinal materials upstream to ensure stable supply, promote the standardization and intelligent transformation of production processes in the midstream, and strengthen marketing channels and academic promotion capabilities downstream, thereby building a core competitiveness that is independent and controllable from source to end.

Thirdly, push forward innovation to enhance product value and advantages. We will continue to guarantee investment in technological innovation, focus on the secondary development of large varieties (evidence-based medical studies) and the research and development of innovative traditional Chinese medicine, and increase the professional academic value and prescription acceptance of products with solid clinical data, thereby building and maintaining sustainable pricing power and long-term advantages in the context of normalized centralized procurement.

Fourthly, reinforce compliance to solidify the foundation and bottom line for development. We will embed compliant operations and comprehensive risk management into all aspects of the Group's operations, and improve our internal control system and compliance firewall. This is not only a necessary requirement for our responding to increasingly stringent regulations, but also the fundamental cornerstone for forging evergreen prosperity, gaining the trust of all parties, and ensuring the steady achievement of strategic goals.

Meanwhile, ESG and sustainable development concept have been deeply integrated into our strategic and capital allocation decisions. By building green factories, optimizing supply chains and fulfilling social responsibilities, we are not only committed to managing long-term operational risks, but also aim to enhance the overall resilience and social value of corporate development, which in turn increases our long-term appeal to various partners, including global responsible investors.

## **CONCLUSION**

The performance fluctuations in 2025 represent a necessary stage for the Group to proactively push forward with its strategic transformation. Currently, China TCM has a more solid asset structure, a more rigorous compliance system, ever increasing organizational efficiency and a clearer strategic direction. The Board is confident in the Group's long-term prospects. We believe that with the gradual release of reform dividends and the continuous optimization of the business structure, the Group will embrace a positive restoration in its fundamentals and intrinsic value. In 2026, we will resolutely implement our established strategies with firm resolve and pragmatic actions, striving to create long-term, stable and sustainable investment returns for all shareholders.

Finally, on behalf of the Board, I would like to express my sincerest gratitude to all employees, management, business partners and shareholders for their hard work, close cooperation and unwavering support over the past year.

**YANG Jun**

*Chairman*

Hong Kong, 20 March 2026

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

During the Reporting Period, the Group achieved revenue of approximately RMB14,744,779,000, representing a year-on-year decrease of 10.7%, which was mainly due to the decline in scale of sales of the concentrated TCM granules business affected by multiple factors such as the decrease of prices as a result of the centralized procurement and the intensified market competition.

#### **Analyzed by business segment:**

Revenue from Chinese medicinal herbs integration business was approximately RMB829,724,000, representing a year-on-year decrease of 40.2%, accounting for 5.6% of the total revenue;

Revenue from TCM decoction pieces business was approximately RMB3,334,450,000, representing a year-on-year increase of 0.6%, accounting for 22.6% of the total revenue;

Revenue from concentrated TCM granules business was approximately RMB6,097,744,000, representing a year-on-year decrease of 12.5%, accounting for 41.4% of the total revenue;

Revenue from TCM finished drugs business was approximately RMB4,248,309,000, representing a year-on-year decrease of 6.7%, accounting for 28.8% of the total revenue;

Revenue from TCM great health business was approximately RMB234,552,000, representing a year-on-year decrease of 17.2%, accounting for 1.6% of the total revenue.

During the Reporting Period, the Group's gross profit was approximately RMB7,091,128,000, representing a year-on-year decrease of 9.7%. The gross profit margin was 48.1%, representing an increase of 0.5 percentage point compared with the same period last year. The slight increase in gross profit margin was mainly due to two factors. On the one hand, the gross profit margin of the concentrated TCM granules business decreased year-on-year due to the increased proportion of centralized procurement business; on the other hand, the gross profit margin of the TCM finished drugs and TCM decoction pieces businesses increased year-on-year, which was attributable to measures such as the decline in the procurement cost of Chinese medicinal herbs and the continuous optimization of the sales structure.

## BUSINESS REVIEW

### I. *Focus on Core Businesses and Strengthen Operation Steadfastness*

#### (I) *Chinese medicinal herbs integration*

In 2025, prices of Chinese medicinal herbs entered a correction cycle following the earlier rise, with the Composite 200 Index of Chinese Medicinal Herbs (中藥材綜合200指數) decreasing by 15.8% year-on-year. With multiple complex factors such as policies, climate and supply and demand intertwined, market prices remained uncertain and supply chain stability and cost control have become core challenges for the industry.

In response to the industry situation, the Group proactively adjusted focus of the Chinese medicinal herbs integration segment, establishing a clear tone of “prioritising internal supply assurance supplemented by external operations”. The Group optimized its business structure, proactively exited from high-risk, low-margin businesses, and further improved the upstream resource supply system to increase operational quality of the segment. Through establishment of a supply management centre and a supply chain platform company, the Group coordinated resources across the segment to further solidify responsibilities for internal supply assurance and external operation and management, and systematically built a more resilient supply chain system. Meanwhile, the Group continuously enhanced its cost control capabilities by increasing the centralized procurement ratio, optimizing the supplier structure and enhancing market situation analysis.

In terms of resource layout and base co-construction, as of the end of the Reporting Period, the Group had built 184 production bases for Chinese medicinal herbs in 22 provinces (regions and municipalities) across the country, covering 112 varieties with a total area of over 540,000 mu. Among these, 99 varieties have been coded for traceability, representing a coding rate of 88%. The total area for seed and seedling breeding was 2,755 mu, involving 15 key varieties. During the year, 8 additional varieties passed the good agricultural practice for Chinese medicinal herbs (GAP) compliance inspection, bringing the cumulative number of approved varieties to 31.

#### (II) *TCM decoction pieces*

During the Reporting Period, the Group’s key subsidiaries specializing in TCM decoction pieces, which are located in Beijing, Shanghai, Guangdong, Shandong and Guizhou, expanded their scale, increased sales volume and highlighted their unique characteristics in leading regional markets, accelerating integrated and coordinated regional development. The characteristic business of “Share of TCM · Intelligent Distribution Centers” continued to leverage its competitive advantages, and completed 7.743 million prescriptions for decoction and delivery, with a total production of 59.37 million doses, representing a year-on-year increase of 10.6% and 13.6%, respectively; the service fee scale of decoction centers exceeded RMB100 million, representing a year-on-year increase of 5%.

Since April 2025, the nationwide centralized procurement of TCM decoction pieces, spearheaded by the Shandong Provincial Healthcare Security Administration, has been launched in phases and steadily implemented across provinces. This centralized procurement includes 45 commonly used clinical varieties, including astragalus and codonopsis. Clear quantity, price and quality standards are set for the supply of TCM decoction pieces to public medical institutions, emphasizing “good quality and competitive price”. A total of 13 subsidiaries, 45 varieties and 84 specifications of the Group were successfully selected.

In November 2025, the Shandong Provincial Healthcare Security Administration released the “Main Rules for the Second Batch of National Traditional Chinese Medicine Decoction Pieces Procurement Alliance Centralized Procurement and List of Proposed Procurement Varieties (Draft for Comment)” (《第二批全國中藥飲片採購聯盟集中採購主要規則和擬採購品種清單(徵求意見稿)》), proposing to include 41 varieties such as ginseng slices and coptis slices. The Group will actively respond to national policies and make relevant preparations.

### *(III) Concentrated TCM granules*

In November 2025, the Beijing-Tianjin-Hebei Pharmaceutical Joint Procurement Platform issued the “Notice on Carrying Out the Volume-based Joint Continued Procurement of Concentrated Traditional Chinese Medicine Granules under the Beijing-Tianjin-Hebei ‘3+N’ Alliance” (《關於開展京津冀「3+N」聯盟中藥配方顆粒帶量聯動接續採購有關工作的通知》), continued to cover the 200 national standard varieties originally included in the centralized procurement. As of the end of the Reporting Period, a total of 10 provinces (regions and municipalities), including Guizhou, Ningxia and Henan, confirmed their participation in the provincial alliance centralized procurement, with Ningxia, Chongqing, Fujian and Hunan being new participating regions. A total of 8 subsidiaries of the Group were successfully selected, of which Jiangyin Tianjiang Pharmaceutical Co., Ltd. (“Jiangyin Tianjiang”) was selected for all varieties; Guangdong Yifang Pharmaceutical Co., Ltd. (“Guangdong Yifang”) was selected for 198 varieties; Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. (“Tongjitang Pharmaceutical”) and Shandong Yifang Pharmaceutical Co., Ltd. (“Shandong Yifang”) each was selected for 196 varieties; Guangxi Yifang Tianjiang Pharmaceutical Co., Ltd. was selected for 195 varieties.

In November 2025, the Hebei Provincial Healthcare Security Administration issued a notice on the Centralized Volume-based Procurement of Concentrated Traditional Chinese Medicine Granules in Hebei Province (《河北省中藥配方顆粒集中帶量採購》), which added 77 varieties commonly used in Hebei Province in addition to the 200 national standard varieties originally included in the centralized procurement. Guangdong Yifang and Jiangyin Tianjiang, subsidiaries of the Group, were selected for 252 and 235 varieties respectively.

During the Reporting Period, the Group's revenue and profitability from concentrated TCM granules were under pressure due to factors such as the increased proportion of centralized procurement business and intensified market competition. During the industry adjustment cycle, the Group proactively adapted and innovated, focusing on academic-driven and precise penetration to promote the transformation of its marketing model towards high-quality and sustainable development: continuously enhancing evidence-based medicine construction to increase clinicians' recognition of product value with high-level clinical research as the core; continuously strengthening direct sales capabilities to build a self-operated sales team, and guiding service providers to leverage their professional capabilities and resource advantages through contractual means to promote business transformation and upgrade.

#### *(IV) TCM finished drugs*

In terms of prescription drugs business, the Group adheres to the orientation of compliant operation and social value creation, continues to increase investment in market development and academic support, cultivates core terminals, and builds benchmark-level hospitals to increase the accessibility of quality medical services. During the Reporting Period, 3,077 new secondary and above medical institutions were developed to further expand the clinical coverage of quality drugs, enabling more patients to conveniently access quality treatment drugs, and effectively protecting the public's right to medication. At the same time, relying on evidence-based medical studies and secondary product development, the Group strengthened clinical value and academic foundation of its products. While consolidating its advanced departments such as orthopedics and dermatology, it actively expanded into other potential departments, improved the clinical drug supply system, and drove steady growth in clinical channel sales. During the Reporting Period, key varieties such as Jinye Baidu Granules (金葉敗毒顆粒), Trionycis Bolus (鱉甲煎丸) and Fengshi Gutong Capsule (風濕骨痛膠囊) achieved sound year-on-year growth.

In terms of OTC business, since 2025, factors such as overall outpatient planning, adjustments to medical insurance policies and the online channels sales diversion have led to a significant slowdown in the growth of offline pharmacy sales. According to the data from Menet, in the first three quarters of 2025, the sales amount of TCM finished drugs in urban pharmacies nationwide decreased by 8.8% year-on-year. In response to market changes and to increase drug accessibility and service efficiency, the Group has actively responded by initiating a strategic layout in "branded e-commerce", and completed system integration with core e-commerce platforms. By building a new retail system for TCM finished drugs under "Sino-TCM", the Group leveraged digital means to optimize drug distribution channels, reduce the public's drug purchase costs and improve drug purchase convenience, so as to fulfill the social value of inclusive healthcare. Simultaneously, the Group continued to optimize its nationwide chain customer base, forming a customer matrix featuring "top leadership and regional complementarity". Clear market development indicators have been formulated for key products such as Chongcao Qingfei Capsules (蟲草清肺膠囊) and Yaoshen Paste. During the Reporting Period, the Group added 1,427 product listings across various pharmacy outlets, thus further broadening the public's access to medications and meeting the daily health needs of the people.

During the Reporting Period, the Group continued to build and improve high-level evidence-based medical evidences chains for its products, and promoted the formation of expert consensus and inclusion in mainstream clinical guidelines. This is not only a core measure to strengthen the clinical value of products and ensure the safety and effectiveness of medication, but also provides sufficient basis for prescribing physicians' clinical decisions and market access at all levels. A total of 35 guidelines, consensuses and textbooks have been approved for access, including several products such as Heiguteng Zhuifeng Huoluo Capsules (黑骨藤追風活絡膠囊) and Huashi Baidu Granules (化濕敗毒顆粒).

*(V) TCM great health*

With a continuous growth of overall societal health needs and an increasing recognition of TCM services, the TCM great health industry is presented with new development opportunities. Leveraging its own resource advantages, the Group is steadily exploring new business models.

In terms of TCM great health products, the Group exited businesses with inefficient and homogeneous products, built a great health product system with homology of medicine and food based on authentic medicinal herbs, and cultivated new growth points by focusing on the consumer market. In terms of TCM medical institutions, the Group continued to develop TCM expert resources, intensify specialty construction, promote service and product upgrades, innovate new media business, while propelling integration, improvement and development.

***II. Deepen Technological Innovation and Cultivate Growth Drivers***

During the Reporting Period, the Group continued to build high-level scientific research platforms, with an addition of the Guangdong Provincial Engineering Technology Research Center for TCM Decoction Pieces, which provided core technologies and quality assurance for innovative development of the TCM decoction pieces field. In addition, the Group continued to strengthen its patent portfolio and protection, and was granted a total of 207 authorized patents, including 2 PCT patents, 128 invention patents and 51 utility model patents, which cover key technology areas across business segments such as Chinese medicinal herbs resources, TCM decoction pieces, concentrated TCM granules and TCM finished drugs.

Good progress has been made in the research of Chinese medicinal herbs resources. The project of epimedium international standard, which was jointly developed by Tongjitang Pharmaceutical and Tsinghua University, has been approved by the International Organization for Standardization (ISO) and the Draft International Standard (DIS) has been completed (No.: ISO/DIS20255) so far.

New breakthroughs have been achieved in the R&D of TCM decoction pieces. Sinopharm Group Beijing Huamiao Pharmaceutical Co., Ltd. won the third prize in the Hebei Provincial Science and Technology Progress Award for its project “Establishment and Application of a Standardized Production Technology System for High-Quality Spine Date Seeds” (高品質酸棗仁標準化生產技術體系構建與應用); and the processing specifications for four decoction pieces, including those for spine date seeds, which it participated in drafting, were published by the Chinese Pharmacopoeia Commission.

Research on concentrated TCM granules remains at the forefront. During the Reporting Period, the Chinese Pharmacopoeia Commission released 53 new national drug standards for concentrated TCM granules, of which the Group, as a core participating unit, completed the drafting of 39 standards, accounting for 73%. As of 13 January 2026, the Chinese Pharmacopoeia Commission has cumulatively released ten batches of national drug standards for concentrated TCM granules, covering a total of 392 varieties, of which the Group participated in the drafting of 224 standards, accounting for 57%.

New progress has been made in the innovative R&D of TCM finished drugs. During the Reporting Period, Yushuda Tablets, the Class 1.1 innovative traditional Chinese medicine of the Group, and Shaoyao Gancan Granules (芍藥甘草顆粒), the Class 3.1 classic formula, have had their registration and marketing applications accepted by the National Medical Product Administration (“NMPA”). At the same time, the Group actively arranged the cultivation and secondary development strategy for large varieties, and conducted 30 evidence-based studies mainly on large varieties of TCM finished drugs already on the market.

During the Reporting Period, the Group’s several technological achievements received awards. Tongjitang Pharmaceutical won the silver award of the Guizhou Provincial Patent Award for its project “An Extract of a Moisturizing and Antipruritic Compound and Its Preparation” (一種潤燥止癢復方的提取物及其製劑); Guangdong Yifang and Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd. won the second prize of provincial and ministerial-level science and technology progress award for their project “Innovation and Industrial Application of Intelligent Optimization Technology for Quality Markers of Traditional Chinese Medicine” (中藥質量標誌物智能優選技術創新及產業化應用); Shandong Yifang won the Science and Technology Innovation Award of China Industry-University-Research Institute Collaboration Association for its project “Full-Chain Quality Improvement and Industrial Application of Chinese Medicinal Herbs with Different Medicinal Parts” (不同入藥部位中藥材全鏈條質量提升與產業化應用); Jiangyin Tianjiang won the second prize of the Science and Technology Award from China Academy of Chinese Medical Sciences for its project “Evidence-Based Evaluation and Effect Mechanism of Qingda Granules in Preventing and Treating Hypertension” (清達顆粒防治高血壓的循證評價及效應機制).

### ***III. Optimize Governance and Operations and Solidify the Foundation for Development***

#### ***(I) Improve governance mechanisms and increase decision-making level***

Sound corporate governance is a crucial cornerstone for the high-quality development of an enterprise. During the Reporting Period, the Group strictly complied with laws, regulations and regulatory requirements to continuously optimize its corporate governance mechanisms and systems. The Group established a checklist of rights and responsibilities for key matters to strengthen the governance structure, and promote the coordinated operation and effective checks and balances among various governance entities; strengthened support and guarantees for directors' performance of their duties, organized internal and external training, and regularly submitted financial and operational analysis materials to directors to ensure their timely access to decision-making information and increase their professional capabilities and performance standards.

The Group incorporates ESG into its development strategy and corporate governance, unceasingly improving its governance system and promoting enhanced governance effectiveness. In 2025, based on its outstanding ESG governance capabilities, the Group was once again selected among the “China’s ESG Pioneer 100 List of Listed Companies (2025)” (「中國ESG上市公司先鋒100」榜單(2025)), following its initial selection in 2023. It was also selected among the “China’s ESG Central Enterprises Pioneer 100 List of Listed Companies” (「中國ESG上市公司央企先鋒100」榜單) and at the same time, received awards such as the “Excellent ESG Report Award” (ESG優秀報告獎) and the “Outstanding ESG Case Enterprise of Foshan City” (佛山市傑出ESG案例企業).

#### ***(II) Build a talent hub and stimulate the vitality of workforce***

During the Reporting Period, the Group continued to strengthen the building of its outstanding young cadre team and improved its talent development system with TCM characteristics. In accordance with Sinopharm Group’s requirements for cultivating outstanding young cadres, the Group upgraded the “brigadier scheme” training program and held the second session of intensive training, cultivating 60 outstanding young cadres and dramatically improving their theoretical knowledge and practical abilities.

Meanwhile, the Group systematically arranged a reform work on personnel efficiency and concentrated its efforts on the optimization of its personnel structure. During the Reporting Period, efforts were intensified to attract talent from key universities, resulting in the recruitment and registration of 958 persons. Among them, 9% held master's degrees, representing an increase of 6% year-on-year; 10% came from 985, 211 and "Double First-Class" universities, representing an increase of 5% year-on-year; and 56% held medical-related majors, representing an increase of 14% year-on-year. There were 2 new persons who received special government allowances from the State Council, and 19 new high-level talents with senior professional titles or doctoral degrees.

*(III) Promote digital development and empower the upgrading of core businesses*

Primarily driven by digital transformation, the Group systematically promotes the upgrading of its core businesses and improvement in management efficiency, and continuously builds a three-dimensional cybersecurity system covering infrastructure, terminals and personnel, thus providing a solid and reliable operating foundation for comprehensive advancement of digitalization.

In terms of industrial digitalization, the Group launched the "Smart TCM · Sharing Center" SaaS platform. Through system architecture reconstruction, business process integration and information technology innovation and compliance transformation, the response speed, service standardization level and operational transparency of the decoction and delivery business have been significantly improved, realizing intelligent management and service traceability from order receipt to delivery.

In terms of digital management, the Group built a visualized management system for Chinese medicinal herbs inventory, covering the entire chain of "on-site, in transit and in-warehouse". Relying on unified coding and multi-source data integration, the Group realized real-time monitoring and dynamic analysis of the flow of medicinal materials, which effectively supported supply and demand balance assessment and strategic reserve decisions, and escalated the overall coordination and risk resistance capabilities of the supply chain.

As the core vehicle for digital transformation of finance, the treasury system focused on centralized fund management and efficiency improvement during the Reporting Period, achieving online and automated fund planning, settlement and monitoring through systematic methods. The level of fund centralization continued to increase, and the ability to conduct penetrating oversight of funds of subsidiaries was significantly enhanced, thereby increasing the overall efficiency and security of fund utilization.

*(IV) Strengthen safety and environmental protection and consolidate the foundation of quality*

The Group prioritizes safety in production and energy conservation and environmental protection in its operations and management. This is achieved through improving the responsibility system, deepening hazard identification and intensifying publicity and training to ensure the solid implementation of all tasks. During the Reporting Period, a total of 1,199 sessions of production safety training were conducted, covering 56,800 person-times, resulting in a constant improvement in their safety awareness and skills. In terms of energy conservation and environmental protection, the Group systematically deployed and implemented pollution control, risk prevention and “dual carbon” related tasks. While 139 special environmental protection training sessions were organized, the Group actively fostered a green and low-carbon culture through themed publicity activities such as the “June 5th Environment Day” and National Low-Carbon Day.

In terms of quality management, the Group continuously improves its quality management system across the process. Through routine internal quality audits, special inspections and daily supervision, a total of 54 inspections were conducted at subsidiaries throughout the year to promptly eliminate potential risks and solidify the defense line against quality risks. Simultaneously, by organizing various improvement activities such as skills competitions, professional training and quality knowledge quizzes, the Group strengthened the quality awareness and professional capabilities of all employees, which in turn provided a solid guarantee for the stability and reliability of products and services.

*(V) Optimize management and control model and comprehensively enhance risk control*

During the Reporting Period, the Group systematically optimized its management mechanism to improve management efficiency and strengthen risk prevention and control. It optimized the “strategy + operation” management model, highlighted the core functions of the headquarters in strategic guidance, resource coordination and decision-making, systematically reviewed the functional positioning of each subsidiary, and promoted classified management by focusing on the main responsibilities and core businesses. It established a new supply management center, granule marketing center, decoction pieces marketing center and market development center to achieve coordination of the operation and management of each business segment from the headquarters level. At the same time, relying on the “annual major risk judgement + quarterly monitoring” mechanism, combined with qualitative and quantitative analysis methods, it implemented pre-identification and dynamic control of major risks, and no major risk events occurred during the Reporting Period.

#### IV. Policy Update

Since 2025, the state has launched a series of key policies focusing on the inheritance, innovation and high-quality development of TCM, covering areas such as regulatory system, payment reform, quality upgrade and industrial modernization. The industry's direction of development towards "standardization, intensification and value" has become increasingly clear. Over the year, the policy framework was clear: stricter regulations continued to raise compliance and quality thresholds; payment reforms further guided clinical value and cost-effectiveness; industrial policies actively encouraged innovation and intensive development.

The Group closely monitors policy developments and conducts in-depth analysis of their profound impact on the market landscape, competitive factors and business models. We believe that the current policy environment favors leading enterprises with comprehensive advantages in scale, quality, innovation and compliance. The Group's strategic choices are highly aligned with policy guidance. We have dynamically optimized our strategies and operations, not only preparing ourselves to adapt to changes but also endeavouring to seizing opportunities to lead the industry's high-quality development and transformation. The following is a focused analysis of the core policies:

1. *The "Opinions on Comprehensively Deepening Regulatory Reforms for Drugs and Medical Devices to Promote High-Quality Development of the Pharmaceutical Industry"* (《關於全面深化藥品醫療器械監管改革促進醫藥產業高質量發展的意見》) issued on 3 January 2025

(Keywords: regulatory modernization, review innovation, market access)

This document serves as a framework for building a pharmaceutical regulatory system in future, and sets high-quality development benchmarks for the TCM industry. Specifically, its unique review pathway of "combining TCM theory, human experience and clinical trials" actively promotes the transformation of new drugs based on classic formulas and medical institution preparations, which directly benefits the Group's classic formulas-based products under development, such as Shaoyao Gancan Granules (芍藥甘草顆粒). Allowing the cross-provincial sales of TCM decoction pieces that meet provincial standards substantially breaks down key institutional barriers restricting nationwide expansion of the decoction piece business. This aligns closely with the Group's strategy of "enhancing integration across the industry chain", enabling us to serve the unified market more efficiently through our nationwide network of high-standard production bases. The market exclusivity arrangement for exclusive TCM products institutionally guarantees the returns on significant innovations, and strengthens our confidence in investing in the "secondary development of large varieties" and the R&D of innovative drugs.

2. *The “Notice on Promoting the Reform of Real-time Settlement of Basic Medical Insurance Funds” (《關於推進基本醫保基金即時結算改革的通知》) issued on 9 January 2025 and the “Notice on Comprehensively Promoting the Expansion and Quality Improvement of the Reform of Real-time Settlement of Medical Insurance Funds” (《關於全面推進醫保基金即時結算改革擴面提質的通知》) issued on 16 October 2025*

(Keywords: payment efficiency, cash flow optimization, operational burden reduction)

This reform significantly optimizes the operating cash flow and asset-liability structure of pharmaceutical companies by shortening the payment cycle for medical institutions to within 30 days. As for the Group, its business network covering thousands of medical institutions nationwide will directly benefit from the improved payment efficiency. This not only means substantial release of working capital and savings in financial expenses, but also enhances financial stability, enabling us to allocate more resources precisely to core value-creating areas such as R&D, innovation and capacity upgrades, thus fundamentally increasing capital utilization efficiency and shareholder return potential.

3. *The “Government Work Report” (《政府工作報告》) of the Third Session of the 14th National People’s Congress delivered on 5 March 2025*

(Keywords: medical services, medical insurance and pharmaceuticals coordination, value-based orientation, strategic steadfastness)

The report prioritizes the coordinated development and governance of “medical services, medical insurance and pharmaceuticals”, and explicitly mandates the optimization of centralized procurement and the deepening of payment reforms. This signals that the deep-seated industry restructuring centered on “value-based healthcare” has become a long-term trend. The policy direction has shifted from pursuing scale to incentivizing products that deliver superior clinical outcomes and cost-effectiveness. This fully validates the forward-looking nature of the Group’s strategy of “returning to the essence of industry and focusing on core responsibilities and businesses”. Our response pathway – enhancing the clinical value of our products through innovation-driven efforts, and ensuring quality and cost advantages through whole-industry-chain integration – is precisely the core approach to building sustainable competitiveness in this new era.

4. *The “Opinions on Improving the Quality of Traditional Chinese Medicine and Promoting the High-Quality Development of the Traditional Chinese Medicine Industry” (《關於提升中藥質量促進中醫藥產業高質量發展的意見》) issued on 20 March 2025*

(Keywords: entire chain quality, escalated competition, leader guidance)

This represents a top-level design for the entire chain quality upgrade during the “whole life cycle” of the TCM industry. The policy completely shifts the focus of competition from the marketing end to the quality and technology end. The Group has accumulated profound experience over the years in GAP bases, traceability systems, process standardization, and in-depth participation in the formulation of industry standards. We are not only a firm implementer of the policy, but also a benchmark for leading the industry’s quality upgrade through our own practices, further consolidating our leading integrator position in the process of industrial intensification.

5. *The “Implementation Plan for the Digital and Intelligent Transformation of the Pharmaceutical Industry (2025-2030)” (《醫藥工業數智化轉型實施方案(2025-2030年)》) issued on 24 April 2025*

(Keywords: digital and intelligent transformation, core capabilities, future deployment)

The plan delineates a clear ten-year blueprint for the digital and intelligent transformation of the pharmaceutical industry, elevating it from an “option” to a “necessity” for long-term survival. The Group’s investments in areas such as the “Share of TCM · Intelligent Distribution Centers”, a visualized platform for the whole chain inventory, and the intelligent upgrading of manufacturing processes represent a forward-looking strategic deployment. Digital intelligence is far more than a tool for cost reduction and efficiency enhancement; its core value lies in establishing a closed-loop data system throughout the entire process. This provides the foundational support for achieving ultimate traceability quality, enabling flexible production and facilitating precision marketing – forming the bedrock of our future core competitiveness.

6. *The “Notice on Further Improving the Trustworthiness Evaluation System for Drug Prices and Procurement by Bidding” (《關於進一步完善醫藥價格和招採信用評價制度的通知》) issued on 5 June 2025*

(Keywords: credit evaluation, compliant operation, industry consolidation)

The comprehensive tightening of the credit evaluation system, particularly the “maximum penalties” and “accountability extended” for bribery and bid-rigging collusion, has significantly increased the cost of non-compliance and accelerated the industry purification. The proactive transformation of our marketing model and the comprehensive upgrade of our internal control and compliance system provide a significant competitive advantage in this environment. Our stringent self-regulation secures our stable qualification for participation in various procurement activities by bidding, enabling us to consolidate and enhance our market position by leveraging our comprehensive strengths during this period of industry standardization and consolidation.

7. *The “National Tertiary Public Hospital Performance Monitoring Operation Manual (2025 Edition)” (《國家三級公立醫院績效監測操作手冊(2025版)》) effective on 27 June 2025*

(Keywords: performance appraisal, in-hospital market, academic promotion)

The new appraisal scheme expands the scope of TCM services to include “dietary therapy based on syndrome differentiation”, directly incentivizing hospitals at the management level to provide TCM services more extensively and in a standardized manner. This injects a clear impetus for growth into the Group’s core in-hospital market (TCM decoction pieces, concentrated TCM granules, TCM finished drugs prescription drugs). The policy dictates that our academic promotion must become more targeted and in-depth, utilizing more robust evidence-based evidences to align with hospitals’ performance improvement needs, thereby translating policy benefits into tangible business growth.

8. *The “Special Provisions for the Supervision and Administration of TCM Manufacturing” (《中藥生產監督管理專門規定》) effective on 8 September 2025*

(Keywords: special provisions, statutory responsibilities, elevated thresholds)

As the first special provisions for TCM manufacturing, it elevates “entire chain quality control” from an industry consensus to a statutory responsibility, with a particular emphasis on controlling sources such as the botanical origin of Chinese herbal medicines and processing technology. This places significant compliance pressure on enterprises with weak quality control systems. Conversely, the Group’s existing whole industry chain layout and comprehensive quality control system grant us a significant first-mover and compliance advantage under the new regulations, further raising the industry concentration thresholds.

9. *The “Implementation Plan for Strengthening the Foundation of Medical And Health Care” (《醫療衛生強基工程實施方案》) issued on 10 September 2025 and the “Guiding Opinions on Strengthening Primary Chronic Disease Health Management Services” (《關於加強基層慢性病健康管理服務的指導意見》) issued on 29 October 2025*

(Keywords: primary market, incremental space, service model)

The “Strengthening the Foundation Project” aims to channel medical resources to the primary, with the goal of establishing a “15-minute healthcare circle”, which will significantly expand the primary medical care market. Concurrently, the “Guidelines on Chronic Disease Management” (《慢病管理意見》) explicitly integrate TCM into the entire supply chain of primary chronic disease prevention and control. The Group’s concentrated TCM granules (convenient, ready-to-use), TCM decoction pieces (with high accessibility), and OTC TCM finished drugs for chronic disease management are ideally suited to meet the primary needs. This represents not only a blue ocean market for product sales but also a strategic opportunity for us to explore a “product + service” model and build an ecosystem for out-of-hospital health management.

10. *The “Notice on Launching the Pilot Program for Disease-Based Payment for TCM Dominant Diseases” (《關於開展中醫優勢病種按病種付費試點工作的通知》) issued on 9 October 2025*

(Keywords: payment reform, value quantification, evidence-driven approach)

As a core component of healthcare payment reform, the pilot project of Diagnosis-Related Groups (DRG) and Diagnosis-Intervention Packet (DIP) for TCM dominant diseases signifies that the clinical value of TCM has gained an independent and quantitative payment evaluation system. For the Group, this presents both opportunities and challenges. The opportunity lies in the fact that TCM varieties with confirmed efficacy and health economic advantages will secure a stable market space within the disease-based bundled payment system. The challenge is the imperative to provide robust, high-level evidence-based medical evidences and pharmacoeconomics evidences to demonstrate the effectiveness and cost advantages in treating specific diseases. This directly drives us to accelerate evidence-based medical studies on our core large varieties, with the aim of securing inclusion in various levels of directories for dominant diseases.

11. *The “Explanation of the Recommendations of the Central Committee of the Communist Party of China for Formulating the 15th Five-Year Plan for National Economic and Social Development” (《中共中央關於制定國民經濟和社會發展第十五個五年規劃的建議》) effective on 23 October 2025*

(Keywords: national strategy, long-term confidence, leading enterprise responsibility)

As a national highest-level strategic planning document, the “15th Five-Year Plan” once again emphasizes “improving the coordinated development and governance mechanism of ‘medical care, medical insurance and pharmaceuticals’” and “promoting the inheritance and innovation development of TCM”, laying a long-term, stable and positive policy tone for the entire industry and eliminating uncertainties in its development direction. The Group also firmly believes that it will achieve an organic combination of its own development and industry leadership under this grand blueprint.

12. *The new version of “Administrative Measures for National (Industry) Standards of TCM” (《中醫藥國家(行業)標準管理辦法》) issued on 5 November 2025*

(Keywords: standards leading, technology export, rules making)

The core of the new measures is to enhance the “scientific rigor” (emphasizing evidence-based medicine) and “practicality” of standards (encouraging the transformation of research results and establishing fast-track channels). This aligns perfectly with our Group’s consistent practice of participating in national standard setting and conducting extensive evidence-based studies. Deep involvement in standard setting not only ensures that our technological approach and product quality remain in sync with the highest industry standards, but also helps us transform our R&D results and practical experience into industry consensus, thereby leading the development of industry standards in technological advancement and market competition.

13. *The “National Drug List for Basic Medical Insurance, Maternity Insurance and Work-Related Injury Insurance” (《國家基本醫療保險、生育保險和工傷保險藥品目錄》) and the “Commercial Health Insurance Innovative Drug List” (《商業健康保險創新藥品目錄》) issued on 7 December 2025*

(Keywords: two-tier payment, innovation returns, market segmentation)

The establishment of the two-tiered system of “basic medical insurance and high-end commercial insurance” signifies the maturity of the payment environment for innovative drugs. As for the Group, this constitutes a clear commercialization path: on the one hand, it promotes mature products to solidify the basic medical insurance base; on the other hand, it promotes more innovative TCMs to enter the commercial insurance catalog to obtain reasonable returns on innovation and accelerate market expansion, thereby solving the payment bottleneck for high-value innovative drugs.

14. *The Notice on the Three-Year Action Plan for Improving the Quality and Efficiency of Medical Insurance Fund Settlement* (《醫保基金清算提質增效三年行動計劃的通知》) issued on 15 December 2025

(Keywords: settlement expectation, financial predictability, stable operation)

The plan, by setting clear settlement schedules and proportion targets, greatly enhances the predictability and stability of medical insurance fund settlements. For a large enterprise like the Group with a high proportion of medical insurance settlements, this facilitates more precise financial budgeting, revenue recognition and cash flow management, reduces operational volatility, and increases the overall stability and robustness of operations.

15. *The revised “Law of the PRC on the Administration of Drugs”* (《中華人民共和國藥品管理法實施條例》) effective on 27 January 2026

(Keywords: regulatory enforcement, full-chain autonomy, strategic validation)

The regulations, in the form of the highest legal provisions, clearly stipulate that manufacturers of TCM decoction pieces and concentrated TCM granules must fulfill their responsibilities throughout the entire product lifecycle and prohibit contract manufacturing. This declares that “full chain independent controllability” in the production of TCM has become a mandatory legal requirement. The Group’s long-standing strategy of “advancing the integration of the entire industry chain” is highly consistent with the spirit of this regulation. Our complete industrial system is not only a competitive advantage, but also an essential cornerstone and fundamental guarantee for meeting national regulations and achieving the most stable operation.

16. *The “Implementation Plan for High-Quality Development of the TCM Industry (2026-2030)”* (《中藥工業高品質發展實施方案(2026—2030年)》) issued on 30 January 2026

(Keywords: top-level planning, full chain collaboration, leader guidance)

The plan serves as a guiding document for the development of the TCM industry over the next five years, and its core orientation aligns closely with the Group’s strategy. The plan’s emphasis on “full industry chain collaboration” confirms and increases the Group’s forward-looking and strategic value in its layout of GAP bases, origin processing and quality traceability systems. The deployment of smart factories, green factories and innovation centers aligns perfectly with our existing intelligent manufacturing upgrades and R&D platform construction. The plan explicitly encourages leading enterprises to play a guiding role, providing a solid policy basis and action space for the Group to further integrate resources and promote the industry towards intensive and high-quality development.

17. *The “Administrative Measures for the National Essential Medicines List” (《國家基本藥物目錄管理辦法》) issued on 11 February 2026*

(Keywords: optimized catalog structure, upgraded selection criteria, stricter supervision)

The measures, for the first time, list TCM decoction pieces as an independent category alongside TCM finished drugs, and explicitly establish the principle of “equal emphasis on traditional Chinese and Western medicine, with TCM as the first choice in clinical practice”, fundamentally elevating the strategic status of TCM decoction pieces at the institutional level. Leveraging its abundant essential drug varieties and exclusive products, the Group will gain broader market opportunities under the policy guidance of continuous expansion of primary healthcare and priority allocation of essential drugs. At the same time, the measures set higher requirements for evidence-based evidences, standardized product instructions and clinical re-evaluation. The Group will promptly conduct assessments, focusing on exclusive essential drugs and quality decoction pieces, and intensify evidence-based medicine and pharmacoeconomics studies to consolidate and enhance its market position.

## V. *Work Arrangement for the Next Step*

Entering 2026, the Group will focus on improving the quality and efficiency of its core businesses, guided by the core principles of “stability, integration and efficiency improvement” and comprehensively address the profound changes in policies and markets within the TCM industry. While consolidating its existing business foundation, the Group will promote sustainable growth through optimized resource allocation and refined management.

### *(I) Stabilize operations, consolidate development efforts and strengthen the foundation of operations*

Faced with external challenges such as the continuous expansion of centralized drug procurement, strengthened medical insurance cost control, increasingly stringent industry supervision, and changes in the market competition landscape, the Group will focus on its controllable core aspects, making key efforts in cost control, supply chain management, brand building and marketing. The Chinese medicinal herbs integration business will adhere to the principle of “ensuring supply and controlling resources”, controlling risks and appropriately expanding the external operation of advantageous varieties. The TCM decoction pieces business will focus on increasing market coverage, relying on core markets to radiate to surrounding areas, and exploring the nationwide operation of key advantageous varieties. The concentrated TCM granules business will steadily promote integration of the marketing system and the adjustment of industrial layout, strengthening unified management in six aspects: production capacity, technical standards, raw material guarantee, quality system, personnel allocation and cost accounting. The TCM finished drugs business will adhere to a large-variety strategy and vertically integrated management to stabilize profit contribution. The TCM great health business will continue to shrink its product lines, focusing on high-quality medicinal and edible products and exploring and improving its sales network in the consumer market.

*(II) Optimize the layout, deepen industrial restructuring and activate development momentum*

Optimize the layout of upstream medicinal material resources, leverage the advantages of industrial production and use scale, integrate the local resources of subsidiaries in various regions, and implement strategic reserves of core varieties and graded processing at the place of origin; optimize the layout of the industrial manufacturing system, build advantageous production bases at the extraction end, and carry out intensive production led by leading enterprises at the formulation end; implement classified management of subsidiaries and strengthen the overall coordination role of headquarters in business development and resource allocation; orderly dispose of inefficient and ineffective assets and increase the efforts to clear out non-strategic equity participation enterprises; take a holistic approach to address shortcomings and strengthen strengths, and seek high-quality TCM targets with brand awareness, channel advantages, incubation capabilities and industry influence.

*(III) Strengthen management, enhance organizational capabilities and build a solid risk defense line*

Strengthen the construction of the compliance system and build a systematic and normalized business compliance system; build a unified quality standard system, promote the construction of a unified quality standard system, and improve the intensive, standardized and professional production capabilities; drive product competitiveness improvement through innovation and strengthen the synergy between production, marketing and scientific research; optimize the organizational and talent structure, improve the organizational structure, optimize personnel allocation, and improve per capita efficiency based on the needs of the main businesses and key positions.

The Group will actively respond to industry changes, seize market opportunities, promote the high-quality development of the TCM industry, and create long-term value for shareholders.

## BUSINESS ANALYSIS

During the Reporting Period, the Group's revenue was approximately RMB14,744,779,000, representing a decrease of 10.7% compared with approximately RMB16,509,708,000 for the same period last year. Revenue and cost of sales of each business segment are as follows:

Business segments	Twelve months ended 31 December					
	2025	2024	Change	2025	2024	Change
	Revenue	Revenue		Cost of sales	Cost of sales	
<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>		
Chinese medicinal herbs integration business	<b>829,724</b>	1,386,669	-40.2%	<b>765,783</b>	1,232,196	-37.9%
TCM decoction pieces	<b>3,334,450</b>	3,314,794	0.6%	<b>2,497,026</b>	2,547,079	-2.0%
Concentrated TCM granules	<b>6,097,744</b>	6,972,013	-12.5%	<b>2,816,704</b>	3,003,205	-6.2%
TCM finished drugs	<b>4,248,309</b>	4,552,955	-6.7%	<b>1,414,300</b>	1,656,749	-14.6%
TCM great health	<b>234,552</b>	283,277	-17.2%	<b>159,838</b>	214,171	-25.4%
Total	<b><u>14,744,779</u></b>	<u>16,509,708</u>	<u>-10.7%</u>	<b><u>7,653,651</u></b>	<u>8,653,400</u>	<u>-11.6%</u>

### 1. Chinese medicinal herbs integration business

	Twelve months ended		
	31 December		
	2025	2024	Change
<i>RMB'000</i>	<i>RMB'000</i>		
Revenue	<b>829,724</b>	1,386,669	-40.2%
Cost of sales	<b>765,783</b>	1,232,196	-37.9%
Gross profit	<b>63,941</b>	154,473	-58.6%
Gross profit margin	<b>7.7%</b>	11.1%	-3.4pp

During the Reporting Period, the revenue of the Chinese medicinal herbs integration business segment was approximately RMB829,724,000, representing a decrease of 40.2% compared with the revenue of approximately RMB1,386,669,000 for the same period last year. This business segment accounted for 5.6% of the total revenue. It was mainly due to: (1) actively shifting business focuses to the development of local varieties and advantageous varieties, and cutting high-risk businesses with low margin; and (2) decline in sales unit prices of Chinese medicinal herbs affected by the downward fluctuation in its market price, leading to a decrease in revenue.

The gross profit margin during the Period was 7.7%, representing a decrease of 3.4 percentage points compared with 11.1% for the same period last year. The decline in gross profit margin was mainly attributable to the downward fluctuation in the market prices of some Chinese medicinal herbs.

## 2. TCM decoction pieces

	<b>Twelve months ended</b>		Change
	<b>31 December</b>		
	<b>2025</b>	2024	
	<b>RMB'000</b>	RMB'000	
Revenue	<b>3,334,450</b>	3,314,794	0.6%
Cost of sales	<b>2,497,026</b>	2,547,079	-2.0%
Gross profit	<b>837,424</b>	767,715	9.1%
Gross profit margin	<b>25.1%</b>	23.2%	1.9pp

During the Reporting Period, the revenue of the TCM decoction pieces business segment was approximately RMB3,334,450,000, representing an increase of 0.6% compared with the revenue of approximately RMB3,314,794,000 for the same period last year. This business segment accounted for 22.6% of the total revenue. The Group optimized resource allocation during the Period, actively reduced non-medical channel businesses, focused on the medical terminal market and continuously deepened cooperation with existing clients to, which drove the sales growth.

The gross profit margin for the Period was 25.1%, representing an increase of 1.9 percentage points compared with 23.2% for the same period last year, which was mainly due to the optimization of the sales structure, the increase in the proportion of medical terminal sales business, and the decrease in procurement costs of Chinese medicinal herbs.

### 3. Concentrated TCM granules

	Twelve months ended		Change
	31 December		
	2025	2024	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	<b>6,097,744</b>	6,972,013	-12.5%
Cost of sales	<b>2,816,704</b>	3,003,205	-6.2%
Gross profit	<b>3,281,040</b>	3,968,808	-17.3%
Gross profit margin	<b>53.8%</b>	56.9%	-3.1pp

During the Reporting Period, the revenue of the concentrated TCM granules business segment was approximately RMB6,097,744,000, representing a decrease of 12.5% compared with the revenue of approximately RMB6,972,013,000 for the same period last year. This business segment accounted for 41.4% of the total revenue. It was mainly due to a reduction in sales volume and a decline in sales revenue during the Period as a result of an increase in the proportion of centralized procurement business during the Period, coupled with intensified market competition and other factors.

The gross profit margin during the Period was 53.8%, representing a decrease of 3.1 percentage points compared with 56.9% for the same period last year, which was mainly due to the increase in the proportion of centralized procurement business and a further decline in gross profit margin.

### 4. TCM finished drugs

	Twelve months ended		Change
	31 December		
	2025	2024	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	<b>4,248,309</b>	4,552,955	-6.7%
Cost of sales	<b>1,414,300</b>	1,656,749	-14.6%
Gross profit	<b>2,834,009</b>	2,896,206	-2.1%
Gross profit margin	<b>66.7%</b>	63.6%	3.1pp

During the Reporting Period, the revenue of the TCM finished drugs business segment was approximately RMB4,248,309,000, representing a decrease of 6.7% compared with the revenue of approximately RMB4,552,955,000 for the same period last year. This business segment accounted for 28.8% of the total revenue. It was mainly due to the pressure on OTC product sales as a result of the continued deepening of medical reform and the development of e-commerce platforms, as well as the proactive adjustments to marketing strategies for certain products in response to market changes, resulting in a decrease in revenue.

The gross profit margin during the Period was 66.7%, representing an increase of 3.1 percentage points compared with 63.6% for the same period last year, which was mainly attributed to the decrease in procurement costs of Chinese medicinal herbs and the optimization of product structure during the Period.

## 5. TCM great health

	<b>Twelve months ended</b>		Change
	<b>31 December</b>		
	<b>2025</b>	2024	
	<b>RMB'000</b>	RMB'000	
Revenue	<b>234,552</b>	283,277	-17.2%
Cost of sales	<b>159,838</b>	214,171	-25.4%
Gross profit	<b>74,714</b>	69,106	8.1%
Gross profit margin	<b>31.9%</b>	24.4%	7.5pp

During the Reporting Period, the revenue of TCM great health business segment was approximately RMB234,552,000, representing a decrease of 17.2% compared with the revenue of approximately RMB283,277,000 for the same period last year. This business segment accounted for 1.6% of the total revenue. It was mainly attributed to the adjustment of business development strategies to suspend some inefficient product lines and businesses.

The gross profit margin during the Period was 31.9%, representing an increase of 7.5 percentage points compared with 24.4% for the same period last year, which was mainly attributed to the improved profitability as a result of the optimization of the sales structure.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Notes</i>	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue	3	<b>14,744,779</b>	16,509,708
Cost of sales		<u><b>(7,653,651)</b></u>	<u>(8,653,400)</u>
Gross profit		<b>7,091,128</b>	7,856,308
Other income	5	<b>157,115</b>	197,696
Other gains and losses	6	<b>(722,819)</b>	(538,914)
Selling and distribution expenses		<b>(4,954,925)</b>	(5,419,271)
Administrative expenses		<b>(1,115,364)</b>	(1,057,664)
Research and development expenses		<b>(511,472)</b>	(596,007)
Impairment losses under the expected credit loss model, net of reversal	7	<u><b>(212,566)</b></u>	<u>(106,554)</u>
Operating (losses)/profits		<b>(268,903)</b>	335,594
Finance costs		<b>(99,129)</b>	(171,535)
Share of results of associates		<u><b>(197)</b></u>	<u>(950)</u>
<b>(LOSS)/PROFIT BEFORE TAX</b>		<b>(368,229)</b>	163,109
Income tax expense	8	<u><b>(89,860)</b></u>	<u>(142,338)</u>
<b>(LOSS)/PROFIT FOR THE YEAR</b>	9	<u><u><b>(458,089)</b></u></u>	<u><u>20,771</u></u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
Other comprehensive income that will not be reclassified to profit or loss in subsequent period:			
Re-measurement of defined benefit plan		<u><b>360</b></u>	<u>(3,235)</u>

	<i>Note</i>	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
Other comprehensive income that may be reclassified to profit or loss in subsequent period:			
Change in fair value on debt instruments measured at fair value through other comprehensive income		<b>6,547</b>	(6,325)
(Reversal of impairment loss)/impairment loss recognised for debt instruments at fair value through other comprehensive income included in profit or loss		<b>(619)</b>	727
Income tax relating to items that may be reclassified to profit or loss		<b>(949)</b>	799
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>		<b>5,339</b>	(8,034)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<b>(452,750)</b>	12,737
(Loss)/profit for the year attributable to:			
Owners of the Company		<b>(342,070)</b>	54,067
Non-controlling interests		<b>(116,019)</b>	(33,296)
		<b>(458,089)</b>	20,771
Total comprehensive (Loss)/income for the year attributable to:			
Owners of the Company		<b>(336,570)</b>	45,900
Non-controlling interests		<b>(116,180)</b>	(33,163)
		<b>(452,750)</b>	12,737
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and Diluted (RMB cents)	<i>11</i>	<b>(6.79)</b>	1.07

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Notes</i>	<b>2025</b> <b>RMB'000</b>	2024 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>6,123,376</b>	6,614,028
Investment properties		<b>156,387</b>	81,627
Right-of-use assets		<b>1,064,320</b>	1,099,971
Goodwill	<i>12</i>	<b>2,531,159</b>	3,026,077
Other intangible assets		<b>4,491,572</b>	5,106,168
Investments in associates		<b>10,724</b>	10,921
Deposits and prepayments		<b>12,779</b>	65,446
Deferred taxation		<b>248,807</b>	219,977
		<hr/>	<hr/>
Total non-current assets		<b>14,639,124</b>	16,224,215
<b>CURRENT ASSETS</b>			
Trade and other receivables	<i>13</i>	<b>8,844,453</b>	8,566,512
Inventories	<i>14</i>	<b>3,710,941</b>	4,783,099
Debt instruments at fair value through other comprehensive income ("FVTOCI")		<b>1,108,164</b>	1,469,238
Pledged bank deposits		<b>102,670</b>	153,743
Bank balances and cash		<b>3,942,077</b>	3,866,911
		<hr/>	<hr/>
Total current assets		<b>17,708,305</b>	18,839,503
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>15</i>	<b>5,327,339</b>	5,437,645
Lease liabilities		<b>18,652</b>	22,605
Contract liabilities		<b>136,186</b>	185,192
Interest-bearing bank and other borrowings		<b>992,939</b>	2,078,923
Unsecured notes		<b>1,221,910</b>	22,388
Tax liabilities		<b>36,559</b>	53,445
		<hr/>	<hr/>
Total current liabilities		<b>7,733,585</b>	7,800,198
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>9,974,720</b>	11,039,305

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>24,613,844</b>	27,263,520
<b>NON-CURRENT LIABILITIES</b>		
Deferred government grants	<b>385,799</b>	396,304
Deferred taxation	<b>939,862</b>	1,042,460
Unsecured notes	–	1,198,299
Interest-bearing bank and other borrowings	<b>207,748</b>	618,391
Lease liabilities	<b>52,469</b>	75,032
Total non-current liabilities	<b>1,585,878</b>	3,330,486
<b>Net assets</b>	<b>23,027,966</b>	23,933,034
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>11,982,474</b>	11,982,474
Reserves	<b>8,487,258</b>	9,221,310
	<b>20,469,732</b>	21,203,784
<b>Non-controlling interests</b>	<b>2,558,234</b>	2,729,250
<b>Total equity</b>	<b>23,027,966</b>	23,933,034

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

## 1. CORPORATE AND GROUP INFORMATION

China Traditional Chinese Medicine Holdings Co. Limited (the “Company”) is a listed company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (“The Stock Exchange”). The Company’s ultimate controlling party is China National Pharmaceutical Group Corporation (“CNPGC”), a company established in the PRC which is a Chinese state-owned enterprise. The address of the registered office and principal place of business of the Company is Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (the “Group”) are the research and development, production and sales of Chinese medicine and pharmaceutical products in the PRC.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company and all its subsidiaries.

## 2. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Hong Kong Accounting Standards (‘HKASs’) and Interpretations (collectively ‘HKFRS Accounting Standards’) issued by the Hong Kong Institute of Certified Public Accountants (‘HKICPA’) and the Hong Kong Companies Ordinance, Cap. 622 which concern the preparation of financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the translation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## **2.2 CHANGES IN ACCOUNTING POLICIES**

The Group has adopted the following new and revised HKFRS Accounting Standards for the first time for the current year's financial statements.

Amendments to HKAS 21 – The Effects of Changes in Foreign Exchange Rates

The application of the revised HKFRS Accounting Standards in the reporting period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity <sup>1</sup>
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 <sup>1</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>2</sup>
HKFRS 19 and its amendments	Subsidiaries without Public Accountability: Disclosures <sup>2</sup>
Amendments to HKAS 10 and HKFRS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HK (IFRIC)-Int 5 Amendments to Hong Kong Interpretation	Presentation of Financial Statements Classification by the Borrower of a term loan that contains a Repayment on Demand Clause <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>2</sup> Effective for annual/reporting periods beginning on or after 1 January 2027

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

The Group expects that the adoption of the above revised standards will have no significant impact on the Group's financial statements.

## 3. REVENUE

### (i) Disaggregation of revenue from contracts with customers

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Types of goods or services		
Concentrated TCM granules	6,097,744	6,972,013
TCM finished drugs	4,248,309	4,552,955
TCM decoction pieces	3,334,450	3,314,794
Chinese medicinal herbs integration business	829,724	1,386,669
TCM great health services	<u>234,552</u>	<u>283,277</u>
Total	<u><u>14,744,779</u></u>	<u><u>16,509,708</u></u>

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Geographical markets		
Chinese Mainland	14,576,689	16,404,944
Hong Kong, China	76,289	50,419
Overseas and others	<u>91,801</u>	<u>54,345</u>
Total	<u>14,744,779</u>	<u>16,509,708</u>
Timing of revenue recognition		
At point in time	<u>14,744,779</u>	<u>16,509,708</u>

(ii) Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>Revenue from contracts with customers</b>		
External customers	14,744,779	16,509,708
Intersegment sales	<u>2,637,660</u>	<u>2,377,918</u>
Subtotal	<u>17,382,439</u>	<u>18,887,626</u>
Intersegment adjustments and eliminations	<u>(2,637,660)</u>	<u>(2,377,918)</u>
<b>Total</b>	<u>14,744,779</u>	<u>16,509,708</u>

**(iii) Performance obligations for contracts with customers**

***Sales of TCM products (revenue recognised at a point in time)***

Revenue from sales of TCM products, such as concentrated TCM granules, finished drugs, TCM decoction pieces and TCM healthcare products, is recognized at the point in time when control of the assets are transferred to the customers, the customers have full discretion to use the healthcare products, and there is no unfulfilled obligation that could affect the customers' acceptance of the healthcare products. Transactions are settled by payment from commercial insurance, government's insurance scheme, third-party payment platforms, or directly paid by bank cards or cash from customers.

Product sales represent the sales value of goods, less estimated discounts.

The provision for deduction of estimated revenue is recorded in the same period in which the relevant sales are recorded and based on sales terms, historical experience and trend analysis. Discounts to customers are in accordance with the practice of the TCM industry and prime healthcare industry. The Group records discount provision for sales at the time of sales based on the agreed rate.

The Group regularly reviews the estimates and accordingly adjusts provisions.

***Provision of TCM healthcare services (revenue recognised at a point in time)***

The Group provides medical diagnosis and health examination services.

Revenue from TCM healthcare services contains more than one performance obligation, including (i) the provision of consultation services or diagnostic services, (ii) the sales of TCM products, and (iii) TCM therapies. The Group allocates the transaction price to each performance obligation based on the relative stand-alone selling price. The control of services or TCM products is transferred at a point in time, and revenue is recognised when the customer obtains the control of the completed services or TCM products as the Group has satisfied its performance obligations with a present right to payment and the collection of the consideration is probable. Transactions are settled by payment from commercial insurance, government's insurance scheme, third-party payment platforms, or directly paid by bank cards or cash from customers.

#### 4. OPERATING SEGMENTS INFORMATION

The Group's operating and reporting segments have been identified on the basis of internal management reports that are regularly reviewed by the executive directors, being the chief operating decision makers ("CODM") of the Group, in order to allocate resources to segments and to assess their performances. The Group has four reportable operating segments as follows:

- i. Yi Fang segment mainly engages in the manufacture and sales of concentrated TCM granules ("CTCMG"), TCM healthcare products, and TCM decoction pieces under "Yi Fang" brand. Majority of the revenue of Yi Fang segment is derived from the sales of CTCMG.
- ii. Tian Jiang segment mainly engages in the manufacture and sales of CTCMG, TCM decoction pieces, and TCM healthcare products under "Tian Jiang" brand. The Tian jiang segment also provides a variety of Chinese medical related healthcare solutions, including Chinese medical consultation and diagnosis, TCM physiotherapy, and prescription with concentrated TCM granules, TCM decoction pieces and TCM healthcare product (the "TCM Healthcare Solutions"), through its offline medical institutions under "Tian Jiang" brand. Majority of the revenue of Tian Jiang segment is derived from the sales of CTCMG.
- iii. Tong Ji Tang segment mainly engages in the manufacture and sales of CTCMG, TCM decoction pieces and TCM finished drugs under "Tong Ji Tang" brand. The Tong Ji Tang segment also engages in the manufacture and sales of a wide range of healthcare products in great health industry.
- iv. Medi-World segment mainly engages in the manufacture and sales of TCM finished drugs under various brands, including but not limited to "Medi-world", "De Zhong" and "Feng Liao Xing"; and provision of a variety of TCM Healthcare Solutions through its offline medical institutions under "Feng Liao Xing" brand.

Management monitors the results of the Group's operating segments for the purpose of making decisions about resource allocation and performance assessment. For the purposes of assessing segment performance and allocating resources between segments, the CODM then monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit or loss. Adjusted profit or loss is measured consistently with the Group's loss after tax except that corporate expenses in head office are excluded from such measurement. Revenue, cost of sales, other gains and losses and all types of expenses are allocated to the reportable segments with reference to the transactions incurred by those segments or allocated on a reasonable basis.

Segment assets exclude deferred tax assets and unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude tax liabilities, deferred tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices. Intersegment sales are eliminated on consolidation.

The following tables present revenue and other segment information for the Group's operating:

(i) **Segment results, assets and liabilities**

Year ended 31 December 2025	Yi Fang RMB'000	Tian Jiang RMB'000	Tong Ji Tang RMB'000	Medi-World RMB'000	Elimination RMB'000	Total RMB'000
<b>Segment revenue (note 3)</b>						
External customers	4,910,973	3,196,364	2,096,697	4,540,745	-	14,744,779
Intersegment sales	<u>270,253</u>	<u>297,394</u>	<u>456,993</u>	<u>1,613,020</u>	<u>(2,637,660)</u>	<u>-</u>
Total segment revenue	<u>5,181,226</u>	<u>3,493,758</u>	<u>2,553,690</u>	<u>6,153,765</u>	<u>(2,637,660)</u>	<u>14,744,779</u>
<b>Segment results</b>	<u>(113,442)</u>	<u>(826,304)</u>	<u>301,203</u>	<u>191,804</u>	<u>-</u>	<u>(446,739)</u>
Reconciliation:						
Other unallocated head office and corporate expenses						<u>(11,350)</u>
<b>Loss for the year</b>						<u><u>(458,089)</u></u>
<b>Other segment information:</b>						
Interest income	1,727	1,681	660	30,585	-	34,653
Finance costs	(5,768)	(38,363)	11,727	(66,725)	-	(99,129)
Share of results of associates	-	(3)	-	(194)	-	(197)
Depreciation and amortisation	(491,494)	(365,238)	(115,047)	(187,087)	-	(1,158,866)
Write-down of inventories	(14,071)	(44,987)	(18,898)	(9,560)	-	(87,516)
Impairment losses under the expected credit loss model, net of reversal	(84,298)	(93,088)	(11,139)	(24,041)	-	(212,566)
Impairment loss recognised in respect of						
- goodwill	-	(494,918)	-	-	-	(494,918)
- right of use assets	-	(9,942)	-	-	-	(9,942)
- other intangible assets	-	(222,835)	-	-	-	(222,835)
- property, plant and equipment	(678)	(5,587)	-	-	-	(6,265)
- investment properties	<u>-</u>	<u>(946)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(946)</u>
<b>As at 31 December 2025</b>						
<b>Segment assets</b>	<u>13,508,962</u>	<u>9,153,656</u>	<u>6,049,940</u>	<u>9,387,050</u>	<u>-</u>	<u>38,099,608</u>
Elimination of intersegment receivables						(6,236,702)
Deferred tax assets						248,807
Corporate and other unallocated assets						<u>235,716</u>
<b>Total assets</b>						<u><u>32,347,429</u></u>
<b>Segment liabilities</b>	<u>3,229,824</u>	<u>3,033,690</u>	<u>992,353</u>	<u>7,223,921</u>	<u>-</u>	<u>14,479,788</u>
Elimination of intersegment payables						(6,236,702)
Tax liabilities						36,559
Deferred tax liabilities						939,862
Corporate and other unallocated liabilities						<u>99,956</u>
<b>Total liabilities</b>						<u><u>9,319,463</u></u>

<b>Year ended 31 December 2024</b>	Yi Fang RMB'000	Tian Jiang RMB'000	Tong Ji Tang RMB'000	Medi-World RMB'000	Elimination RMB'000	Total RMB'000
<b>Segment revenue (note 3)</b>						
External customers	5,613,357	3,880,694	2,328,566	4,687,091	–	16,509,708
Intersegment sales	<u>171,688</u>	<u>232,219</u>	<u>344,266</u>	<u>1,629,745</u>	<u>(2,377,918)</u>	<u>–</u>
Total segment revenue	<u>5,785,045</u>	<u>4,112,913</u>	<u>2,672,832</u>	<u>6,316,836</u>	<u>(2,377,918)</u>	<u>16,509,708</u>
<b>Segment results</b>	<u>182,260</u>	<u>(597,856)</u>	<u>266,548</u>	<u>177,321</u>	<u>–</u>	<u>28,273</u>
Reconciliation:						
Other unallocated head office and corporate expenses						<u>(7,502)</u>
<b>Profit for the year</b>						<u><u>20,771</u></u>
<b>Other segment information:</b>						
Interest income	4,175	2,476	2,008	39,018	–	47,677
Finance costs	(49,367)	(63,477)	18,921	(77,612)	–	(171,535)
Share of results of associates	–	1	–	(951)	–	(950)
Depreciation and amortisation	(472,274)	(378,671)	(97,174)	(182,105)	–	(1,130,224)
Write-down of inventories	(20,180)	(28,118)	(21,808)	(3,070)	–	(73,176)
Impairment losses under the expected credit loss model, net of reversal	(69,193)	(21,553)	(7,315)	(8,493)	–	(106,554)
Impairment loss recognised in respect of						
– goodwill	–	(430,236)	–	(1,590)	–	(431,826)
– right of use assets	–	(7,846)	–	–	–	(7,846)
– other intangible assets	(129)	–	–	–	–	(129)
– property, plant and equipment	<u>–</u>	<u>(24,201)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(24,201)</u>
<b>As at 31 December 2024</b>						
<b>Segment assets</b>	<u>15,110,492</u>	<u>10,244,478</u>	<u>6,033,056</u>	<u>8,860,033</u>	<u>–</u>	<u>40,248,059</u>
Reconciliation:						
Elimination of intersegment receivables						(5,679,697)
Deferred tax assets						219,977
Corporate and other unallocated assets						<u>275,379</u>
<b>Total assets</b>						<u><u>35,063,718</u></u>
<b>Segment liabilities</b>	<u>4,071,509</u>	<u>3,514,196</u>	<u>1,253,622</u>	<u>6,817,455</u>	<u>–</u>	<u>15,656,782</u>
Reconciliation:						
Elimination of inter-segment payables						(5,679,697)
Tax liabilities						53,445
Deferred tax liabilities						1,042,460
Corporate and other unallocated liabilities						<u>57,694</u>
<b>Total liabilities</b>						<u><u>11,130,684</u></u>

**(ii) Geographical information and information about major customers**

Analysis of the Group's non-current assets by geographical market has not been presented as substantially all of the Group's assets are located in Chinese Mainland, no geographical information as required by HKFRS 8 Operating Segments is presented.

The Group's customer base is diversified and none of the customers with whom transactions have exceeded 10% of the Group's revenue in both current and prior year.

**5. OTHER INCOME**

	<b>2025</b>	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants		
– Unconditional subsidies ( <i>note i</i> )	<b>49,197</b>	98,218
– Conditional subsidies ( <i>note ii</i> )	<b>62,027</b>	42,782
Interest income on bank deposits	<b>34,653</b>	47,677
Rental income	<b>11,238</b>	9,019
	<hr/>	<hr/>
Total other income	<b>157,115</b>	197,696
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (i) The amount represents subsidy income received from various government authorities as incentives to the Group to recognise their contribution to the local economy.
- (ii) Including government grants and subsidies have been received to compensate for the Group's research and development expenditures, which relate to future costs to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants are recognised in profit or loss when related costs are subsequently incurred and the Group receives government's acknowledgement of compliance. Other government grants have been received to compensate for the construction of the production line. The subsidies are recognised in profit or loss over the useful lives of the relevant assets.

## 6. OTHER GAINS AND LOSSES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Impairment loss recognised in respect of		
– goodwill	(494,918)	(431,826)
– right-of-use assets	(9,942)	(7,846)
– other intangible assets	(222,835)	(129)
– property, plant and equipment	(6,265)	(24,201)
– investment properties	(946)	–
Net losses on disposal of property, plant and equipment	(6,632)	(2,825)
Net gain on disposal of right of use assets	1,283	1,544
Net gain on disposal of an associate	–	361
Net loss on disposal of other intangible assets	(287)	(11)
Donation	(8,207)	(14,437)
Net foreign exchange (losses)/gains	(1,862)	1,798
Penalty interests ( <i>note i</i> )	(18,359)	(64,237)
Other gains	46,151	2,895
	<u>(722,819)</u>	<u>(538,914)</u>

*Note:*

- (i) Penalty interests mainly represented the penalty interest in relation to the under provision in income taxes in prior years as disclosed in note 8 Income Tax Expense.

## 7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Impairment losses (recognised)/reversed in respect of		
– trade receivables	(181,079)	(105,708)
– other receivables	(32,106)	(119)
– debt instruments at FVTOCI	619	(727)
	<u>(212,566)</u>	<u>(106,554)</u>
Total	<u>(212,566)</u>	<u>(106,554)</u>

## 8. INCOME TAX EXPENSE

Taxation in the consolidated statement of profit or loss represents:

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Current tax:		
PRC EIT	<b>145,654</b>	189,053
Under-provision in prior year ( <i>note i</i> )	<b>76,458</b>	97,568
	<hr/>	<hr/>
Subtotal	<b>222,112</b>	286,621
Deferred tax credit	<b>(132,252)</b>	(144,283)
	<hr/>	<hr/>
Total tax charge for the year	<b>89,860</b>	142,338
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

- (i) During the year ended 31 December 2025, certain subsidiaries of the Company have been inspected by local tax bureaus, or have conducted self-inspection following the tax audit notices issued by local tax bureaus, respectively. These subsidiaries have made provisions based on the best estimate of under provision on relevant income tax during the respective periods ranging from year 2017 to year 2025.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit in Hong Kong for both years.

## 9. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Directors' remuneration	3,767	4,402
Other staff costs		
Salaries, wages and other benefits	2,154,780	2,224,458
Contributions to defined contribution retirement benefits	<u>197,814</u>	<u>183,972</u>
Subtotal	<u>2,352,594</u>	<u>2,408,430</u>
Cost of sales	7,653,651	8,653,400
Included: Write-down of inventories to net realisable value*	87,516	73,176
Auditor's remuneration	3,619	5,255
Impairment loss recognised/(reversed) in respect of		
– goodwill	494,918	431,826
– right of use assets	9,942	7,846
– other intangible assets	222,835	129
– property, plant and equipment	6,265	24,201
– Investment properties	946	–
– trade receivables	181,079	105,708
– other receivables	32,106	119
– debt instruments at FVTOCI	<u>(619)</u>	<u>727</u>
Depreciation of		
– investment properties	27,812	6,052
– property, plant and equipment	664,748	679,563
– right-of-use assets	74,114	53,445
Amortisation of other intangible assets	<u>392,192</u>	<u>391,164</u>
Total depreciation and amortisation	<u>1,158,866</u>	<u>1,130,224</u>
Gross rental income from investment properties	(11,238)	(9,019)
Less: Direct operating expenses incurred for investment properties	<u>3,607</u>	<u>1,362</u>
Total	<u><u>(7,631)</u></u>	<u><u>(7,657)</u></u>

\* The write-down of inventories to net realisable value is included in “Cost of sales” in the consolidated statement of profit or loss and other comprehensive income

## 10. DIVIDENDS

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
Proposed final – nil cents (2024: HK0.35 cents) per ordinary share	–	16,115
Proposed special – nil cents (2024: HK8.30 cents) per ordinary share	–	<u>385,742</u>
Total	<u>–</u>	<u>401,857</u>

The Board did not recommend the payment of a final dividend for the year ended 31 December 2025.

## 11. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to ordinary equity holders of the parent is based on the following data.

	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
(Loss)/profit attributable to the owners of the Company	<u>(342,070)</u>	<u>54,067</u>
	<b>2025</b> <i>'000</i>	2024 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic (losses)/earnings per share	<u>5,035,801</u>	<u>5,035,801</u>

No diluted (losses)/earnings per share for both current and prior years was presented as there were no dilutive potential ordinary shares in issue during both current and prior years.

## 12. GOODWILL

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>COST</b>		
At 1 January	3,570,574	3,570,574
Disposal	<u>(1,590)</u>	<u>–</u>
At 31 December	<u>3,568,984</u>	<u>3,570,574</u>
<b>IMPAIRMENT</b>		
At 1 January	(544,497)	(112,671)
Impairment loss recognised for the year	(494,918)	(431,826)
Disposal	<u>1,590</u>	<u>–</u>
At 31 December	<u>(1,037,825)</u>	<u>(544,497)</u>
<b>CARRYING VALUES</b>		
At 31 December	<u><u>2,531,159</u></u>	<u><u>3,026,077</u></u>

## 13. TRADE AND OTHER RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables	8,781,421	8,392,206
Less: Allowance for credit losses	<u>(402,772)</u>	<u>(223,216)</u>
Net carrying amount	<u><u>8,378,649</u></u>	<u><u>8,168,990</u></u>
Deposits and prepayments	131,474	68,780
Advance tax payments	159,630	160,681
Other receivables	237,862	199,164
Less: Allowance for credit losses	<u>(63,162)</u>	<u>(31,103)</u>
Subtotal	<u>465,804</u>	<u>397,522</u>
Total	<u><u>8,844,453</u></u>	<u><u>8,566,512</u></u>

The Group allows a credit period within 365 days to trade customers including distributors, hospitals and primary health care institutions.

The ageing analysis of the Group's trade receivables at the end of each reporting period, based on invoice date are as follows:

	<b>2025</b>	2024
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 to 90 days	<b>4,421,725</b>	4,377,309
91 to 180 days	<b>2,001,677</b>	1,738,053
181 to 365 days	<b>1,658,121</b>	1,813,051
Over 365 days	<b>699,898</b>	463,793
	<u><b>8,781,421</b></u>	<u>8,392,206</u>
Total	<u><b>8,781,421</b></u>	<u>8,392,206</u>

#### 14. INVENTORIES

	<b>2025</b>	2024
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Raw materials	<b>882,402</b>	1,104,406
Work in progress	<b>1,106,803</b>	1,630,106
Finished goods	<b>1,721,736</b>	2,048,587
	<u><b>3,710,941</b></u>	<u>4,783,099</u>
Total	<u><b>3,710,941</b></u>	<u>4,783,099</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	<b>2025</b>	2024
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Carrying amount of inventories sold	<b>7,566,135</b>	8,580,224
Write down of inventories	<b>87,516</b>	73,176
	<u><b>7,653,651</b></u>	<u>8,653,400</u>
Total	<u><b>7,653,651</b></u>	<u>8,653,400</u>

## 15. TRADE AND OTHER PAYABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current:		
Trade payables	1,436,045	1,432,901
Deposits received from distributors	977,931	1,015,315
Salaries and welfare payables	458,199	528,859
Other tax payables	195,025	185,091
Accruals of operating expenses	979,657	908,072
Bills payables	771,158	803,992
Dividends payables	47,706	29,345
Consideration payable for acquisition of subsidiaries	3,550	3,550
Collection of accounts receivable on behalf of financial institutions that entered into the non-recourse factoring arrangement with the Group	33,970	48,165
Refund liabilities	58,674	28,733
Other payables	<u>365,424</u>	<u>453,622</u>
Total	<u><u>5,327,339</u></u>	<u><u>5,437,645</u></u>

The ageing analysis of the Group's trade and bills payables based on invoice date at the end of each reporting period are as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
0 to 90 days	1,430,162	1,479,694
91 to 180 days	403,288	527,182
181 to 365 days	312,347	160,895
Over 365 days	<u>61,406</u>	<u>69,122</u>
Total	<u><u>2,207,203</u></u>	<u><u>2,236,893</u></u>

## **FINANCIAL REVIEW**

### **Other income**

For the twelve months ended 31 December 2025, the Group's other income was approximately RMB157,115,000, representing a decrease of 20.5% from approximately RMB197,696,000 for the same period last year, which was mainly due to the fact that the government grants received by the Group amounted to approximately RMB111,224,000 during the Reporting Period, representing a decrease of 21.1% from approximately RMB141,000,000 for the same period last year.

### **Other gains and losses**

For the twelve months ended 31 December 2025, the Group's other losses were approximately RMB722,819,000 (twelve months ended 31 December 2024: other losses of approximately RMB538,914,000). During the Reporting Period, the changes in other gains and losses were mainly the result of: (1) impairment loss recognised in intangible assets during the Period was approximately RMB232,777,000, representing an increase of approximately RMB224,801,000 compared with approximately RMB7,976,000 for the same period last year; and (2) impairment recognised in goodwill during the Period was approximately RMB494,918,000, representing an increase of approximately RMB63,092,000 compared with approximately RMB431,826,000 for the same period last year.

### **Impairment losses under expected credit loss model, net of reversal**

As at 31 December 2025, the balance of trade receivables of the Group for more than one year increased by approximately RMB236,105,000 year-on-year. According to the Group's credit impairment loss provision policy, the provision for credit impairment loss was approximately RMB212,566,000 for the Period, representing an increase of approximately RMB106,012,000 compared with approximately RMB106,554,000 for the same period last year.

### **Selling and distribution costs**

For the twelve months ended 31 December 2025, the Group's selling and distribution costs were approximately RMB4,954,925,000 (twelve months ended 31 December 2024: approximately RMB5,419,271,000). Selling and distribution costs decreased by 8.6% as compared with the same period last year, which was mainly because the income from concentrated TCM granules and TCM finished drugs businesses decreased year-on-year, resulting in a decrease in relevant selling expenses during the Period.

## **Administrative expenses**

For the twelve months ended 31 December 2025, the Group's administrative expenses were approximately RMB1,115,364,000 (twelve months ended 31 December 2024: approximately RMB1,057,664,000), representing an increase of 5.5% compared with the same period last year, which was mainly due to the expiration of concentrated TCM granules, resulting in an increase in inventory scrapping.

## **Research and development expenses**

For the twelve months ended 31 December 2025, the Group's research and development expenses amounted to approximately RMB511,472,000, representing a decrease of 14.2% compared with approximately RMB596,007,000 for the same period last year. During the Reporting Period, research and development expenses were mainly used for: (1) research on improving future benefits, focusing on research and development of innovative drugs as well as classical formulae; (2) research on improving quality standards, focusing on research on standards for concentrated TCM granules; and (3) research on improving future efficiency, focusing on research on adaptability of the production of TCM products.

## **Finance costs**

For the twelve months ended 31 December 2025, the Group's finance costs were approximately RMB99,129,000 (twelve months ended 31 December 2024: approximately RMB171,535,000), representing a year-on-year decrease in finance costs, which was mainly due to the year-on-year decrease in the Group's interest-bearing liabilities during the Period. During the Reporting Period, the Group's effective loan interest rate was 2.64% (twelve months ended 31 December 2024: 2.65%). The Group will continue to closely monitor changes in market interest rates, adjust its borrowing and fundraising mechanisms as appropriate, and refinance or enter into new agreements for existing bank loans when favourable opportunities for bargaining arise.

## **Share of results of associates**

For the twelve months ended 31 December 2025, the Group recorded share of loss in associates of approximately RMB197,000, and recorded share of loss of approximately RMB950,000 in the same period last year, which was mainly attributed to the recognition of investment losses regarding the Group's investment in certain associates during the Period.

## **(Loss)/profit for the Period**

For the twelve months ended 31 December 2025, the Group's loss for the Period was approximately RMB458,089,000, as compared with a profit of approximately RMB20,771,000 for the same period last year, representing a turnaround from profit to loss. The net profit margin (defined as (Loss)/profit divided by revenue for the period) was -3.1%, representing a decrease of 3.2 percentage points from 0.1% for the same period last year, which was mainly attributed to: (1) the scale of revenue and profitability of concentrated TCM granules business decreased as affected by multiple factors including increased proportion of centralized procurement business and intensified market competition; and (2) the goodwill impairment, intangible assets impairment and credit impairment for the Period increased.

## **Non-HKFRS measure – adjusted net profit**

To supplement financial information, which is presented in accordance with HKFRS, the Group also provides adjusted net profit as non-HKFRS measures, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. The Group believes that the non-HKFRS measure (i) facilitates year-on-year comparisons of operating performance by eliminating potential impacts of items that the management does not consider to be indicative of operating performance; and (ii) provides useful information to investors in understanding and evaluating the Group's results of consolidated statements of profit or loss and other comprehensive income in the same manner as they helped the Group's management. However, the Group's presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies as they do not have a standardized meaning. The application of the non-HKFRS measure has limitations as an analytical tool, and the Shareholders and investors should not consider it in isolation from, or as substitute for analysis of, results of operations or financial condition as reported under HKFRS.

The Group defined the adjusted net profit as the net profit for the Period eliminating effects of (i) impairment of goodwill and related asset groups; and (ii) the remedial taxes in certain subsidiaries. The adjusted items mentioned above are non-recurring expenses and the provision for the impairment is non-cash item, which would not pose adverse impacts on the Group's continuing operation. The adjusted net profit for the year ended 31 December 2025 was approximately RMB333,353,000, representing a decrease of 47.5% compared with approximately RMB635,540,000 for profit for the year ended 31 December 2024.

	<b>Twelve months ended 31 December</b>	
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>(Loss)/profit for the year</b>	<b>(458,089)</b>	<b>20,771</b>
Adjustment for:		
Impairment of goodwill and related asset groups	<b>694,363</b>	431,826
Remedial taxes in certain subsidiaries	<b>97,079</b>	182,943
<b>Adjusted net profit</b>	<b>333,353</b>	<b>635,540</b>

## **(Loss)/profit per share**

For the twelve months ended 31 December 2025, basic loss per share was RMB6.79 cents, representing a decrease of 734.6% compared with a profit of RMB1.07 cents for the same period last year. The decrease in basic earnings per share was because loss attributable to equity holders of the Company during the Reporting Period decreased to approximately RMB342,070,000 (twelve months ended 31 December 2024: approximately RMB54,067,000).

## **Liquidity and financial resources**

As at 31 December 2025, the Group's current assets amounted to approximately RMB17,708,305,000 (31 December 2024: approximately RMB18,839,503,000), which included cash, cash equivalents and bank deposits of approximately RMB4,044,747,000 (31 December 2024: approximately RMB4,020,654,000), of which the pledged bank deposits amounted to approximately RMB102,670,000, mainly for bills payable security (31 December 2024: approximately RMB153,743,000). Trade and other receivables amounted to approximately RMB8,844,453,000 (31 December 2024: approximately RMB8,566,512,000). Current liabilities amounted to approximately RMB7,733,585,000 (31 December 2024: approximately RMB7,800,198,000). Net current assets aggregated to approximately RMB9,974,720,000 (31 December 2024: approximately RMB11,039,305,000). The Group's current ratio was 2.3 (31 December 2024: 2.4). The gearing ratio (defined as bank and other loans and bonds payable divided by equity attributable to equity holders of the Company) decreased from 18.5% as at 31 December 2024 to 11.8%. The decrease in gearing ratio was mainly due to decrease in unsecured notes of the Group.

## **Bank and other loans and pledge of assets**

As at 31 December 2025, the Group's bank and other loans balance was approximately RMB1,200,687,000 (31 December 2024: approximately RMB2,697,314,000), of which approximately RMB293,851,000 was secured borrowings (31 December 2024: approximately RMB492,113,000). Out of the bank and other loans balance, approximately RMB992,939,000 and RMB207,748,000 were repayable within one year and over one year respectively (31 December 2024: approximately RMB2,078,923,000 and RMB618,391,000, respectively).

As at 31 December 2025, the Group's bank deposits of approximately RMB102,670,000, land use rights with carrying values of approximately RMB84,028,000, investment property and property, plant and equipment with carrying values of approximately RMB637,955,000 and bills receivable with carrying values of approximately RMB50,440,000 were pledged to secure certain borrowings and the issuance of bills payables of the Group (31 December 2024: bank deposits of approximately RMB153,743,000, land use rights of approximately RMB50,420,000, investment property and property, plant and equipment of approximately RMB614,842,000 and bills receivable of approximately RMB62,648,000 were pledged).

## **Capital sources**

No major financing activity has been carried out by the Group during the Reporting Period. As at 31 December 2025, the Group had an unutilised bank credit facility of approximately RMB10,593,518,000, and had completed the registration of RMB2,000,000,000 in medium-term notes and RMB3,000,000,000 in super & short-term commercial papers through the National Association of Financial Market Institutional Investors, both of which had not yet been issued. The Group had sufficient working capital and a stable financial position.

## **Capital expenditure**

For the twelve months ended 31 December 2025, the Group's fixed asset and intangible asset investment expense was approximately RMB355,728,000, compared with approximately RMB532,191,000 for the same period last year. During the Reporting Period, the capital expenditure was mainly used for the capacity renovation and expansion expenditure for the business segments of TCM decoction pieces and TCM finished drugs.

## **Financing capacity**

As at 31 December 2025, capital commitments which the Group has entered into but were outstanding and not provided for in the financial statements were approximately RMB80,655,000 (31 December 2024: approximately RMB39,586,000). Such capital commitments were mainly used for the renovation of plants and purchase of production facilities. The Group is of the view that with available cash balance, a stable cash inflow from operating activities, undrawn but already granted bank facilities, and recognition and support from major financial institutions, the Group will be capable of fully satisfying liquidity needs and the abovementioned funding needs.

## **Contingent liabilities**

The Group did not have any material contingent liabilities as at 31 December 2025 (31 December 2024: nil).

## **Financial risk**

The Group mainly operates in Chinese mainland, with most of its transactions originally denominated and settled in Renminbi, for which the foreign exchange risk is considered insignificant. As at 31 December 2025, the Group had no Hong Kong Dollar bank borrowings and did not enter into any forward foreign exchange contracts. In future, the Group will continue to regularly review its net foreign exchange exposure and take appropriate and timely measures to mitigate the impact of exchange rate fluctuations.

## **Employees and remuneration policies**

As at 31 December 2025, the Group had a total of 14,846 (31 December 2024: 16,753) employees, including the Directors, of which 4,907 were sales staff, 4,958 were manufacturing staff and 4,981 were engaged in R&D, administration and senior management. Remuneration packages mainly consisted of salary and a discretionary bonus based on individual performance. The Group's total remuneration for the Reporting Period was approximately RMB2,356,361,000 (twelve months ended 31 December 2024: approximately RMB2,412,832,000).

## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend for the year ended 31 December 2025 (for the year ended 31 December 2024: final dividend of HK0.35 cents (approximately RMB0.32 cents) per share and special dividend of HK8.30 cents (approximately RMB7.66 cents) per share).

## **ANNUAL GENERAL MEETING**

The annual general meeting (the "AGM") will be held at Conference Room, 4th Floor, Winteam Plaza, 6 Kuiqi Second Road, Chancheng District, Foshan City, Guangdong Province, China, on Friday, 26 June 2026 at 2:30 p.m..

## **CLOSURE OF REGISTER OF MEMBERS**

To ascertain the Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 23 June 2026 to Friday, 26 June 2026, both days inclusive, during which period no transfer of shares will be registered. The Shareholders whose names appear on the register of members of the Company on Friday, 26 June 2026 are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 22 June 2026.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares, if any). As at 31 December 2025, the Company did not hold any treasury shares.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining high standard of corporate governance. The Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the year ended 31 December 2025.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiry has been made with all Directors, and all Directors confirmed that they have complied with the required standard set out in the Model Code throughout Reporting Period. Furthermore, senior management who are likely to be in possession of inside information are also required to comply with the provisions of the Model Code.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR**

The figures in respect of the Group’s results for the year ended 31 December 2025 as set out in this preliminary results announcement have been agreed by the Group’s independent auditor to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by the Group’s independent auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by the Group’s independent auditor on this preliminary results announcement.

## **AUDIT COMMITTEE**

The primary duties of the audit committee of the Company (the “Audit Committee”) are to review and supervise the financial reporting process, internal control system and risk management of the Group and to provide advice and comments to the Board. As at the date of this announcement, the Audit Committee comprises five members who are four independent non-executive Directors and one member who is non-executive Director, namely Mr. XIE Rong, Mr. YU Tze Shan Hailson, Mr. QIN Ling, Mr. LI Weidong and Mr. ZU Jing, and Mr. XIE Rong who has appropriate professional qualifications and experience in accounting matters was appointed as the chairman of the Audit Committee. The Audit Committee has met with the Group’s senior management and the auditor to review the Group’s audited annual results and the financial statements for the year ended 31 December 2025.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the Company's website ([www.china-tcm.com.cn](http://www.china-tcm.com.cn)) and the HKExnews website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The Company's 2025 annual report containing all information required under the Listing Rules will be sent to the Shareholders and will be published on the Company's website ([www.china-tcm.com.cn](http://www.china-tcm.com.cn)) and the HKExnews website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

By order of the Board  
**China Traditional Chinese Medicine Holdings Co. Limited**  
**YANG Jun**  
*Chairman*

Hong Kong, 20 March 2026

*As at the date of this announcement, the Board comprises twelve Directors, of which Mr. YANG Jun, Mr. LI Hongjian and Mr. PENG Li are executive Directors; Mr. LIU Haijian, Mr. LI Xiangrong, Mr. ZU Jing, Ms. XU Jinghui and Mr. HUANG Hao are non-executive Directors; and Mr. XIE Rong, Mr. YU Tze Shan Hailson, Mr. QIN Ling and Mr. LI Weidong are independent non-executive Directors.*