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Tong Ren Tang Technologies Co. Ltd.

北京同仁堂科技發展股份有限公司

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

(Stock Code: 1666)

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

### **CHAIRMAN'S STATEMENT**

I am pleased to present the annual results of Tong Ren Tang Technologies Co. Ltd. (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 December 2025 (the “**Reporting Period**”) for shareholders' review.

#### **Results of the Year**

For the year ended 31 December 2025, the Group's revenue amounted to RMB6,483,875,000, representing a decrease of 10.69% from RMB7,259,644,000 for the year ended 31 December 2024; net profit amounted to RMB660,634,000, representing a decrease of 25.51% from RMB886,933,000 for the year ended 31 December 2024; profit attributable to owners of the Company amounted to RMB396,277,000, representing a decrease of 24.06% from RMB521,795,000 for the year ended 31 December 2024; earnings per share was RMB0.31 (2024: RMB0.41); and dividend per share was RMB0.18 (2024: RMB0.18).

## REVIEW OF THE YEAR

2025 was the concluding year of the Group’s comprehensive implementation of the “14th Five-Year Plan”. It was also a pivotal year for the traditional Chinese medicine industry to forge ahead under pressure and build momentum for advancement amid structural adjustments and the transformation of development drivers. During the year, amid a complex and volatile macroeconomic environment and continuous evolution in the industry’s competitive landscape, the Group steadfastly adhered to the overarching operational principle of pursuing progress while maintaining stability, remained firmly focused on its core business of proprietary Chinese medicine manufacturing, and continuously strengthened its operational foundations. The Group’s overall operation maintained stability and order, the phased results were delivered in key reform and upgrading initiatives, laying solid groundwork and accumulating strong momentum for the Group’s subsequent high-quality development.

During the year, the Group remained focused on the core task of “quality enhancement and efficiency improvement”, advancing key reforms and management improvement initiatives centered on optimizing the operational management system and adjusting the business structure. Positive progress was achieved in areas such as improving operational efficiency, strengthening cost control, and optimizing resource allocation. The Group’s operational quality and governance standards steadily improved, laying a solid foundation for the successful conclusion of the “14th Five-Year Plan” and a strong start to the “15th Five-Year Plan”.

Over the past year, the Group remained committed to long-term value creation, focusing on key product lines, priority markets, and critical business segments. The Group deepened refined management and synergistic operations by enhancing production support systems, adjusting product portfolio structures and optimizing sales channel layouts. As a result, the Group enhanced product profitability, further optimized the inventory structure, achieved substantial increase in net cash flow from operating activities, and maintained generally stable and orderly operation of its core business. At the same time, the Group has continuously strengthened institutional development and execution capabilities, driving the transformation of management practices from experience-driven approaches further toward institutionalized, standardized, and systematic operations. These actions have gradually established more efficient and streamlined operational mechanisms in critical areas such as production organization, supply assurance, and market coordination, further solidifying the foundation for future development.

## OUTLOOK AND PROSPECTS

Looking ahead, traditional Chinese medicine is entering a crucial phase of deep integration between heritage preservation and innovation, alongside high-quality development. The nation continues to advance its strategy for revitalizing and developing traditional Chinese medicine, while the “Healthy China” initiative deepens. Public demand for high-quality traditional Chinese medicine products and services is growing, providing robust policy support and vast opportunities for the industry’s long-term development. Meanwhile, the competitive landscape is accelerating differentiation, placing higher emphasis on corporate governance capabilities, quality control standards, and sustainable development competencies.

In this new development phase, the Group will remain committed to the core business of proprietary Chinese medicine manufacturing, guided by the principle of upholding tradition while pursuing innovation, continuously strengthening strategic leadership, deepening reforms, consolidating foundations, and enhancing internal momentum to elevate core competitive advantages. This will drive the Group’s transition from a scale-oriented approach to a quality and efficiency-driven model, focusing efforts on achieving more resilient and sustainable development goals.

I hereby would like to express my sincere gratitude and respect to the members of the board (the “**Board**”) of directors (the “**Directors**”) of the Company and all the staff of the Group for their excellent performance and unremitting efforts, and to all the shareholders of the Company (the “**Shareholders**”) for their continuous support to and understanding of the Company. As always, we will try our best to reward the Shareholders.

## FINANCIAL INFORMATION

The Board is pleased to announce the consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet of the Group for the year ended 31 December 2025, together with the audited comparative figures of 2024, as follows:

### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<u>2025</u> <i>RMB'000</i>	<u>2024</u> <i>RMB'000</i>
Revenue	<i>d</i>	6,483,875	7,259,644
Cost of sales	<i>f</i>	<u>(4,018,368)</u>	<u>(4,382,156)</u>
<b>Gross profit</b>		<b>2,465,507</b>	<b>2,877,488</b>
Distribution expenses	<i>f</i>	<b>(999,860)</b>	(1,307,669)
Administrative expenses	<i>f</i>	<b>(604,681)</b>	(579,623)
Provision for impairment losses on financial assets		<b>(55,318)</b>	(5,465)
(Other losses)/other income and gains, net		<u><b>(3,508)</b></u>	432
<b>Operating profit</b>		<b>802,140</b>	<b>985,163</b>
Finance income	<i>e</i>	<b>69,740</b>	76,874
Finance costs	<i>e</i>	<u><b>(59,582)</b></u>	<u>(68,297)</u>
Finance income, net	<i>e</i>	<b>10,158</b>	8,577
Gains on disposal of subsidiaries		-	46,287
Share of results of investments accounted for using the equity method		<u><b>10,120</b></u>	<u>21,184</u>
<b>Profit before income tax</b>		<b>822,418</b>	<b>1,061,211</b>
Income tax expense	<i>g</i>	<u><b>(161,784)</b></u>	<u>(174,278)</u>
<b>Profit for the year</b>		<u><b>660,634</b></u>	<u><b>886,933</b></u>
<b>Profit attributable to:</b>			
Owners of the Company		<b>396,277</b>	521,795
Non-controlling interests		<u><b>264,357</b></u>	<u>365,138</u>
		<u><b>660,634</b></u>	<u><b>886,933</b></u>
<b>Earnings per share for profit attributable to owners of the Company during the year</b>			
- Basic and diluted	<i>i</i>	<u><b>RMB0.31</b></u>	<u>RMB0.41</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>2025</i>	<i>2024</i>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year</b>	<b>660,634</b>	886,933
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Foreign currency translation differences		
- Group	(90,256)	64,423
- Joint ventures and associates	665	1,540
- Deregistration of a subsidiary	(1,022)	-
<i>Items that will not be reclassified to profit or loss</i>		
Change in fair value of financial assets at fair value through other comprehensive income	(1,187)	739
<b>Other comprehensive income for the year, net of tax</b>	<b>(91,800)</b>	66,702
<b>Total comprehensive income for the year</b>	<b>568,834</b>	953,635
<b>Attributable to:</b>		
Owners of the Company	362,310	547,321
Non-controlling interests	206,524	406,314
<b>Total comprehensive income for the year</b>	<b>568,834</b>	953,635

## CONSOLIDATED BALANCE SHEET

	<b>As at 31 December</b>	
<i>Note</i>	<b>2025</b>	<b>2024</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,563,723	2,622,833
Right-of-use assets	614,897	640,201
Intangible assets	71,843	77,354
Investments accounted for using the equity method	112,838	108,155
Financial assets at fair value through other comprehensive income	6,154	8,003
Prepayments for purchase of non-current assets	77,005	43,997
Deferred income tax assets	72,224	74,484
Other non-current assets	79	88
	<b>3,518,763</b>	<b>3,575,115</b>
<b>Current assets</b>		
Inventories	4,547,245	5,165,995
Trade and bills receivables	671,307	1,103,565
Other financial assets at amortised cost	39,212	34,126
Prepayments and other current assets	139,834	182,645
Financial assets at fair value through profit or loss	375	444
Financial assets at fair value through other comprehensive income	33,397	53,008
Term deposits placed with banks	56,407	164,205
Cash and cash equivalents	4,704,271	4,129,488
	<b>10,192,048</b>	<b>10,833,476</b>
<b>Total assets</b>	<b>13,710,811</b>	<b>14,408,591</b>

## CONSOLIDATED BALANCE SHEET (CONT'D)

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2025</b>	<b>2024</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		1,280,784	1,280,784
Reserves	<i>m</i>	6,059,479	5,925,413
		<u>7,340,263</u>	<u>7,206,197</u>
<b>Non-controlling interests</b>		<u>2,924,448</u>	<u>2,958,882</u>
<b>Total equity</b>		<u>10,264,711</u>	<u>10,165,079</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		1,453,334	1,202,332
Lease liabilities		91,313	80,643
Deferred income tax liabilities		5,547	9,329
Retirement benefit obligations		3,253	2,859
Deferred income – government grants		111,787	106,878
		<u>1,665,234</u>	<u>1,402,041</u>
<b>Current liabilities</b>			
Trade and bills payables	<i>l</i>	666,027	1,015,258
Salary and welfare payables		55,006	76,181
Contract liabilities	<i>d</i>	158,341	176,606
Current income tax liabilities		43,495	34,450
Other payables and others		398,299	396,740
Borrowings		391,394	1,051,966
Lease liabilities		68,304	90,270
		<u>1,780,866</u>	<u>2,841,471</u>
<b>Total liabilities</b>		<u>3,446,100</u>	<u>4,243,512</u>
<b>Total equity and liabilities</b>		<u>13,710,811</u>	<u>14,408,591</u>

## ***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:***

### **a. GENERAL INFORMATION**

The Company was incorporated as a joint stock limited company in Beijing, the People's Republic of China (the “**PRC**” or “**China**”) on 22 March 2000 and, upon the placing of its H shares, was listed on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on 31 October 2000. On 9 July 2010, the Company transferred the listing from GEM to the Main Board of the Hong Kong Stock Exchange. The ultimate holding company of the Company is China Beijing Tong Ren Tang Group Co., Ltd. (“**Tong Ren Tang Holdings**”), which was incorporated in Beijing, the PRC.

### **b. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with IFRS Accounting Standards (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations) as issued by the International Accounting Standards Board (the “**IASB**”), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (“**RMB'000**”) except when otherwise indicated.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note c.

## ***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):***

### **b. BASIS OF PREPARATION (CONT'D)**

#### *(i) Changes in accounting policies and disclosures*

##### **(a) Adoption of revised IFRS Accounting Standards**

The Group has adopted amendments to IAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries, joint ventures and associates for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

In addition, the IASB has issued amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37 *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples in the corresponding IFRS Accounting Standards. These examples reflect existing requirements in the corresponding IFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions. The adoption of the amended IFRS Accounting Standard did not have any significant financial impact on the Group's financial statements.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) :**

### **b. BASIS OF PREPARATION (CONT'D)**

#### *(i) Changes in accounting policies and disclosures (Continued)*

#### **(b) Issued but not yet effective IFRS Accounting Standards**

The Group has not applied the following new and amended IFRS Accounting Standards that have been published but are not yet effective, in these financial statements. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> <sup>(2)</sup>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> <sup>(2)</sup>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> <sup>(1)</sup>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> <sup>(1)</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>(3)</sup>
Amendments to IAS21	<i>Translation to a Hyperinflationary Presentation Currency</i> <sup>(2)</sup>
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 <sup>(1)</sup>

(1) Effective for annual periods beginning on or after 1 January 2026

(2) Effective for annual/reporting periods beginning on or after 1 January 2027

(3) No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below:

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) :**

### **b. BASIS OF PREPARATION (CONT'D)**

(i) *Changes in accounting policies and disclosures (Continued)*

(b) Issued but not yet effective IFRS Accounting Standards (Continued)

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within income statement, including specified totals and subtotals. Entities are required to classify all income and expenses within the income statement into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements. The adoption of the other amended IFRS Accounting Standards did not have any significant financial impact on the Group's financial statements.

***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):***

**c. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and those necessary to make the sale. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in consumer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimations by each balance sheet date.

(ii) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**d. REVENUE**

	<i>2025</i>	<i>2024</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of Chinese medicine products		
- Chinese mainland	<b>5,226,146</b>	5,897,495
- Outside Chinese mainland	<b>1,193,874</b>	1,297,703
	<b>6,420,020</b>	7,195,198
Advertising services income		
- Chinese mainland	<b>9,909</b>	10,834
Services income		
- Chinese mainland	<b>10,802</b>	5,045
- Outside Chinese mainland	<b>43,059</b>	48,430
	<b>53,861</b>	53,475
Royalty fee income		
- Outside Chinese mainland	<b>85</b>	137
	<b>6,483,875</b>	7,259,644

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December	
	<i>2025</i>	<i>2024</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities - Sale of goods	<b>155,674</b>	174,011
Contract liabilities - Services income	<b>2,667</b>	2,595
	<b>158,341</b>	176,606

The Group did not recognise any contract assets related to contracts with customers as at 31 December 2025 and 2024.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**d. REVENUE (CONT'D)**

Contract liabilities primarily arise from the advance payments made by customers while the goods have not been delivered. Management expects that most of the contract liabilities as of 31 December 2025 will be recognised as revenue during the next reporting period.

*Revenue recognised in relation to contract liabilities*

The following table shows the revenue recognised in relation to contract liabilities in the years ended 31 December 2025 and 2024 related to carried forward contract liabilities at the beginning of the year.

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year	<b>168,203</b>	195,767

**e. FINANCE INCOME AND COSTS**

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance income</b>		
Interest income	68,944	76,231
Exchange gains, net	796	-
Others	-	643
	<b>69,740</b>	76,874
<b>Finance costs</b>		
Interest on bank borrowings	(51,776)	(56,326)
Interest on lease liabilities	(7,292)	(8,135)
Exchange losses, net	-	(3,836)
Others	(514)	-
	<b>(59,582)</b>	(68,297)
<b>Finance income, net</b>	<b>10,158</b>	8,577

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**f. EXPENSES BY NATURE**

Operating profit was arrived at after charging/(crediting) the following:

	<i>2025</i>	<i>2024</i>
	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>
Raw materials, merchandise and consumables used	2,723,149	2,963,249
Changes in inventories of finished goods and work-in-progress	46,663	70,860
Employee benefit expenses	1,077,911	1,130,428
Depreciation of property, plant and equipment	185,579	182,249
Depreciation of right-of-use assets	134,671	98,910
Amortisation of intangible assets	11,205	7,187
Amortisation of other long-term assets	2,286	1,304
Provision for net realisable value of inventories	22,017	27,477
Provision for impairment of receivables	55,318	5,465
Expenses relating to short-term leases	31,770	30,209
Variable lease payments not included in the measurement of lease liabilities (Note (i))	443	957
Auditors' remuneration		
- Audit services		
- Ernst & Young and Ernst & Young Hua Ming LLP	5,338	5,391
- Other auditors	1,979	2,341
- Non-audit services		
- Ernst & Young	254	144
- Other auditors	503	418
Advertising and promotion expenses	394,321	714,979
Processing costs	250,307	298,476
Utilities	110,011	139,103
Research and development costs (Note (ii))	82,759	84,823
Repair and maintenance	63,426	76,202
Amortisation of deferred income - government grants	(34,183)	(65,963)
Transportation costs	38,855	42,697
Other taxes	5,638	4,613
Losses on disposal of non-current assets	451	902

(i) Variable lease payments represented the amounts which are determined based on the percentages of revenue generated by certain retail outlets that exceeded the corresponding fixed rentals.

(ii) Research and development costs do not include employee benefit expenses, depreciation and amortisation expenses. The research and development costs including employee benefit expenses, depreciation and amortisation expenses were RMB161,650,000 (2024: RMB157,660,000).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**g. INCOME TAX EXPENSE**

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008, enterprises with a High and New Technology Enterprise (“**HNTE**”) status are able to enjoy a preferential tax rate of 15%. For the entities without the HNTE status, the PRC income tax rate is 25% (2024: 25%). As of 31 December 2025 and 2024, the Company and certain of its subsidiaries have obtained the HNTE certificate. Consequently, their applicable income tax rate in 2025 is 15% (2024: 15%).

Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”) profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profit for the year.

Income tax on profits from other countries and regions (excluding Chinese mainland and Hong Kong) has been calculated on the estimated assessable profit for the year at the income tax rates prevailing in the tax jurisdictions in which the Group operates.

	<i>2025</i>	<i>2024</i>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Current income tax expense		
- Chinese mainland	<b>91,334</b>	77,891
- Hong Kong	<b>66,819</b>	82,104
- Other countries and regions (excluding Chinese mainland and Hong Kong)	<b>5,332</b>	8,485
	<b>163,485</b>	168,480
Deferred income tax (credit)/ charge	<b>(1,701)</b>	5,798
	<b>161,784</b>	174,278

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**g. INCOME TAX EXPENSE (CONT'D)**

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average income tax rate of 21.6% (2024: 21.2%) to profits of the consolidated entities as follows:

	<i>2025</i>	<i>2024</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	<u>822,418</u>	<u>1,061,211</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries or regions	177,559	225,270
Tax effects of:		
- Effect of preferential income tax treatments	(36,531)	(33,221)
- Income not subject to tax	(9,280)	(24,457)
- Expenses not deductible for tax purposes	13,085	12,089
- Tax losses and temporary differences for which no deferred income tax assets were recognised	22,418	9,168
- Previously unrecognised tax losses used to reduce deferred tax expense	(3,478)	(9,780)
- Over provision for taxation for the prior years	(2,891)	(762)
- Others	<u>902</u>	<u>(4,029)</u>
Income tax expense	<u><u>161,784</u></u>	<u><u>174,278</u></u>

Pillar Two assessment

In December 2021, the Organisation for Economic Co-operation and Development released the Global Anti-Base Erosion (“**GloBE**”) model rules (also known as “**Pillar Two**”) to reform international corporate taxation. The Group is within the scope of the Pillar Two. Under Pillar Two, the Group is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

### **g. INCOME TAX EXPENSE (CONT'D)**

As of the reporting date, Pillar Two legislation has come into effect in certain jurisdictions in which the Group operates, including Australia, Canada, Czech Republic, Germany, Hong Kong, Italy, Netherlands, New Zealand, Poland, Singapore, South Korea, Sweden, Switzerland, the United Arab Emirates. The Group has assessed the top-up tax implication under the Pillar Two legislation based on the financial data for the year ended 31 December 2025. According to the assessment, the profits of the Group's subsidiaries in Macau are taxed at an effective rate of less than 15% for the year ended 31 December 2025. However, the Group does not anticipate significant exposure to Pillar Two top-up taxes in Macau or other jurisdictions as of the reporting date. The Group will continue to monitor global developments related to the Pillar Two legislation and reassess any potential impacts accordingly.

The Group has applied the temporary mandatory exception provided in the amendments to IAS 12 Income Taxes issued by the IASB in May 2023, thereby not recognising or disclosing information about deferred income tax assets and liabilities associated with Pillar Two Income Taxes.

### **h. DIVIDENDS**

The dividends in respect of the previous years approved in 2025 and 2024 were RMB230,541,000 (RMB0.18 (including tax) per share) and RMB230,541,000 (RMB0.18 (including tax) per share), respectively.

On 27 March 2026, the Board of Directors proposed a dividend in respect of the year ended 31 December 2025 of RMB0.18 (including tax) per share, amounting to a total of RMB230,541,000, which is subject to the Shareholders' approval at the 2025 annual general meeting (the "2025 AGM"). The financial statements do not reflect this dividend payable.

	<i>2025</i>	<i>2024</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB0.18 (including tax) (2024:		
RMB0.18 (including tax)) per ordinary share	<u>230,541</u>	<u>230,541</u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

### **i. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately RMB396,277,000 by the weighted average number of 1,280,784,000 shares outstanding during the year.

The Company had no dilutive potential shares in 2025 and 2024.

	<u>2025</u> <u>RMB'000</u>	<u>2024</u> <u>RMB'000</u>
Profit attributable to owners of the Company	396,277	521,795
Weighted average number of ordinary shares in issue (thousands)	<u>1,280,784</u>	<u>1,280,784</u>
Earnings per share	<u>RMB0.31</u>	<u>RMB0.41</u>

### **j. SEGMENT INFORMATION**

The Board of Directors is the Group's chief operating decision-maker. The Board of Directors has determined the operating segments for the purposes of allocating resources and assessing performance.

The reportable operating segments derive their revenue primarily from (i) the manufacture and sale of Chinese medicine products by the Company in Chinese mainland ("**The Company**" Segment), and (ii) Tong Ren Tang Chinese Medicine and its subsidiaries engaged in the manufacture, retail and wholesale of Chinese medicine products and healthcare products, and the provision of Chinese medical consultations and treatments outside Chinese mainland and the wholesale of healthcare products in Chinese mainland ("**Tong Ren Tang Chinese Medicine**" Segment).

Other companies are engaged in processing and purchasing Chinese medicinal raw materials, sale of medicinal products, medical services and advertising, etc. They do not form separate reportable segments as they do not meet the quantitative thresholds required by IFRS 8.

The Board of Directors assesses the performance of the operating segments based on the revenue and profit after income tax of each segment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**j. SEGMENT INFORMATION (CONT'D)**

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2025 is as follows:

	The Company RMB'000	Tong Ren Tang Chinese Medicine RMB'000	Others RMB'000	Total RMB'000
Segment revenue	4,024,939	1,387,917	1,962,240	7,375,096
Inter-segment revenue	(42,019)	-	(849,202)	(891,221)
Revenue from external customers	<u>3,982,920</u>	<u>1,387,917</u>	<u>1,113,038</u>	<u>6,483,875</u>
Timing of revenue recognition				
At a point in time	3,980,958	1,381,199	1,102,189	6,464,346
Over time	<u>1,962</u>	<u>6,718</u>	<u>10,849</u>	<u>19,529</u>
	<u>3,982,920</u>	<u>1,387,917</u>	<u>1,113,038</u>	<u>6,483,875</u>
Profit for the year	<u>206,841</u>	<u>390,888</u>	<u>62,905</u>	<u>660,634</u>
Interest income	24,008	40,795	4,141	68,944
Interest expense	(53,442)	(5,152)	(474)	(59,068)
Depreciation of property, plant and equipment	(106,837)	(17,674)	(61,068)	(185,579)
Depreciation of right-of-use assets	(59,277)	(66,835)	(8,559)	(134,671)
Amortisation of intangible assets and other long-term assets	(6,821)	(5,519)	(1,151)	(13,491)
(Provision for)/ reversal of impairment of inventories	(23,378)	(807)	2,168	(22,017)
Reversal of/ (provision for) impairment of receivables	3,334	(57,041)	(1,611)	(55,318)
Impairment of investments accounted for using the equity method	-	(4,474)	-	(4,474)
Share of results of investments accounted for using the equity method	8,026	2,094	-	10,120
Income tax expense	<u>(50,392)</u>	<u>(80,386)</u>	<u>(31,006)</u>	<u>(161,784)</u>
Segment assets and liabilities				
Total assets	<u>7,225,168</u>	<u>4,230,211</u>	<u>2,255,432</u>	<u>13,710,811</u>
Investments accounted for using the equity method	<u>87,406</u>	<u>25,432</u>	<u>-</u>	<u>112,838</u>
Additions to non-current assets <sup>(1)</sup>	<u>142,823</u>	<u>99,135</u>	<u>72,033</u>	<u>313,991</u>
Total liabilities	<u>2,691,830</u>	<u>250,671</u>	<u>503,599</u>	<u>3,446,100</u>

(1) Excluding investments accounted for using the equity method, financial instruments and deferred income tax assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**j. SEGMENT INFORMATION (CONT'D)**

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2024 is as follows:

	<b>The Company RMB'000</b>	<b>Tong Ren Tang Chinese Medicine RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
Segment revenue	4,458,275	1,473,399	2,243,605	8,175,279
Inter-segment revenue	<u>(68,167)</u>	<u>4,836</u>	<u>(852,304)</u>	<u>(915,635)</u>
Revenue from external customers	<u>4,390,108</u>	<u>1,478,235</u>	<u>1,391,301</u>	<u>7,259,644</u>
Timing of revenue recognition				
At a point in time	4,388,348	1,470,502	1,378,849	7,237,699
Over time	<u>1,760</u>	<u>7,733</u>	<u>12,452</u>	<u>21,945</u>
	<u>4,390,108</u>	<u>1,478,235</u>	<u>1,391,301</u>	<u>7,259,644</u>
Profit for the year	<u>211,175</u>	<u>493,057</u>	<u>182,701</u>	<u>886,933</u>
Interest income	14,637	55,055	6,539	76,231
Interest expense	(57,638)	(5,831)	(992)	(64,461)
Depreciation of property, plant and equipment	(104,593)	(15,972)	(61,684)	(182,249)
Depreciation of right-of-use assets	(28,665)	(61,267)	(8,978)	(98,910)
Amortisation of intangible assets and other long-term assets	(4,019)	(3,136)	(1,336)	(8,491)
(Provision for)/reversal of impairment of inventories	(33,578)	(361)	6,462	(27,477)
Reversal of/(provision for) impairment of receivables	2,496	(3,557)	(4,404)	(5,465)
Share of results of investments accounted for using the equity method	9,056	12,128	-	21,184
Income tax expense	<u>(36,131)</u>	<u>(91,769)</u>	<u>(46,378)</u>	<u>(174,278)</u>
Segment assets and liabilities				
Total assets	<u>7,591,913</u>	<u>4,183,127</u>	<u>2,633,551</u>	<u>14,408,591</u>
Investments accounted for using the equity method	<u>81,732</u>	<u>26,423</u>	<u>-</u>	<u>108,155</u>
Additions to non-current assets <sup>(1)</sup>	<u>118,649</u>	<u>94,978</u>	<u>140,224</u>	<u>353,851</u>
Total liabilities	<u>3,286,738</u>	<u>282,401</u>	<u>674,373</u>	<u>4,243,512</u>

(1) Excluding investments accounted for using the equity method, financial instruments and deferred income tax assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**j. SEGMENT INFORMATION (CONT'D)**

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement.

The amounts provided to the Board of Directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Revenues from external customers are derived from the sale of medicine and provision of services. The breakdown of the sale of medicine by region is provided in Note d.

The total of the non-current assets other than financial instruments and deferred income tax assets located in Chinese mainland is RMB2,955,758,000 (2024: RMB2,996,024,000), and the total of these non-current assets located outside Chinese mainland is RMB484,627,000 (2024: RMB490,945,000).

During 2025, revenue from one (2024: one) customer accounted for ten percent or more of the Group's total external revenue. The revenue is primarily attributable to the Company Segment and Tong Ren Tang Chinese Medicine Segment. The revenue from this customer is summarised below:

	<i>2025</i>	<i>2024</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Entities under control of the ultimate holding company (excluding the Group)	<u><b>2,164,506</b></u>	<u><b>2,257,367</b></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**k. TRADE AND BILLS RECEIVABLES**

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
- third parties	436,795	612,158
- related parties	233,529	275,810
	<u>670,324</u>	<u>887,968</u>
Bills receivables	126,078	285,349
	<u>796,402</u>	<u>1,173,317</u>
Less: provision for impairment		
- third parties	(55,984)	(49,653)
- related parties	(69,111)	(20,099)
	<u>(125,095)</u>	<u>(69,752)</u>
Trade and bills receivables, net	<u>671,307</u>	<u>1,103,565</u>

The carrying amounts of trade and bills receivables approximate their fair values.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**k. TRADE AND BILLS RECEIVABLES (CONT'D)**

Retail sales at the Group's stores are usually made in cash or by debit or credit cards. For wholesale to distributors, the Group normally grants a credit period ranging from 30 days to 180 days and is therefore all classified as current. As at 31 December 2025 and 2024, the ageing analysis of trade and bills receivables based on invoice date was as follows:

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 4 months	588,895	864,645
Over 4 months but within 1 year	61,587	132,541
Over 1 year but within 2 years	27,396	16,342
Over 2 years but within 3 years	7,215	109,576
Over 3 years	111,309	50,213
	<b>796,402</b>	<b>1,173,317</b>

Movements in the provision for impairment of receivables were as follows:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January	69,752	64,123
Provision for impairment	55,318	5,329
Exchange differences	25	300
As at 31 December	<b>125,095</b>	<b>69,752</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**k. TRADE AND BILLS RECEIVABLES (CONT'D)**

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivables mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	As at 31 December	
	<u>2025</u>	<u>2024</u>
	<u>RMB'000</u>	<u>RMB'000</u>
RMB	<b>500,238</b>	866,599
Hong Kong Dollar	<b>282,103</b>	302,883
United States Dollar	<b>990</b>	2,997
Others	<b>13,071</b>	838
	<b><u>796,402</u></b>	<b><u>1,173,317</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

**I. TRADE AND BILLS PAYABLES**

	As at 31 December	
	2025	2024
	<u>RMB'000</u>	<u>RMB'000</u>
Trade payables		
- third parties	454,493	780,258
- related parties	47,500	35,000
	<u>501,993</u>	<u>815,258</u>
Bills payable	<u>164,034</u>	<u>200,000</u>
Trade and bills payables	<u><b>666,027</b></u>	<u><b>1,015,258</b></u>

As at 31 December 2025 and 2024, the ageing analysis of trade and bills payables based on invoice date was as follows:

	As at 31 December	
	2025	2024
	<u>RMB'000</u>	<u>RMB'000</u>
Within 4 months	536,541	877,920
Over 4 months but within 1 year	98,392	127,332
Over 1 year but within 2 years	24,584	6,813
Over 2 years but within 3 years	4,817	2,947
Over 3 years	1,693	246
	<u><b>666,027</b></u>	<u><b>1,015,258</b></u>

Trade payables are unsecured and are usually paid within 120 days of recognition.

The carrying amounts of trade and bills payables are considered to be the same as their fair values, due to their short-term nature.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D):**

### **m. RESERVES**

#### **(i) Capital reserve**

Capital reserve represents the difference between the amount of share capital issued by the Company and the historical net value of the assets, liabilities and interests transferred to the Company upon its establishment and net premium on issue of shares upon listing of the Company and issuance of additional shares.

#### **(ii) Statutory reserves**

The Company sets aside 10% of its net profit after income tax as stated in the financial statements prepared under China Accounting Standards to the statutory surplus reserve fund every year. Approximately RMB38,890,000 (2024: RMB31,006,000), being 10% of the net profit after income tax as stated in the financial statements prepared under China Accounting Standards, was transferred to the statutory surplus reserve fund as at 31 December 2025.

In accordance with the Company Law of the PRC, it is not required to accrue for statutory public welfare fund since the year 2006. The balance together with statutory surplus reserve fund can be used to offset accumulated losses or convert as share capital of the Company.

#### **(iii) Tax reserve**

According to the preferential enterprise income tax policy for new technology enterprises (“NTE”) under the old PRC Enterprise Income Tax (“EIT”) regulation (effective before 1 January 2008), an NTE located in a designated area of Beijing Economic and Technological Development Zone was subject to EIT at a preferential income tax rate of 15%. Moreover, upon approval by the relevant local tax bureau, the Company was entitled to full exemption from EIT from 2000 to 2002 and 50% reduction from 2003 to 2005. An amount for exemption and reduction has to be appropriated to a non-distributable tax reserve. However, the utilisation of the exempted tax is restricted to production development and not distributable to Shareholders.

#### **(iv) Foreign currency translation differences reserve**

Foreign currency translation differences reserve arises from the translations of group entities that have a functional currency different from RMB into the Group’s presentation currency of RMB.

#### **(v) Other reserves**

Other reserves primarily include reserves arising from the issuance of additional shares by subsidiaries and transactions with non-controlling interests without a change in control.

## FINAL DIVIDEND AND TAX

The Board proposed a final dividend for the year ended 31 December 2025 (the “**Final Dividend**”) of RMB0.18 (including tax) per share based on the total number of the Company’s issued and fully paid-up shares of 1,280,784,000 as at the end of 2025, totaling RMB230,541,000 (2024: a final dividend for the year ended 31 December 2024 of RMB0.18 (including tax) per share based on the total number of the Company’s issued and fully paid-up shares of 1,280,784,000, totaling RMB230,541,000). The profit distribution proposal is subject to the approval by the Shareholders at the 2025 AGM of the Company. The Company is expected to complete the dividend distribution on 11 August 2026.

As for non-resident enterprise Shareholders (other than Shareholders who have invested in the shares of the Company through Shenzhen-Hong Kong Stock Connect) as appearing on the H share register of members of the Company, the Company will withhold corporate income tax at the rate of 10% when distributing the Final Dividend in accordance with the Notice on Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han (2008) No.897) published by the State Administration of Taxation. Any shares registered in the name of the non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organisations, will be treated as being held by non-resident enterprise Shareholders, thus their dividends receivables will be subject to the withholding of the corporate income tax.

As for individual Shareholders (other than Shareholders who have invested in the shares of the Company through Shenzhen-Hong Kong Stock Connect) whose names appear on the H share register of members of the Company, the Company will withhold 10% of the Final Dividend as individual income tax when distributing the Final Dividend in accordance with the Notice on the Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa (1993) No.045 (Guo Shui Han (2011) No.348), unless otherwise specified by the relevant tax regulations, tax agreements or the aforesaid notice.

As for individual Shareholders or securities investment funds who have invested in the H shares of the Company through Shenzhen-Hong Kong Stock Connect, when distributing the Final Dividend, the Company shall withhold individual income tax at the rate of 20% in accordance with the register provided by China Securities Depository and Clearing Corporation Limited, according to the Circular on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui (2016) No.127) issued by the Ministry of Finance, State Administration of Taxation and China’s Securities Regulatory Commission on 5 November 2016.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the H share Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the H share Shareholders or any disputes relating to the tax withholding and payment mechanism or arrangements.

As at the date of this announcement, no arrangement was reached pursuant to which the Shareholders waived or agreed to waive any dividend.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In 2025, facing the dual challenges of macroeconomic volatility and intensified industry competition, the Group anchored its operational course on “enhancing quality and efficiency” and coordinated the conclusion of the “14th Five-Year Plan” with the planning of the “15th Five-Year Plan”, continuously optimizing the management system and business structure around established strategic objectives. During the year, the Group maintained stable overall operations, with steady improvements in operational efficiency and business quality. For the year ended 31 December 2025, the Group’s revenue amounted to RMB6,483,875,000, representing a decrease of 10.69% compared to RMB7,259,644,000 for last year; net profit amounted to RMB660,634,000, representing a decrease of 25.51% from RMB886,933,000 for last year; net profit attributable to owners of the Company amounted to RMB396,277,000, representing a decrease of 24.06% from RMB521,795,000 for last year.

In terms of production, the Group centered on the management objectives of “ensuring supply, optimizing structure, controlling costs, and improving efficiency”, with continuously strengthened production coordination and resource allocation capabilities, solidifying the production foundation for high-quality development. During the year, the Group deepened its industrial-commercial synergy mechanisms, coordinated production plans with market demand fluctuations, maintained focus on core products and key dosage forms, optimized production scheduling and product mix, and effectively ensured stable supply of major varieties and those urgently needed by the market. Production units rigorously implemented “quality enhancement and efficiency improvement” requirements, continuously refining production management systems through technological upgrades, intelligent applications, and capacity restructuring as production efficiency and capacity alignment for key products steadily increased, further enhancing operational stability and flexibility. Regarding raw and auxiliary material supply, the Group dynamically optimized procurement plans and inventory structures based on production pace and market price trends, through centralized procurement, refined management, and supplier system development, effectively controlled raw material cost fluctuation risks, and continuously strengthened quality control over raw materials and auxiliaries to ensure production safety and quality stability.

In terms of marketing, the Group closely adhered to the core marketing philosophy of “expanding markets, maintaining scale, and enhancing profitability”, continued to advance the “major varieties strategy”, implemented refined management tailored to the market characteristics of different products, and steadily progressed in market expansion and channel optimization. Based on a comprehensive assessment of market conditions and channel demands, the Group made orderly adjustments to the pricing systems for certain products and specifications, continuously optimizing product structure and profitability. During the year, the Group maintained its focus on cultivating core major varieties such as Xihuang Pills (西黃丸), Jingzhi Niuhuang Jiedu Tablets (京製牛黃解毒片), and the Liuwei Dihuang Pills (六味地黃丸). By aligning pricing structures with inventory management, the Group deepened strategic collaboration with distributors at all levels, ensuring precise coordination and efficient product flow to strengthen market penetration and sales promotion efforts. At the same time, the Group refined management across six major variety lines—“major varieties, mid-tier varieties, imperial medicine varieties, premium traditional Chinese medicine products, Ejiao (阿膠), and pediatrics medicine”—implementing differentiated marketing strategies to drive deep integration and value enhancement of product resources. Furthermore, the Group continuously refined sales channel management mechanisms, strengthened standardized oversight of key clients and retail outlets, enhanced channel operational efficiency and market controllability, and further consolidated product influence and market recognition through ongoing specialized product promotion and retail empowerment initiatives.

In 2025, there were 52 product lines of the Group achieving a single-product sales amount of more than RMB5 million, and 9 of which achieved a single-product sales amount of more than RMB100 million. Among major products of the Group, the sales amount of Liuwei Dihuang Pills (六味地黃丸) series, Xihuang Pills (西黃丸) series and Niuhuang Jiedu (牛黃解毒) series, increased by 20.70%, 19.02% and 12.45% respectively. The revenue from sales of series of Ganmao Qingre Granules (感冒清熱顆粒) series and Shengmai Liquor (生脈飲口服液) series declined as compared with last year.

In terms of research and development of products, the Company deepened innovation in drug development and secondary development of existing products. During the year, the Phase II clinical trial for the innovative drug Qishen Granules (芪參顆粒) successfully enrolled its first patient. In the field of secondary research for existing products, the Company closely aligned with production realities and market demands to steadily advance clinical studies for products including Yongshenghe Ejiao (永盛合阿膠), Jinkui Shenqi Pills (金匱腎氣丸), Ganmao Qingre Granules (感冒清熱顆粒), and Maren Runchang Capsules (麻仁潤腸軟膠囊). This effort continuously explored the clinical value and application potential of these products, providing scientific support for market expansion. At the basic research level, the Company achieved key progress in studying the pharmacodynamic basis and mechanisms of action for products such as Jiawei Xiaoyao Pills (加味逍遙丸) and Jingzhi Niu Huang Jiedu Tablets (京製牛黃解毒片). Meanwhile, the Company has been approved for the first time as the lead institution for the Pharmacopoeia of the People's Republic of China Standard Enhancement Project (國家藥典標準提高課題). This project will systematically conduct research and practice to establish bioactivity testing standards for representative drugs such as those promoting blood circulation and removing blood stasis. These standards will serve as guidance and reference for studying quality control models for Chinese herbal preparations, fully demonstrating the Company's forward-looking positioning and solid capabilities in both the industry and national strategic research domains.

Tong Ren Tang Chinese Medicine (同仁堂國藥), a principal subsidiary of the Group, upheld the dissemination model of “culture-first approach in introducing medicine through treatments” (「以醫帶藥、文化先行」) to proactively build a global layout with its base in Hong Kong, China, and continuously promoted the internationalization of traditional Chinese medicine culture, driving the synergistic development of traditional Chinese medicine services and products in overseas markets. In the Hong Kong market, during the Reporting Period, Tong Ren Tang Chinese Medicine thoroughly implemented the “major varieties strategy”, created products possessing unique advantages, and simultaneously enhanced marketing and brand development. Retail revenue in the Hong Kong market remained flat year-on-year. During the Reporting Period, Tong Ren Tang Chinese Medicine anchored its core development strategy of “culture-first approach in introducing medicine through treatments” to actively expand into overseas traditional Chinese medicine markets. It consistently provided high-quality Chinese medicines and traditional Chinese medicine services to global consumers, achieving steady progress and sustained positive momentum in its overseas operations. In 2025, Tong Ren Tang Chinese Medicine and its subsidiaries achieved sales revenue of RMB1,387,917,000, representing a year-on-year decrease of 5.80%, and net profit attributable to owners of Tong Ren Tang Chinese Medicine was RMB363,551,000, representing a year-on-year decrease of 20.33%. (The differences between the figures of sales revenue of Tong Ren Tang Chinese Medicine and its subsidiaries and the net profit attributable to the owners of Tong Ren Tang Chinese Medicine disclosed herein, and the figures disclosed in the annual results announcement of Tong Ren Tang Chinese Medicine dated 20 March 2026 are due to foreign currency translation discrepancies between Renminbi and Hong Kong Dollar).

## **Financial Review**

### **Liquidity and Financial Resources**

The Group has maintained a sound financial position. During the year of 2025, the Group's primary source of funds was cash generated from daily operating activities and borrowings.

The Group mainly uses Renminbi and Hong Kong Dollar to hold cash and cash equivalents and term deposits placed with banks and to make borrowings and loans.

As at 31 December 2025, the Group's cash and cash equivalents amounted to RMB4,704,271,000 in total (31 December 2024: RMB4,129,488,000), and term deposits placed with banks amounted to RMB56,407,000 in total (31 December 2024: RMB164,205,000).

As at 31 December 2025, the Group's short-term borrowings amounted to RMB1,000,000 (31 December 2024: RMB5,000,000), bearing an interest rate of 3.000% per annum (2024: 3.588%), and current portion of non-current bank borrowing amounted to RMB390,394,000 (31 December 2024: RMB1,046,966,000), totally accounting for 11.36% of the total liabilities (31 December 2024: 24.79%). Long-term borrowings amounted to RMB1,453,334,000 (31 December 2024: RMB1,202,332,000), bearing annual interest rate of 2.372% (2024: 2.577%), which represents 42.17% of the total liabilities (31 December 2024: 28.33%). Of all the borrowings of the Group as at 31 December 2025, RMB391,394,000 will mature within one year and RMB1,453,334,000 will mature beyond one year.

### **Capital Structure**

The Group's capital management policy is to ensure the continuous operation of the Group with an aim to provide returns for the Shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

As at 31 December 2025, the total assets of the Group amounted to RMB13,710,811,000 (31 December 2024: RMB14,408,591,000). Non-current liabilities of RMB1,665,234,000 (31 December 2024: RMB1,402,041,000), current liabilities of RMB1,780,866,000 (31 December 2024: RMB2,841,471,000), equity attributable to owners of the Company of RMB7,340,263,000 (31 December 2024: RMB7,206,197,000) and non-controlling interests of RMB2,924,448,000 (31 December 2024: RMB2,958,882,000).

In 2025, the Group's funds were mainly used for production and operation activities, purchase of property, plant and equipment, repayment of borrowings and payment of cash dividends, etc.

## **Liquidity**

As at 31 December 2025, the Group's liquidity ratio (the ratio of current assets to current liabilities) was 5.72 (31 December 2024: 3.81), reflecting that the Group had sufficient financial resources. The Group's quick ratio (the ratio of liquid assets to current liabilities) was 3.09 (31 December 2024: 1.93), reflecting that the Group remained liquid. The Group's trade receivables turnover ratio (the ratio of revenue to the average of trade receivables balance) was 9.51 (31 December 2024: 9.84), reflecting that the Group's trade receivables were liquid. The Group's trade payables turnover ratio (the ratio of cost of sales to the average of trade payables balance) was 6.10 (31 December 2024: 4.00), reflecting that the Group had a relatively strong ability to use funding from suppliers for no consideration. The Group's inventory turnover ratio (the ratio of revenue to the average of inventory balance) was 1.34 (31 December 2024: 1.47), reflecting that the inventory had a high turnover rate.

## **Gearing Ratios**

The Group monitors its capital on the basis of the gearing ratio. As at 31 December 2025, the Group's gearing ratio (the ratio of total borrowings to total equity) was 0.18 (31 December 2024: 0.22).

## **Expenses and Expense Ratio**

For the year ended 31 December 2025, the Group's distribution expenses amounted to RMB999,860,000 (2024: RMB1,307,669,000) and the distribution expense ratio, i.e., the ratio of distribution expenses to revenue, was 0.15 (2024: 0.18). The distribution expense ratio has slightly decreased compared to the corresponding period last year and is reasonable.

For the year ended 31 December 2025, the Group's administrative expenses amounted to RMB604,681,000 (2024: RMB579,623,000) and the administrative expense ratio, i.e., the ratio of administrative expenses to revenue, was 0.09 (2024: 0.08). The administrative expense ratio has no significant change compared to the corresponding period last year and is reasonable.

For the year ended 31 December 2025, the Group's finance income, net amounted to RMB10,158,000 (2024: finance income, net RMB8,577,000) and the finance income ratio, i.e., the ratio of finance income to revenue, was 0.0016 (2024: the finance income ratio was 0.0012). The financial cost ratio has no significant changes compared to the corresponding period last year and is reasonable.

## **Gross Margin and Net Profit Margin**

For the year ended 31 December 2025, the gross margin of the Group was 38.03% (2024: 39.64%), while the net profit margin decreased to 10.19% (2024: 12.22%) mainly due to the increase in raw material price.

### **Research and Development Expenses**

For the year ended 31 December 2025, the research and development expenses (excluding employee benefit expenses, depreciation and amortisation expense) of the Group were RMB82,759,000 (2024: RMB84,823,000), accounting for 0.81% of net assets (2024: 0.83%) and 1.28% of revenue (2024: 1.17%), respectively. The research and development expenses including employee benefit expenses, depreciation and amortisation expense, were RMB161,650,000 (2024: RMB157,660,000), accounting for 1.57% of net assets (2024: 1.55%) and 2.49% of revenue (2024: 2.17%), respectively.

### **Capital Expenditure**

For the year ended 31 December 2025, the Group's capital expenditure incurred amounted to RMB129 million (2024: RMB215 million), primarily used for the construction of production bases and purchase of production equipment.

### **Pledges over Assets of the Group**

As at 31 December 2025, no assets of the Group were secured (31 December 2024: Nil).

### **Contingent Liabilities**

The Group had no contingent liabilities as at 31 December 2025 (31 December 2024: Nil).

### **Foreign Exchange Risk**

The Group operates on an international basis and foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations, primarily with respect to the Hong Kong Dollar. The Group currently does not have a foreign currency hedging policy. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates.

### **Capital Commitments**

As at 31 December 2025, the capital commitments of the Group relating to the constructions of production facilities, which had been contracted for but had not been reflected in the consolidated financial statements of the Group, amounted to approximately RMB23,437,000 (31 December 2024: RMB77,945,000).

## **Significant Investment/Future Plans for Significant Investments or Purchase of Capital Assets**

During the year of 2025, the Group did not have any significant investment. As at the date of this announcement, the Group does not have any plan for material investments or purchase of capital assets.

## **Material Acquisition and Disposal of Subsidiaries, Joint Ventures and Associates**

During the year of 2025, the Group did not have any material acquisition and disposal in relation to subsidiaries, joint ventures and associates.

## **Subsequent Event/No Material Change**

On 13 January 2026, Mr. Li Siu Bun tendered his resignation as an independent non-executive Director, the Chairman of the Audit Committee, a member of the Remuneration Committee, and a member of the Strategy and Planning Committee due to work adjustment. All the above resignations took effect upon the new independent non-executive Director being elected by the Shareholders at the general meeting held on 6 February 2026. On 13 January 2026, the Board proposed the appointment of Mr. Siu, Paul Yu Hay as an independent non-executive Director, and he was appointed as an independent non-executive Director of the Ninth Board of Directors at the extraordinary general meeting held on 6 February 2026, and was also appointed as the Chairman of the Audit Committee, a member of the Remuneration Committee, and a member of the Strategy and Planning Committee on the same date. The term of office of Mr. Siu, Paul Yu Hay as an independent non-executive Director commenced on 6 February 2026 and until the end of the ninth session of the Board.

For details of the aforesaid changes, please refer to the announcements of the Company dated 13 January 2026 and 6 February 2026, and the circular of the Company dated 16 January 2026.

As the Advertising Agency Framework Agreement expired on 31 December 2025, Tong Ren Tang Century Advertising and Tong Ren Tang Holdings renewed such agreement on 26 February 2026, for a term from 26 February 2026 to 31 December 2028. The annual caps for the continuing connected transactions contemplated under the renewed Advertising Agency Framework Agreement for the three years ending 31 December 2028 are RMB50,000,000, RMB50,000,000 and RMB50,000,000, respectively. For details, please refer to the announcement of the Company dated 26 February 2026, which is published on the websites of the Hong Kong Stock Exchange and the Company.

Save as disclosed above, during the Reporting Period and up to the date of this announcement, no material events have occurred that would have a material impact on business operation of the Group.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2025, the Group had a total of 3,951 employees (31 December 2024: 3,991 employees), of which 1,956 were employees of the Company (31 December 2024: 1,931 employees). Besides, the Company had a total of 38 dispatched staff (31 December 2024: 115). Remunerations of the employees of the Company are determined with reference to the prevailing market level as well as the performance, qualification and experience of individual employee. Discretionary bonuses based on individual performance will be paid to the employees as a recognition of and a reward for their contributions to the Company. Other employee welfares include contributions by the Company to the endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing fund.

## PROSPECTS

In recent years, driven by multiple factors including policy support, deep digital and intelligent technology empowerment, and the continuous upgrading of national health consumption demands, the traditional Chinese medicine industry is gradually advancing toward a stage of high-quality development. The trend of accelerating the shift from a traditional scale-expansion model to a quality-and-efficiency-oriented development model is becoming increasingly prominent. Aligning with these new industry trends, the Group will closely follow market demands and consumer preferences and remain committed to traditional Chinese medicine manufacturing as the core business while steadily accelerating product development and market expansion in the cosmetics, personal care, and wellness sectors. This strategy aims to fully establish a new “one core, two wings” (「一核兩翼」) development framework. Simultaneously, closely aligned with high-quality development requirements and medium-to-long-term strategic plans, the Group will continuously advance the iterative optimization of the operational management system and deepen business structure adjustments. This will further enhance the efficiency of resource allocation across all domains and refine management across the entire value chain, laying a solid foundation for the Group’s long-term stable growth.

In 2026, the Group will center its efforts on reform and innovation, thoroughly implementing the work principles of “shifting mindsets, emphasizing coordination, enhancing quality and efficiency, strengthening execution, prioritizing management, and building confidence”, focusing on core business quality improvement, innovation-driven empowerment, and management efficiency gains, comprehensively elevating core competitive advantages and sustainable development capabilities.

In terms of production, the Group will deepen full-chain coordination capabilities, strengthen production planning and supply chain synergy, improve raw material and auxiliary supply guarantees, and optimize inventory structure management. Through scientifically coordinating production pace and procurement strategies, the Group will precisely match market supply and demand, comprehensively enhancing market responsiveness. Simultaneously, the Group will deepen the industrial-commercial linkage mechanism, implement full-process dynamic monitoring for core variety production stages, and strictly adhere to sales-driven production to lay a solid foundation for continuous and stable product supply during the “15th Five-Year Plan” period. Additionally, the Group will steadily advance technological upgrades and intelligent applications, continuously improve production capacity alignment, manufacturing flexibility, and quality stability, while accelerating the intelligent transformation of all production workshops.

In terms of marketing, the Group will intensify the research and analysis of macroeconomic trends, industry policy directions, and changes in consumption structure, focus on the cultivation of core variety lines and the construction of key channel, and deepen the terminal market coverage and channel synergy capabilities. By optimizing customer structure and channel tier management mechanisms, the Group will coordinate the deep integration of online and offline operations, comprehensively enhance market responsiveness and terminal service capabilities. While maintaining price stability and market order, the Group will continuously optimize sales structure and elevate operational quality. Simultaneously, the Group will deepen the “major varieties strategy” by establishing a three-tier product portfolio comprising “core major varieties, key major varieties, and potential cultivation varieties”. The Group will refine the “one product, one strategy” (「一品一策」) approach for precise cultivation, build differentiated competitive advantages, and steadily expand market share for the products.

## CORPORATE GOVERNANCE

The Board believes that a good and steady framework of corporate governance is extremely important for the development of the Company. The Company has adopted the principles and standards contained in the Corporate Governance Code (the “**Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”) as the Company’s standards, and combined them with its own experience, aiming to establish a good corporate governance structure. For the year ended 31 December 2025, the Company had strictly complied with all code provisions as set out in part 2 of the Code.

### AUDIT COMMITTEE

The Company has set up an audit committee of the Board (the “**Audit Committee**”) with specific written terms of reference and duties pursuant to the relevant requirements of the Listing Rules and “a Guide for the Formation of an Audit Committee” compiled by the Hong Kong Institute of Certified Public Accountants. Its primary duties are to review and monitor the completeness and effectiveness of the Company’s financial information, risk management and internal control system, and to review the Company’s annual and interim results and other related documents.

As of the end of the Reporting Period and up to the date of this announcement, the Audit Committee comprises the independent non-executive Directors, Mr. Li Siu Bun (resigned on 6 February 2026), Mr. Siu, Paul Yu Hay (appointed on 6 February 2026), Ms. Chan Ching Har, Eliza and Mr. Zhan Yuan Jing, of which Mr. Siu, Paul Yu Hay, the Chairman of the Audit Committee, and Mr. Li Siu Bun (the former Chairman of the Audit Committee) possess appropriate professional qualification and financial experience, which is fully compliant with the requirements under Rule 3.21 of the Listing Rules.

During the year of 2025, the Audit Committee convened five meetings. The first meeting was held on 20 March 2025, to review and discuss the operating results and financial position of the preliminary financial statements for the year ended 31 December 2024, key accounting policies, and matters related to risk management, compliance, connected transactions and internal audit, and listened to the auditors’ opinions on the audit results of the Company. The Audit Committee approved the content of the 2024 annual report. The second meeting was held on 14 April 2025, the Audit Committee reviewed and discussed the connected transactions. The third meeting was held on 22 August 2025 to review and discuss the operating results, financial position of the unaudited financial statements of the Group for the six months ended 30 June 2025, key accounting policies, as well as the matters related to risk management, compliance and internal audit, and approved the content of the 2025 Interim Report. The fourth meeting was held on 28 October 2025, to review and discuss the information announcement of the Group for the third quarter of 2025, and approved the content of the 2025 third quarter results announcement. The fifth meeting was held on 28 November 2025, to review and discuss the proposal regarding the remuneration of the Company’s domestic auditors and overseas auditors.

In addition, the Audit Committee reviewed the effectiveness of the Company’s financial control, internal control and risk management; made recommendation to the Board on matters relating to the reappointment of the auditor; and held separate meetings with the auditor to discuss matters relating to its audit fees and other issues arising from the audit.

At the meeting held on 23 March 2026, the Audit Committee reviewed and discussed the operating results, financial position and major accounting policies contained in the preliminary financial statements of the Group for the year ended 31 December 2025, as well as matters in relation to risk management, legal compliance, connected transactions and internal audit, and reviewed the effectiveness of risk management, internal control systems and internal audit function, and to listen to the preliminary audit results reported by the auditor. The Audit Committee reviewed and concurred in the contents of the 2025 preliminary annual results and annual report.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

For the year ended 31 December 2025, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined in the Listing Rules)). As at the end of the Reporting Period, no treasury shares (as defined in the Listing Rules) were held by the Company.

## **AUDITOR**

Ernst & Young was appointed as the auditor of the Company for the year ended 31 December 2025. The figures in respect of the results announcement of the Group for the year ended 31 December 2025 have been agreed by Ernst & Young, to the preliminary amounts set out in the Group's consolidated financial statements for the year ended 31 December 2025. The work performed by Ernst & Young 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 Ernst & Young on the preliminary announcement.

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

This results announcement will be published on the Company's website ([www.tongrentangkj.com](http://www.tongrentangkj.com)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)). The 2025 annual report containing all information as required by the Listing Rules will be provided to the Shareholders in due course, and will publish the same on the websites of the Company and the Hong Kong Stock Exchange.

By Order of the Board

**Tong Ren Tang Technologies Co. Ltd.**

**Zhang Yi**

*Chairman*

Beijing, the PRC

27 March 2026

*As at the date of this announcement, the Board comprises Mr. Zhang Yi, Mr. Zhang Chun You, and Ms. Wen Kai Ting as executive Directors, Ms. Du Xin and Ms. Feng Li as non-executive Directors, Ms. Chan Ching Har, Eliza, Mr. Zhan Yuan Jing and Mr. Siu, Paul Yu Hay as independent non-executive Directors, and Mr. Zhu Dong Sheng as employee Director.*