国药集团
SINOPHARM

China Traditional Chinese Medicine Holdings Co. Limited

(Incorporated in Hong Kong with Limited Liability)
(Stock code: 00570)

ANNUAL REPORT 2025

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. YANG Jun *(Chairman)*
Mr. LI Hongjian
Mr. PENG Li

Non-executive Directors

Mr. LIU Haijian
Mr. LI Xiangrong
Mr. ZU Jing
Ms. XU Jinghui
Mr. HUANG Hao

Independent Non-executive Directors

Mr. XIE Rong
Mr. YU Tze Shan Hailson
Mr. QIN Ling
Mr. LI Weidong

COMPANY SECRETARY

Ms. NG Sau Mei

AUDIT COMMITTEE

Mr. XIE Rong *(Chairman)*
Mr. ZU Jing
Mr. YU Tze Shan Hailson
Mr. QIN Ling
Mr. LI Weidong

REMUNERATION AND EVALUATION COMMITTEE

Mr. QIN Ling *(Chairman)*
Mr. LIU Haijian
Mr. XIE Rong
Mr. YU Tze Shan Hailson
Mr. LI Weidong

NOMINATION COMMITTEE

Mr. YANG Jun *(Chairman)*
Mr. LI Hongjian
Ms. XU Jinghui
Mr. XIE Rong
Mr. YU Tze Shan Hailson
Mr. QIN Ling
Mr. LI Weidong

STRATEGIC COMMITTEE

Mr. YANG Jun *(Chairman)*
Mr. LI Hongjian
Mr. PENG Li
Mr. LI Xiangrong
Mr. YU Tze Shan Hailson
Mr. QIN Ling

REGISTERED OFFICE

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STOCK CODE

The shares of China Traditional Chinese Medicine Holdings Co. Limited are listed on The Stock Exchange of Hong Kong Limited

Stock code: 00570

AUDITOR

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111 Connaught Road
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank Co., Ltd.
Ping An Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Bank of China (Hong Kong) Limited

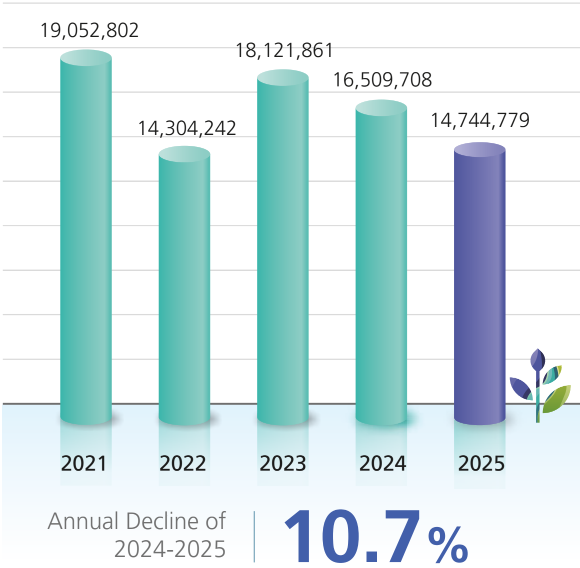
WEBSITE

www.china-tcm.com.cn

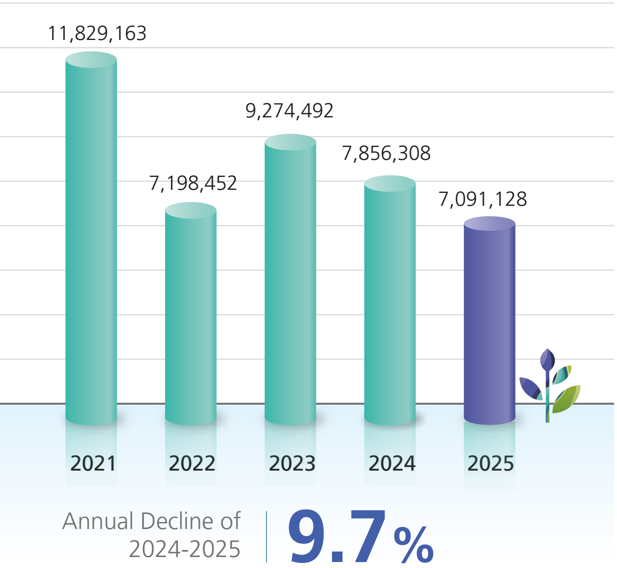
Five-Year Financial Summary

	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	**2025** **RMB'000**	2021-2025 Compound Annual Growth Rate
Results						
Revenue	19,052,802	14,304,242	18,121,861	16,509,708	**14,744,779**	-6.21%
Gross profit	11,829,163	7,198,452	9,274,492	7,856,308	**7,091,128**	-12.01%
Profit/(loss) from operations	2,753,058	1,064,283	1,427,277	335,594	**(268,903)**	N/A
Profit/(loss) before taxation	2,520,280	840,109	1,224,533	163,109	**(368,229)**	N/A
Profit/(loss) attributable to the shareholders of the Company	1,932,858	764,266	1,285,200	54,067	**(342,070)**	N/A
Profitability						
Gross profit margin	62.09%	50.32%	51.18%	47.59%	**48.09%**	
Operating profit margin	14.45%	7.44%	7.88%	2.03%	**-1.82%**	
Net profit margin	11.14%	5.04%	7.70%	0.13%	**-3.11%**	
Earnings/(loss) per share						
Basic & diluted	38.38 cents	15.18 cents	25.52 cents	1.07 cents	**(6.79) cents**	N/A
Financial position						
Total assets	36,389,268	35,619,941	37,068,348	35,063,718	**32,347,429**	
Total equity attributable to equity shareholders of the Company	19,718,669	20,166,720	21,160,135	21,203,784	**20,469,732**	
Total liabilities	13,728,339	12,673,339	13,131,730	11,130,684	**9,319,463**	
Bank balances and cash	2,894,757	3,065,054	3,017,318	3,866,911	**3,942,077**	
Debt asset ratio	37.73%	35.58%	35.43%	31.74%	**28.81%**	

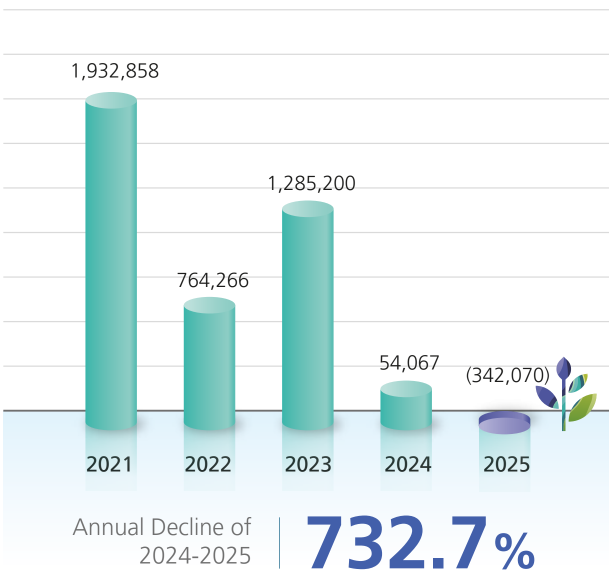
REVENUE
RMB'000



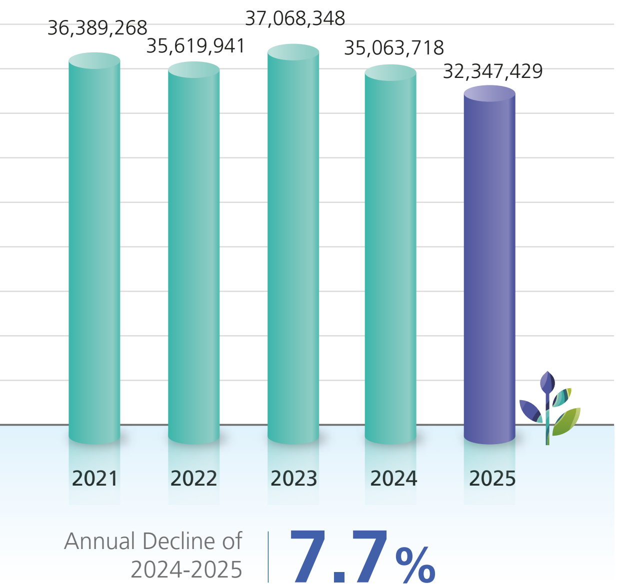
GROSS PROFIT
RMB'000



PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY
RMB'000



TOTAL ASSETS
RMB'000



CHAIRMAN'S STATEMENT

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 RMB14.745 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, although the long-term growth logic of the TCM industry remains solid, 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 of directors of the Company (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 year ended 31 December 2025 (the "Reporting Period" or the "Period" or the "year"), China Traditional Chinese Medicine Holdings Co. Limited (the "Company") and its subsidiaries (collectively, 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 business

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 Gancao 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 Gancao 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:

Twelve months ended 31 December

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

1. Chinese medicinal herbs integration business

Twelve months ended 31 December

	2025 RMB'000	2024 RMB'000	Change
Revenue	**829,724**	1,386,669	-40.2%
Cost of sales	**765,783**	1,232,196	-37.9%
Gross profit	**63,941**	154,473	-58.6%
Gross profit margin	**7.7%**	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

	Twelve months ended 31 December		
	2025 RMB'000	2024 RMB'000	Change
Revenue	**3,334,450**	3,314,794	0.6%
Cost of sales	**2,497,026**	2,547,079	-2.0%
Gross profit	**837,424**	767,715	9.1%
Gross profit margin	**25.1%**	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 31 December		
	2025 RMB'000	2024 RMB'000	Change
Revenue	**6,097,744**	6,972,013	-12.5%
Cost of sales	**2,816,704**	3,003,205	-6.2%
Gross profit	**3,281,040**	3,968,808	-17.3%
Gross profit margin	**53.8%**	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 31 December		
	2025 RMB'000	2024 RMB'000	Change
Revenue	**4,248,309**	4,552,955	-6.7%
Cost of sales	**1,414,300**	1,656,749	-14.6%
Gross profit	**2,834,009**	2,896,206	-2.1%
Gross profit margin	**66.7%**	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

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

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 of the Company (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.

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

(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 the 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 the 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 the Company (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).

Report of the Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are research and development, production and sales of traditional Chinese medicine and pharmaceutical products in the People's Republic of China (the "PRC"). Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the business, a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2025, and an indication of likely future development in the Group's business, can be found in the "Five-Year Financial Summary", "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Notes to the Consolidated Financial Statements" sections of this report. In addition, a discussion on the Company's environmental policies and performance, the Company's compliance with the relevant laws and regulations that have a significant impact on the Company and the Company's relationships with its employees, customers and suppliers are contained in "Corporate Governance Report" section of this report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2025 are set out in the section headed "Management Discussion and Analysis" and the consolidated financial statements on pages 89 to 204 of this annual report.

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).

As the Company recorded a loss in the Period, its operating capital turnover is under phased pressure, and there are considerable uncertainties in the Company's operations in 2026. To safeguard the safety of the capital chain, consolidate the foundation for sustainable operations, and maintain the sound financial operation of the Company, after prudent consideration, the Board did not recommend the payment of a final dividend for the year 2025.

DIVIDEND POLICY

The Board has adopted a dividend policy, with effect from 1 January 2019. The dividend policy of the Company aims to provide reasonable and sustainable returns to the Shareholders and at the same time, maintain a stable financial position so that the Company can fully grasp any available investment and expansion opportunities from time to time.

The Board may declare dividends on an annual basis and/or declare interim dividends (as the case may be). Dividends may be distributed in the form of cash or shares. The Company determines the profit attributable to its Shareholders based on the Hong Kong Accounting Standards. The Board must take into account:

– the Group's actual and anticipated operating results, liquidity and financial condition;

– capital commitment requirement;

– market environment and challenges;

– future development and investment opportunities; and

– any other factors that the Board deems appropriate.

The management will continue to review the dividend policy and propose any amendments for the Board's approval.

As of the date of this report, to the best of the Company's knowledge, no Shareholder has waived or agreed to waive any dividend arrangements.

DISTRIBUTABLE RESERVES

The reserves available for distribution to Shareholders by the Company as at 31 December 2025 are approximately RMB0.876 billion (31 December 2024: approximately RMB0.994 billion).

INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

Details of movements in investment property, other property, plant and equipment and leasehold land during the year are set out in notes 17 and 18 to the consolidated financial statements.

SHARE CAPITAL AND RESERVES

Details of the movements in share capital and reserves of the Company and the Group during the year are set out in note 43 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

BANK LOANS AND OTHER BORROWINGS AND UNSECURED NOTES

Particulars of bank loans and other borrowings and unsecured notes of the Group as at 31 December 2025 are set out in notes 32 and 33 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this report.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2025 are set out in note 42 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, 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.

DIRECTORS

The Board comprises the following Directors during the Reporting Period and up to the date of this report:

Executive Directors

Mr. YANG Jun	*Chairman*
Mr. LI Hongjian	
Mr. PENG Li	*(appointed on 25 July 2025)*

Non-executive Directors

Mr. LIU Haijian	*(appointed on 15 January 2025)*
Mr. LI Xiangrong	*(appointed on 15 January 2025)*
Mr. ZU Jing	*(appointed on 15 January 2025)*
Ms. XU Jinghui	*(appointed on 15 January 2025)*
Mr. HUANG Hao	*(appointed on 15 January 2025)*
Mr. YANG Binghua	*(resigned on 15 January 2025)*
Mr. WANG Kan	*(resigned on 15 January 2025)*
Mr. MENG Qingxin	*(resigned on 15 January 2025)*
Ms. LI Ru	*(resigned on 15 January 2025)*
Mr. YANG Wenming	*(resigned on 15 January 2025)*
Mr. CHENG Xueren	*(resigned on 15 January 2025)*

Independent Non-executive Directors

Mr. XIE Rong
Mr. YU Tze Shan Hailson
Mr. QIN Ling
Mr. LI Weidong

During the Reporting Period and up to the date of this report, Mr. YANG Binghua, Mr. WANG Kan, Mr. MENG Qingxin, Ms. LI Ru, Mr. YANG Wenming and Mr. CHENG Xueren resigned as the non-executive Directors on 15 January 2025 due to change of work arrangement.

Each of the independent non-executive Directors has submitted an annual confirmation letter to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company considers all the independent non-executive Directors to be independent.

All the Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles of Association").

In accordance with Article 92 of the Articles of Association, Mr. PENG Li shall hold office only until the annual general meeting of the Company (the "AGM") and, being eligible, offer himself for re-election.

In accordance with Article 101 of the Articles of Association, Mr. LIU Haijian, Mr. LI Xiangrong, Mr. XIE Rong and Mr. LI Weidong shall retire by rotation at the AGM and, being eligible, offer themselves for re-election. None of the Directors proposed for re-election at the AGM has an unexpired employment agreement or appointment letter which is not determinable by the Company and any of its subsidiaries within one year without payment of compensation, other than statutory obligations.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the existing Directors and senior management as at the date of this report are set out on pages 76 to 81 of this report.

EXECUTIVE DIRECTORS' EMPLOYMENT AGREEMENTS

Mr. YANG Jun entered into an employment agreement with the Company with effect from 27 September 2024, which shall automatically be effective thereafter until terminated by either party by giving one month's prior notice.

Mr. LI Hongjian entered into an employment agreement with the Company with effect from 27 September 2024, which shall automatically be effective thereafter until terminated by either party by giving one month's prior notice.

Mr. PENG Li entered into an employment agreement with the Company with effect from 25 July 2025, which shall automatically be effective thereafter until terminated by either party by giving one month's prior notice.

NON-EXECUTIVE DIRECTORS' APPOINTMENT LETTERS

Mr. LIU Haijian entered into an appointment letter with the Company for a term of three years commencing from 15 January 2025.

Mr. LI Xiangrong entered into an appointment letter with the Company for a term of three years commencing from 15 January 2025.

Mr. ZU Jing entered into an appointment letter with the Company for a term of three years commencing from 15 January 2025.

Ms. XU Jinghui entered into an appointment letter with the Company for a term of three years commencing from 15 January 2025.

Mr. HUANG Hao entered into an appointment letter with the Company for a term of three years commencing from 15 January 2025.

INDEPENDENT NON-EXECUTIVE DIRECTORS' APPOINTMENT LETTERS

Mr. XIE Rong renewed an appointment letter with the Company for a term of three years commencing from 5 February 2025.

Mr. YU Tze Shan Hailson renewed an appointment letter with the Company for a term of three years commencing from 25 November 2025.

Mr. QIN Ling renewed an appointment letter with the Company for a term of three years commencing from 18 February 2025.

Mr. LI Weidong renewed an appointment letter with the Company for a term of three years commencing from 18 February 2025.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year.

DONATIONS

During the Reporting Period, the charitable and other donations (including amounts in kind) made by the Group amounted to approximately RMB8,207,000.

DIRECTORS OF SUBSIDIARIES

A list of names of the directors who held office in the Company's subsidiaries during the year and up to the date of this report is available on the Company's website at www.china-tcm.com.cn.

DIRECTORS' FEES

The emoluments of the executive Directors are determined by the remuneration and evaluation committee of the Company (the "Remuneration and Evaluation Committee") and the emoluments of the non-executive Directors and independent non-executive Directors are recommended by the Remuneration and Evaluation Committee to the Board, having regard to the relevant Director's experience, responsibility and the time devoted to the business of the Group. For the year ended 31 December 2025, the fee for the eligible independent non-executive Directors was fixed at HK$250,000 per annum, and non-executive Directors did not receive directors' fees from the Company.

PERMITTED INDEMNITY PROVISION

Article 178 of the Articles of Association provides that every Director or other officer or auditors shall be indemnified out of assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. Such provisions were in force during the year and remained in force as of the date of this report.

Article 179 of the Articles of Association provides that every Director or other officer or auditors shall be entitled to be insured against any liability to the Company, an associated company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or an associated company. The Company has arranged appropriate liability insurance to indemnify its Directors and executive officers in respect of legal actions against the Directors and officers. The amount of coverage is reviewed on an annual basis.

CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' information after the date of 2025 interim report is as follows:

– Mr. LIU Haijian was re-designated as a member of the Remuneration and Evaluation Committee, and ceased to be a member of the strategic committee of the Board, with effect from 26 November 2025.

Save as disclosed above, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests

As at 31 December 2025, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests

As at 31 December 2025, the interests and short positions of the Shareholders, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Substantial Shareholders	Capacity	Number of Ordinary Shares	Approximate Percentage of Total Interests to Issued Shares
Sinopharm Hongkong	Beneficial owner	1,634,705,642 (long position) *(Note 1)*	32.46%
CNPGC	Interest of controlled corporations	1,634,705,642 (long position) *(Note 1)*	32.46%
	Beneficial owner	50,350,000 (long position)	1.00%
Ping An Life	Beneficial owner	604,296,222 (long position) *(Note 2)*	12.00%
Ping An Group	Interest of controlled corporations	604,296,222 (long position) *(Note 2)*	12.00%

Notes:

1. The 1,634,705,642 shares are held by Sinopharm Group Hongkong Co., Limited ("Sinopharm Hongkong"), which is indirectly wholly owned by China National Pharmaceutical Group Corporation ("CNPGC").

2. The 604,296,222 shares are held by Ping An Life Insurance Company of China, Ltd. ("Ping An Life") which is a subsidiary of Ping An (Group) Company of China, Ltd. ("Ping An Group"). Ping An Group is deemed to be interested in Ping An Life's interest in the Company under the SFO.

Save as disclosed above, the register which was required to be kept by the Company under section 336 of the SFO showed that the Company had not been notified of any interests or short positions of the Shareholders (other than a Director or chief executive officer of the Company) in the shares and underlying shares of the Company as at 31 December 2025.

CONTINUING CONNECTED TRANSACTIONS

Master Purchase Agreement and Master Supply Agreement with CNPGC (2023-2025)

On 11 November 2022, the Company and CNPGC entered into master agreements (the "Master Agreements") to govern the terms of the purchases and the sales and to set the annual caps for the three years ended 31 December 2023, 2024 and 2025.

Pursuant to the master purchase agreement (the "Master Purchase Agreement"), the Group conditionally agreed to purchase TCM and chemical materials (the "Materials") to be supplied by the CNPGC and its subsidiaries (the "CNPGC Group") during the period from 1 January 2023 to 31 December 2025. The value of the purchases shall not exceed the annual caps of RMB300 million, RMB450 million and RMB675 million for each of the three years ended 31 December 2023, 2024 and 2025 respectively.

Pursuant to the master supply agreement (the "Master Supply Agreement"), the Group conditionally agreed to sell the pharmaceutical products (the "Products") to the CNPGC Group during the period from 1 January 2023 to 31 December 2025. The value of the sales shall not exceed the annual caps of RMB1,750 million, RMB2,100 million and RMB2,500 million for each of the three years ended 31 December 2023, 2024 and 2025 respectively.

The principal business activities of the Group are the manufacture and sales of TCM and pharmaceutical products in the PRC with a focus on concentrated TCM granules, TCM finished drugs and TCM decoction pieces.

As at the date of this report, CNPGC is the controlling Shareholder, holding 1,685,055,642 shares, representing approximately 33.46% of the total number of issued shares of the Company. As such, CNPGC is a connected person of the Company. The Master Purchase Agreement and the Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Master Agreements were entered into for the purpose of enabling the Group to continue the business relationship with the CNPGC Group in compliance with the Listing Rules as well as to capture the business opportunities that may be brought about by the CNPGC Group to the Group. CNPGC is the only life- and health-oriented central enterprise directly under the State-owned Assets Supervision and Administration Commission of the State Council, with a whole healthcare industry chain covering research and development, manufacturing, logistics and distribution, retail chains, healthcare, engineering services, etc. Members of the CNPGC Group have been the suppliers of the Materials and customers of the Products since 1998. The CNPGC Group is a reliable business partner of the Group which has a strong supply capacity and a well-established distribution network. The Master Purchase Agreement enables the Group to source stable and quality supply of the Materials, while the Master Supply Agreement enables the Group to tap into a larger market and approach a much wider clientele base with the support of the extensive sales and distribution network of the CNPGC Group in the PRC. As CNPGC Group is one of the largest pharmaceutical companies in the PRC and has comparatively strong planting resources as well as advanced processing technologies, the Directors considered that the partnership with the CNPGC Group can secure the distribution of the Products to hospitals and retail pharmacies in the PRC via the CNPGC Group as the Group's distributor.

For details of the Master Agreements, please refer to the Company's announcements dated 11 November 2022 and 20 December 2022 and the Company's circular dated 15 December 2022. The Master Supply Agreement and the respective annual caps were approved by the Company's independent Shareholders at the extraordinary general meeting of the Company held on 4 January 2023.

During the year ended 31 December 2025, the actual purchases of the Materials by the Group from CNPGC Group amounted to RMB90,447,000 (excluding value added tax) which was below the annual cap of RMB675,000,000 for the year ended 31 December 2025.

During the year ended 31 December 2025, the actual sales of the Products by the Group to CNPGC Group amounted to RMB1,171,354,000 (excluding value added tax) which was below the annual cap of RMB2,500,000,000 for the year ended 31 December 2025.

Master Purchase (2026-2028) Agreement and Master Supply (2026-2028) Agreement with CNPGC

As the Master Purchase Agreement and Master Supply Agreement and the respective annual caps have expired on 31 December 2025, on 25 November 2025, the Company entered into the new master agreements (the "New Master Agreements") with CNPGC to govern the terms of the purchases and sales for the three years ending 31 December 2028.

Pursuant to the master purchase (2026-2028) agreement (the "Master Purchase (2026-2028) Agreement"), the Group conditionally agreed to purchase the Materials and the services to be supplied by the CNPGC Group during the period from 1 January 2026 to 31 December 2028. The annual caps of the Master Purchase (2026-2028) Agreement for the three years ending 31 December 2028 are RMB704,100,000, RMB724,600,000 and RMB740,100,000, respectively.

Pursuant to the master supply (2026-2028) agreement (the "Master Supply (2026-2028) Agreement"), the Group conditionally agreed to sell the Products and provide leasing services to the CNPGC Group during the period from 1 January 2026 to 31 December 2028. The annual caps of the Master Supply (2026-2028) Agreement for the three years ending 31 December 2028 are RMB2,730,000,000, RMB2,875,000,000 and RMB3,026,750,000, respectively.

The principal business activities of the Group are the manufacture and sales of TCM and pharmaceutical products in the PRC with a focus on concentrated TCM granules, TCM finished drugs and TCM decoction pieces.

As at the date of this report, CNPGC is the controlling Shareholder, holding 1,685,055,642 shares, representing approximately 33.46% of the total number of issued shares of the Company. As such, CNPGC is a connected person of the Company. The New Master Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Members of the CNPGC Group have been major suppliers of raw materials, pharmaceutical products and related healthcare products to the Group since 1998. They possess high-quality supply capabilities and stable procurement channels in Chinese medicinal materials, TCM decoction pieces and related services. Through the Master Purchase (2026-2028) Agreement, the Group can source a stable and quality supply of the Materials, benefit from economies of scale and joint procurement, reduce procurement costs, and enhance overall supply chain efficiency and resilience. In addition, by procuring engineering, exhibition, information system and other ancillary services from the CNPGC Group, the Group can obtain professional, integrated support for its production capacity expansion, information technology upgrade and marketing activities.

Also, leveraging the CNPGC Group's strong distribution capability and extensive nationwide sales network and customer base, the Master Supply (2026-2028) Agreement will enable the Group to further expand the market coverage of its Products, and to sell its products to more hospitals, medical institutions and retail pharmacies across the country and reach a wider range of end-customers. In addition, the Group also plans to further partner with CNPGC Group in leasing services over the next three years to better use the underutilised assets of the Group.

For details of the New Master Agreements, please refer to the Company's announcement dated 25 November 2025 and the Company's circular dated 15 January 2026. The New Master Agreements and the respective annual caps were approved by the Company's independent Shareholders at the extraordinary general meeting of the Company held on 2 February 2026.

Financial Services Framework Agreement with Sinopharm Group Finance Co., Ltd. ("Sinopharm Group Finance") (2022 – 2025)

On 18 November 2022, the Company entered into the Financial Services Framework Agreement (the "Financial Services Framework Agreement") with Sinopharm Group Finance, pursuant to which Sinopharm Group Finance agreed to provide the financial services to the Group during the period from 20 November 2022 to 19 November 2025.

Pursuant to the Financial Services Framework Agreement, the annual caps for the deposit services (i.e. the maximum daily deposit balance, including accrued interest) during the effective period of the Financial Services Framework Agreement, the maximum daily outstanding deposit balance is RMB600 million.

As at the date of this report, CNPGC is the controlling Shareholder, indirectly holding 1,685,055,642 shares, representing approximately 33.46% of the total number of issued shares of the Company. Sinopharm Group Finance is owned as to approximately 52.7750%, 31.7705%, 5.4545%, 5.4545% and 4.5455% by CNPGC, China National Biotec Group Company Limited ("CNBG"), China National Traditional Chinese Medicine Co., Ltd. ("CNTCM"), Shanghai Shyndec Pharmaceutical Co., Ltd. ("Shanghai Shyndec Pharmaceutical") and Sinopharm Group Co., Ltd. ("Sinopharm Group"), respectively. As such, Sinopharm Group Finance is a connected person of the Company and the Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Board considers that entering into the Financial Services Framework Agreement is in the interest of the Group as it provides an option to the Group in procuring financial services for its treasury management. Given the Group's close relationship with the CNPGC Group, the application procedures for financial services from Sinopharm Group Finance (being a subsidiary of CNPGC) are more efficient, convenient and flexible than those of the independent commercial banks. In addition, according to the Financial Services Framework Agreement, the terms of financial services offered by Sinopharm Group Finance will be no less favourable than those offered by the independent commercial banks to the Group.

For further details of the Financial Services Framework Agreement, please refer to the announcement of the Company dated 18 November 2022.

During the period from 1 January 2025 to 19 December 2025, the maximum daily deposit balance by the Group in Sinopharm Group Finance amounted to RMB582,000,000 which was below the annual cap for the maximum daily deposit balance of RMB600 million for the year ended 31 December 2025.

Financial Services (2025) Framework Agreement and Financial Services (2026 – 2028) Framework Agreement with Sinopharm Group Finance

As the term of the Financial Services Framework Agreement expired on 19 November 2025, on 19 November 2025, the Company entered into the financial services (2025) framework agreement (the "Financial Services (2025) Framework Agreement") with Sinopharm Group Finance, pursuant to which, Sinopharm Group Finance agreed to provide financial services to the Group during the period from 19 November 2025 to 31 December 2025.

As the term of the Financial Services (2025) Framework Agreement expired on 31 December 2025, on 25 November 2025, the Company entered into the financial services (2026-2028) framework agreement (the "Financial Services (2026-2028) Framework Agreement") with Sinopharm Group Finance to govern the terms of the financial services, including deposit services, loan services and other financial services, for the three years ending 31 December 2028.

Pursuant to the Financial Services (2025) Framework Agreement, the annual cap for the deposit services (i.e. the maximum daily deposit balance, including accrued interest) is RMB400 million.

Pursuant to the Financial Services (2026-2028) Framework Agreement, the annual caps for the deposit services (i.e. the maximum daily deposit balance, including accrued interest) is RMB900 million.

As at the date of this report, CNPGC is the controlling Shareholder, indirectly holding 1,685,055,642 shares, representing approximately 33.46% of the total number of issued shares of the Company. Sinopharm Group Finance is owned as to approximately 52.7750%, 31.7705%, 5.4545%, 5.4545% and 4.5455% by CNPGC, CNBG, CNTCM, Shanghai Shyndec Pharmaceutical and Sinopharm Group, respectively. As such, Sinopharm Group Finance is a connected person of the Company and the Financial Services (2025) Framework Agreement and the Financial Services (2026-2028) Framework Agreement (the "Financial Services Framework Agreements") and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Board considers that entering into the Financial Services Framework Agreements is in the interest of the Group as it provides an option to the Group in procuring financial services for its treasury management. Given the Group's close relationship with the CNPGC Group, the application procedures for financial services from Sinopharm Group Finance (being a subsidiary of CNPGC) are more efficient, convenient and flexible than those of the independent commercial banks. In addition, according to the Financial Services Framework Agreements, the terms of financial services offered by Sinopharm Group Finance will be no less favourable than those offered by the independent commercial banks to the Group.

For further details of the Financial Services Framework Agreements, please refer to the Comany's announcements dated 19 November 2025 and 25 November 2025 and the Company's circular dated 15 January 2026.

During the period from 19 November 2025 and 31 December 2025, the maximum daily deposit balance by the Group in Sinopharm Group Finance amounted to RMB363,301,000 which was below the maximum daily deposit balance of RMB400 million stipulated in the Financial Services (2025) Framework Agreement.

Research and Development Agreements with SIPI and SPERC

On 23 December 2013 and 5 March 2014, Guangdong Medi-World, an indirect wholly-owned subsidiary of the Company, entered into research and development agreements (the "R&D Agreements") with Shanghai Institute of Pharmaceutical Industry ("SIPI") and Shanghai Pharmaceutical Engineering Research Centre Co., Ltd. (上海現代藥物製劑工程研究中心有限公司 or "SPERC") respectively in relation to the engagement by Guangdong Medi-World of SIPI and SPERC for the provision to Guangdong Medi-World of the research and development of certain drugs. The aggregate maximum research and development fee payable by Guangdong Medi-World pursuant to the R&D Agreements amounts to approximately RMB136,270,000.

Both SIPI and SPERC are subordinated unit/company of China State Institute of Pharmaceutical Industry ("CSIPI"), which is a subsidiary of CNPGC. CNPGC wholly-owned Sinopharm Hongkong, a controlling shareholder of the Company. Therefore, each of SIPI and SPERC is a connected person of the Company under the Listing Rules and the transactions contemplated under the R&D Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

SIPI is principally engaged in the research of organic synthesized pharmaceuticals, microbiological and biochemical pharmaceuticals, biotechnological drugs, traditional Chinese medicines and novel preparations, pharmaceutical preparations, and new drug delivery systems.

SPERC is principally engaged in the development, consultancy, service and transfer of applied technology on traditional Chinese medicine, chemical drug, healthcare product and medicinal materials, design, analysis and sale of pharmaceutical equipment, research of technical test on medicinal material and packaging material.

The Group is committed to product innovation and has dedicated resources to the research and development on new drugs in order to stay competitive in the industry and capitalise on the growth opportunities of the Chinese medicine market brought about by the recent reforms in the pharmaceutical industry in the PRC. With the expertise and technical know-how of SIPI and SPERC, the collaboration under the R&D Agreements is expected to enrich the product mix of the Group with new products and benefit the Group in terms of sustainable development.

For details of the R&D Agreements, please refer to the announcements of the Company dated 23 December 2013 and 5 March 2014.

During the year ended 31 December 2025, there was no actual research and development fee payable by the Group to SIPI and SPERC. The sum of such fees payable by the Group to SIPI and SPERC during 2014 to 2025 amounted to RMB21,780,000 (including value added tax), which was below the contract amount of RMB136,270,000 under the R&D Agreements.

Review by the Independent Non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions of the Group and have confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

During the year ended 31 December 2025, the Group entered into certain transactions with related parties as defined in accordance with applicable accounting standards, and details of which are set out in note 40 to the consolidated financial statements. Such related party transactions include the transactions as disclosed in the "CONTINUING CONNECTED TRANSACTIONS" of this section. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of Listing Rules.

Review by the Auditor

For the propose to Rule 14A.56 of the Listing Rules, the auditor of the Company has provided a letter to the Board, confirmed that nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with relevant agreements governing the transactions; and

(iv) have exceeded the annual caps.

The Company has received a copy of the auditor's letter.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DEBENTURES ISSUED

During the year ended 31 December 2025, no debenture was issued by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or children under 18 years of age, or were there any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or his connected entity had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

Save as disclosed in "CONTINUING CONNECTED TRANSACTIONS" of this section, none of the Company or any of its subsidiaries entered into contract of significance with the controlling shareholder or any of its subsidiaries other than the Group, nor was there any contract of significance between the Group and the controlling shareholder or any of its subsidiaries other than the Group in relation to provision of services.

MAJOR CUSTOMERS AND SUPPLIERS

The revenue attributable to the largest customer and the five largest customers of the Group accounted for around 7.9% and 15.5% of the Group's total revenue during the year. The revenue attributable to CNPGC Group accounted for around 7.9% of the Group's total revenue during the year.

The purchases from the Group's largest supplier and the five largest suppliers accounted for around 3.1% and 10.7% of the Group's total purchases during the year. The purchases from CNPGC Group accounted for around 2.0% of the Group's total purchases during the year.

Save as disclosed above, at any time during the year, none of the Directors, their close associates, or any Shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued shares) had any interest in the Group's five largest suppliers and customers.

RETIREMENT SCHEME

Details of the employees' retirement schemes of the Group are set out in note 35 to the consolidated financial statements.

AUDITOR

Ernst & Young retired as the auditor of the Company, with effect from the conclusion of the annual general meeting of the Company held on 27 June 2025 (the "2025 AGM") and did not seek reappointment. At the extraordinary general meeting held on 18 July 2025 (the "2025 EGM"), the Company put forward an ordinary resolution for Shareholders' approval to propose the appointment of BDO Limited as the auditor of the Company in place of the retiring auditor, Ernst & Young, to hold office until the conclusion of the next annual general meeting of the Company, and the remuneration of which would be determined by the Board.

After the consideration and approval at the 2025 EGM, the Company appointed BDO Limited as the auditor of the Company. For the details, please refer to the announcements of the Company dated 20 June 2025 and 18 July 2025, and the circular of the Company dated 30 June 2026.

AUDIT COMMITTEE

The Group's final results and audited financial statements for the year ended 31 December 2025 have been reviewed by the audit committee of the Company (the "Audit Committee"). Information relating to the terms of reference of the Audit Committee and its composition are set out in the Corporate Governance Report on page 64 of this report.

CORPORATE GOVERNANCE

The Company is dedicated to maintaining a high standard of corporate governance. Information regarding the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 53 to 75 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float as not less than 25% of the Company's issued shares are held by the public.

By Order of the Board

YANG Jun
Chairman

Hong Kong, 20 March 2026

Corporate Governance Report

The Board believes that corporate governance is essential to safeguard the interests of the Shareholders and enhance the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. Save as disclosed in this report, the Company has applied the Corporate Governance Code (the "Code") as set out in Appendix C1 to the Listing Rules as its corporate governance practices and complied with all applicable code provisions during the year ended 31 December 2025.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

CORPORATE CULTURE

The Group has built a corporate culture system that matches its development. Details for the Group's corporate culture are set out in the section headed "ABOUT CHINA TCM" of the "2025 Environmental, Social and Governance Report".

BOARD COMPOSITION AND BOARD PRACTICES

Composition and Role

There are no relationships between members of the Board, in terms of financial, business, family or other significant relationship and the Board comprises the following Directors during the year and up to the date of this report:

Executive Directors:	
Mr. YANG Jun	*Chairman*
Mr. LI Hongjian	
Mr. PENG Li	*(appointed on 25 July 2025)*
Non-executive Directors:	
Mr. LIU Haijian	*(appointed on 15 January 2025)*
Mr. LI Xiangrong	*(appointed on 15 January 2025)*
Mr. ZU Jing	*(appointed on 15 January 2025)*
Ms. XU Jinghui	*(appointed on 15 January 2025)*
Mr. HUANG Hao	*(appointed on 15 January 2025)*
Mr. YANG Binghua	*(resigned on 15 January 2025)*
Mr. WANG Kan	*(resigned on 15 January 2025)*
Mr. MENG Qingxin	*(resigned on 15 January 2025)*
Ms. LI Ru	*(resigned on 15 January 2025)*
Mr. YANG Wenming	*(resigned on 15 January 2025)*
Mr. CHENG Xueren	*(resigned on 15 January 2025)*
Independent Non-executive Directors:	
Mr. XIE Rong	
Mr. YU Tze Shan Hailson	
Mr. QIN Ling	
Mr. LI Weidong	

As at the date of this report, the Board comprises twelve Directors, including three executive Directors, five non-executive Directors and four independent non-executive Directors. The existing Directors have a mix of core competence and experiences in areas such as pharmaceutical, financing, accounting, law, management and marketing strategies. With a wide range of expertise and a balance of skills, the independent non-executive Directors bring independent judgment on issues of strategic direction, development, execution and risk management through their contribution at Board meetings and the relevant committee works. The Company has complied with the requirements of appointing at least three independent non-executive directors in accordance with the requirements of Rules 3.10 (1) and (2) of the Listing Rules and one of the independent non-executive Directors, Mr. XIE Rong, also has the appropriate professional accounting qualification and financial management expertise. In addition, the Company has complied with Rule 3.10A of the Listing Rules, that is, the independent non-executive directors appointed must account for at least one-third of the number of members of the Board. Each of the independent non-executive Directors has provided an annual confirmation letter on his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are in compliance with the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent under the terms of such guidelines.

The Directors are aware of any potential conflicts of interest that may arise on their part in relation to the Group's business. In case of such conflict of interest arises, the Director concerned would declare his/her interest to the Board, and abstain from voting on the issues or matters to be resolved. The role of Chairman and president is separate which ensures that there is a balance of power and authority. The responsibilities of both are set out in the section headed "RESPONSIBILITY OF THE BOARD" in this Corporate Governance Report.

The Board has put in place mechanisms to ensure independent views and inputs from Directors are available to the Board. The Chairman holds meetings annually with the independent non-executive Directors without the presence of other Directors to encourage them to voice out their independent views and promote an open and constructive dialogue. During the year, the Chairman had one meeting with the independent non-executive Directors to discuss matters relating to the Group and its operations.

The Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company when necessary. New Directors are offered a comprehensive, formal and tailored induction upon appointment. The Company has also arranged appropriate Directors and officer's liability insurance to indemnify their liabilities arising out of the corporate activities. The insurance coverage is reviewed on an annual basis.

The Board schedules four meetings a year at quarterly intervals. Other Board meetings are convened when necessary. The company secretary of the Company assist the Chairman in setting the agenda of the Board meetings and Directors are invited to present any issue at such meetings. Notices of all regular Board meetings are issued at least 14 days before the meetings. The agenda and the accompanying meeting papers are sent to the Directors within a reasonable time before the meetings. Drafts and final versions of the Board minutes are provided to the Directors for their comments and record within a reasonable time. Minutes of the Board meetings are open for inspection by Directors.

The Board is charged with providing effective and responsible leaderships for the Company. Matters subject to the Board's review and approval include:

– issue and buy back of shares of the Company;

– setting the Group's overall objectives and strategies;

– approval of annual budgets and business plans;

– evaluating and monitoring operating and financial performance;

– reviewing and monitoring internal control and risk management;

– approval of announcements of financial results;

– declaration and recommendation of the payment of dividend;

– appointment of new Directors; and

– appointment and dismissal of senior management of the Company.

The Board delegates the authority and responsibility for implementation of the day-to-day operations, business strategies and management of the Group's businesses to the executive Directors and senior management, and certain specific responsibilities to the special committees under the Board.

Details of the Directors' remuneration and the five individuals with the highest emoluments as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in notes 12 and 13 to the consolidated financial statements.

The remuneration of the members of the senior management, other than Directors, by band for the year ended 31 December 2025 is set out below:

Remuneration Band (RMB'000)	Number of persons
0-800	2
801-1,600	1

During the year ended 31 December 2025, the Company convened four regular Board meetings, three other Board meetings, the 2025 AGM and the 2025 EGM. The following table shows the details of attendance of the Directors:

	Attendance/Number of Meetings			
Directors	**Regular Board Meetings**	**Other Board Meetings**	**2025 AGM**	**2025 EGM**
Executive Directors:				
Mr. YANG Jun *(Chairman)*	4/4	3/3	1/1	1/1
Mr. LI Hongjian	4/4	3/3	1/1	1/1
Mr. PENG Li *(appointed on 25 July 2025)*	2/2	1/1	N/A	N/A
Non-executive Directors:				
Mr. LIU Haijian *(appointed on 15 January 2025)*	4/4	3/3	1/1	0/1
Mr. LI Xiangrong *(appointed on 15 January 2025)*	4/4	3/3	1/1	0/1
Mr. ZU Jing *(appointed on 15 January 2025)*	4/4	3/3	1/1	1/1
Ms. XU Jinghui *(appointed on 15 January 2025)*	3/4	3/3	1/1	1/1
Mr. HUANG Hao *(appointed on 15 January 2025)*	4/4	3/3	1/1	1/1
Mr. YANG Binghua *(resigned on 15 January 2025)*	N/A	N/A	N/A	N/A
Mr. WANG Kan *(resigned on 15 January 2025)*	N/A	N/A	N/A	N/A
Mr. MENG Qingxin *(resigned on 15 January 2025)*	N/A	N/A	N/A	N/A
Ms. LI Ru *(resigned on 15 January 2025)*	N/A	N/A	N/A	N/A
Mr. YANG Wenming *(resigned on 15 January 2025)*	N/A	N/A	N/A	N/A
Mr. CHENG Xueren *(resigned on 15 January 2025)*	N/A	N/A	N/A	N/A
Independent Non-executive Directors:				
Mr. XIE Rong	3/4	2/3	1/1	1/1
Mr. YU Tze Shan Hailson	4/4	3/3	1/1	1/1
Mr. QIN Ling	4/4	3/3	1/1	1/1
Mr. LI Weidong	3/4	3/3	1/1	1/1

RESPONSIBILITY OF THE BOARD

As the core of the Company's corporate governance framework, the Board's fundamental responsibility is to exercise its best judgment and to act in the best interests of the Company and its Shareholders. The Board is committed to complying with corporate governance standards and adopting effective corporate governance practices to meet legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policies, overall strategies, risk management and internal control systems, and monitoring of the performance of management team.

The Board has delegated certain functions and powers, such as its responsibilities of day-to-day business and operation, to the Chairman of the Board, the president and the special committees under the Board (hereinafter collectively referred to as the "authorized person"). The Board keeps abreast of the decision-making and implementation of authorized matters on a regular basis, carries out the implementation effect assessment of authorized matters in a timely manner, and implements dynamic management towards such matters. The authorized person shall report to the Board on a regular basis, conduct collective research and discussion on the authorized matters in accordance with relevant internal systems, obtain the approval from the Board before making a decision or entering into a commitment on behalf of the Group, and maintain communication with the Board when necessary.

The Company has separated the roles of Chairman of the Board and the president. The Chairman of the Board is responsible for leading the Board, ensuring the receipt of sufficient, complete and reliable information by each Director and the receipt of reasonable explanations for all the issues raised in the Board meetings so as to guarantee the effective operation of the Board. The President is responsible for managing the business of the Company, implementing policies, business objectives and plans formulated by the Board, undertaking the powers delegated to him by the Board from time to time, and being accountable to the Board for the Company's overall operation.

During the Reporting Period, the duties of the Chairman of the Board and the President have been performed by different individuals. Mr. YANG Jun is the chairman of the Board and Mr. LI Hongjian is the president (i.e. the general manager).

The Board has established the Audit Committee, the Remuneration and Evaluation Committee, the nomination committee (the "Nomination Committee") and the strategic committee (the "Strategic Committee"). Please see below for the composition and responsibilities of each special committee. Each committee shall provide its recommendations to the Board based on its respective terms of reference. The decisions on such recommendations shall be finalized by the Board, unless otherwise clearly stated in the terms of reference of these committees.

During the Reporting Period, the Board made a lot of efforts in improving the corporate governance system of the Company and enhancing the corporate governance standards, including amending relevant internal management rules in accordance with the requirements of relevant laws, regulations and regulatory rules (as amended from time to time), as well as the actual situation of the Company; monitoring and organizing the Directors and company secretary of the Company to participate in relevant training courses; regularly reviewing the Company's compliance with the domestic and overseas regulatory requirements and its implementation of various internal corporate governance rules and policies, and reviewing the Company's compliance with the Code and the disclosures in the Corporate Governance Report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors. All Directors (including the non-executive Directors) are appointed for a specific term and subject to retirement by rotation and re-election once every three years in accordance with the Articles of Association.

According to the "Core Shareholder Protection Standards" set out in Appendix A1 to the Listing Rules and the Articles of Association, any person appointed as a Director by the Board, either to fill a casual vacancy or as an addition to the Board, shall hold office only until the first annual general meeting of the Company after his/her appointment, and shall then be eligible for re-election.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors receive comprehensive, formal and tailored induction on appointment, so as to ensure understanding of the business and operations of the Group and Directors' responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are continually updated on developments in the statutory and regulatory regime, and the business and market changes to facilitate the discharge of their responsibilities and obligations under the Listing Rules and relevant statutory requirements. Continuing briefings and professional development for Directors will also be arranged as necessary.

The training attended by the Directors during the Reporting Period is summarized as follows:

Directors	**Training Types**
Executive Directors:	
Mr. YANG Jun *(Chairman)*	A, C, D
Mr. LI Hongjian	A, C, D
Mr. PENG Li *(appointed on 25 July 2025)*	B, C, D, E
Non-executive Directors:	
Mr. LIU Haijian *(appointed on 15 January 2025)*	A, C, D
Mr. LI Xiangrong *(appointed on 15 January 2025)*	A, C, D
Mr. ZU Jing *(appointed on 15 January 2025)*	A, C, D
Ms. XU Jinghui *(appointed on 15 January 2025)*	A, C, D
Mr. HUANG Hao *(appointed on 15 January 2025)*	A, C, D
Mr. YANG Binghua *(resigned on 15 January 2025)*	N/A
Mr. WANG Kan *(resigned on 15 January 2025)*	N/A
Mr. MENG Qingxin *(resigned on 15 January 2025)*	N/A
Ms. LI Ru *(resigned on 15 January 2025)*	N/A
Mr. YANG Wenming *(resigned on 15 January 2025)*	N/A
Mr. CHENG Xueren *(resigned on 15 January 2025)*	N/A
Independent Non-executive Directors:	
Mr. XIE Rong	A, C, D, F
Mr. YU Tze Shan Hailson	A, C, D
Mr. QIN Lin	A, C, D
Mr. LI Weidong	A, C, D

A: Attended a training programme themed on corporate governance and risk management.

B: Attended pre-appointment director trainings themed on Compliance Matters for Listed Companies.

C: Attended a training programme themed on Corporate Governance and ESG.

D: Reviewed regular updates on the latest industry and business developments provided by the Company.

E: Attended the Model Training Course for Directors, Senior Management and Company Secretaries & the 88th Advanced CPD Seminar for Governance Professionals organized by The Hong Kong Chartered Governance Institute.

F: Attended training of 2025 Online Course on Improving the Performance Capability of Directors, Supervisors and Senior Management of Banking and Insurance Institutions.

During the year, the trainings attended by members of the Board have covered:

(a) The roles, functions and responsibilities of the Board, Board committees and Directors, as well as Board effectiveness;

(b) The obligations of the issuer and duties of Directors under Hong Kong law and the Listing Rules, and the latest developments in relevant laws and regulations;

(c) Corporate governance, environmental, social and governance (ESG) matters, sustainability and climate-related risks and opportunities;

(d) Risk management and internal control; and

(e) Industry-specific developments, business trends and strategies relating to the issuer.

Mr. LIU Haijian, Mr. LI Xiangrong, Mr. ZU Jing, Ms. XU Jinghui and Mr. HUANG Hao, who have been appointed as non-executive Directors on 15 January 2025, and Mr. PENG Li, who has been appointed as an executive Director on 25 July 2025, have obtained the legal advice under Rule 3.09D of the Listing Rules from the Company's legal advisor on 15 January 2025 and 24 July 2025, respectively, and have each confirmed that he/she understood his/her obligations as a Director. As of the date of this report, Mr. PENG Li has received no less than 17 hours of training.

NOMINATION COMMITTEE

The Board established the Nomination Committee in 2012. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, assist the Board in maintaining a Board skills matrix, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and support the Company's regular evaluation of the Board's performance. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

As at the date of this report, the Nomination Committee comprises of two executive Directors, one non-executive Director and four independent non-executive Directors, among which, one member is of a different gender. During the year, five Nomination Committee meetings were held and the following topics were reviewed and discussed: 1) the structure of the Board and its committees and other senior management, and the diversity of the composition; 2) the independence of the independent non-executive Directors; 3) time committed by non-executive Directors to the Company in the performance of their duties; 4) the list of Directors to be retiring by rotation in the 2025 AGM; and 5) the changes of executive Director, non-executive Directors, members of special committees under the Board and terms of reference of the Nomination Committee. The individual attendance of each member is set out below:

Members of the Nomination Committee	**Attendance/ Number of Meetings**
Executive Directors:	
Mr. YANG Jun *(Chairman)*	5/5
Mr. LI Hongjian	5/5
Non-executive Directors:	
Mr. LIU Haijian *(appointed on 15 January 2025, and resigned as a member of the Nomination Committee on 20 June 2025)*	2/2
Ms. XU Jinghui *(appointed as a member of the Nomination Committee on 20 June 2025)*	2/2
Independent Non-executive Directors:	
Mr. XIE Rong	5/5
Mr. YU Tze Shan Hailson	5/5
Mr. QIN Ling	5/5
Mr. LI Weidong	5/5

NOMINATION POLICY

The Nomination Committee has formulated a nomination policy (the "Nomination Policy"). The Nomination Policy aims to ensure that the Nomination Committee will identify and nominate suitable candidates based on merit and a range of diversity criteria, including their professional experience, business perspective, skills, cultural and educational background, age and length of service. The Company has formulated:

– the procedure for selection, appointment and re-appointment of Directors which have been formally and carefully considered;

– the procedure for making recommendations to the Shareholders on electing or re-electing any Directors at a general meeting; and

– the nomination criteria and nomination procedure for the Shareholders to nominate new Directors.

The Nomination Committee reviews and monitors the structure, size and composition of the Board in terms of skills, knowledge, experience and diversity annually and makes recommendations on any proposed changes to the Board to complement the Company's strategies.

BOARD SKILLS MATRIX

Directors' Experience and Skills	Administrative Leadership and Strategic Planning	Pharmaceutical Industry Insights and Operations	Financial Management and Capital Operation	Legal, Compliance and Risk Management	Technological Innovation and Digitalization
Description	Possesses the ability to identify strategic opportunities and risks, lead large-scale organizations to formulate and implement medium-to-long-term strategies. This experience ensures the Board of Directors clarifies the direction for the Company amid industry changes and drives sustainable growth.	Has an in-depth understanding of the core business logic, technological evolution paths, market competition dynamics, and internationalization trends of the entire traditional Chinese medicine (TCM) industrial chain. This expertise is the foundation for the Board to make key decisions aligned with industry characteristics.	Holds professional financial accounting knowledge, capital market experience and capital operation capabilities. Can effectively oversee the Company's financial performance, internal control and capital structure optimization, and support strategic investments and mergers & acquisitions to create value for Shareholders.	Proficient in corporate governance, commercial laws and pharmaceutical regulatory regulations. Possesses the ability to establish and oversee a comprehensive compliance and risk control system, which is crucial for ensuring the Company's stable operation in a stringent regulatory environment.	Understands the key technologies of pharmaceutical R&D (especially TCM innovation), intellectual property management, and the industry's digital and intelligent transformation paths. This experience can guide the Board to effectively oversee R&D innovation strategies and digital transformation investments.
Mr. YANG Jun	✓	✓		✓	
Mr. LI Hongjian	✓	✓		✓	
Mr. PENG Li	✓	✓		✓	✓
Mr. LIU Haijian	✓	✓		✓	
Mr. LI Xiangrong	✓	✓	✓	✓	✓
Mr. ZU Jing	✓	✓	✓	✓	
Ms. XU Jinghui	✓	✓	✓	✓	
Mr. HUANG Hao	✓		✓	✓	
Mr. XIE Rong	✓		✓	✓	
Mr. YU Tze Shan Hailson	✓	✓	✓	✓	✓
Mr. QIN Ling	✓	✓		✓	✓
Mr. LI Weidong	✓			✓	
Proportion of Total Directors	100%	75%	50%	100%	33%

BOARD DIVERSITY POLICY

The Board adopted the board diversity policy in August 2013. The policy sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

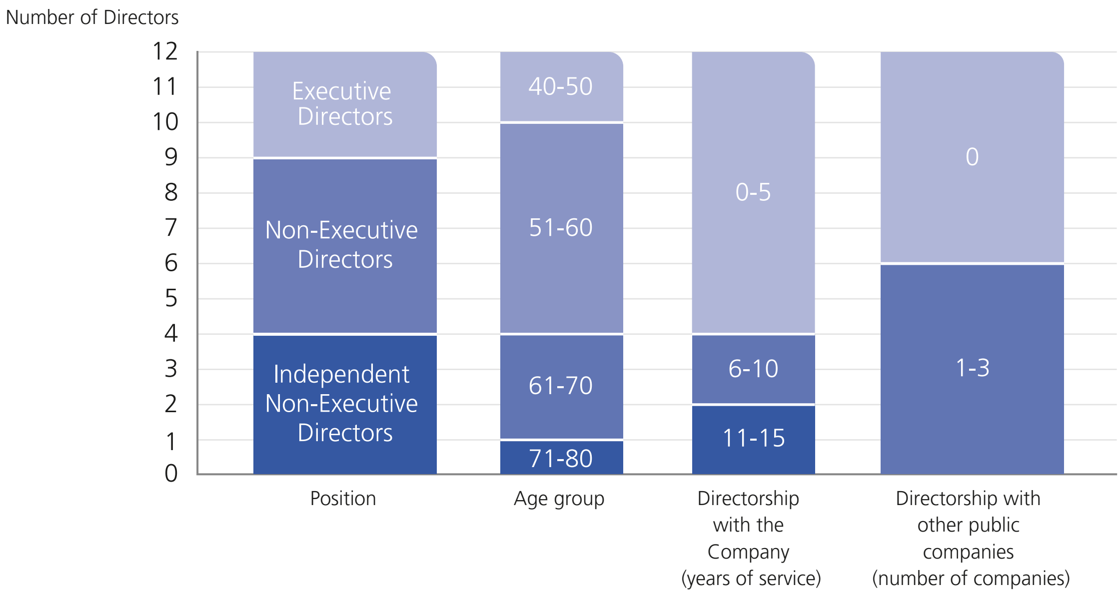
The Company considered diversity of Board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, educational background, professional experience, skills and knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board developed measurable objectives to implement the board diversity policy, where selection of candidates will be based on a range of diversity perspectives as set out above, and the ultimate decision will be based on merit and contribution that the selected candidate will bring to the Board.

Currently the Board has one female non-executive Director, who also served as a member of the Nomination Committee. The Board will continue to embrace gender diversity when making future Board appointments but no specific targets or timelines to further enhance gender diversity have been set as it is of the view that all aspects of diversity should be considered as a whole in the selection of suitable candidates for appointment to the Board.

The same approach to gender diversity at the Board level also applies to the Group's employees. The gender ratio in the Group's employees for the year ended 31 December 2025 is set out in the section headed "Diversity and Equality" in the "2025 Environmental, Social and Governance (ESG) Report".

An analysis of the composition of the current Board based on a range of diversity perspectives is set out below:



AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises of one non-executive Director and four independent non-executive Directors, which complies with the requirements under Rule 3.21 of the Listing Rules. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

Major roles and functions of the Audit Committee include:

– reviewing financial information of the Group;

– overseeing the Group's financial reporting system, internal control procedures and reviewing risk management system; and

– reviewing the appointment of the external auditor including a review on the scope of audit and approval of audit fees.

During the year, eight Committee meetings were held and the abovementioned responsibilities were fulfilled. The individual attendance of each member is set out below:

Members of the Audit Committee	**Attendance/ Number of Meetings**
Non-executive Directors:	
Ms. XU Jinghui *(appointed on 15 January 2025, and resigned as a member of the Audit Committee on 20 June 2025)*	2/3
Mr. ZU Jing *(appointed as a member of the Audit Committee on 20 June 2025)*	5/5
Independent Non-executive Directors:	
Mr. XIE Rong *(Chairman)*	7/8
Mr. YU Tze Shan Hailson	8/8
Mr. QIN Ling	8/8
Mr. LI Weidong	8/8

During the year, the Audit Committee reviewed the final results and the audited consolidated financial statements of the Group for the year ended 31 December 2024 and the interim results and the interim report of the Group for the six months ended 30 June 2025, as well as the effectiveness of the internal control and risk management system of the Group including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting department, and their training programmes and budget.

REMUNERATION AND EVALUATION COMMITTEE

As at the date of this report, the Remuneration and Evaluation Committee comprises of one non-executive Director and four independent non-executive Directors. The terms of reference of the Remuneration and Evaluation Committee are available on the websites of the Company and the Stock Exchange. The main roles and functions of the Remuneration and Evaluation Committee are as follows:

(a) making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management;

(d) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(e) reviewing and approving the compensation payable to executive Directors and senior management for any loss or termination of their office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(f) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(g) making recommendations to the Board on the remuneration of non-executive Directors. The Company has adopted the model whereby the Remuneration and Evaluation Committee is delegated the responsibility to determine the remuneration packages of individual executive Directors and senior management.

In determining the emolument payable to the Directors, the Remuneration and Evaluation Committee takes into account factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration. It also reviews and approves the management's remuneration proposals based on the corporate policies and goals set by the Board, reviews and evaluates the performance of executive Directors during the relevant financial year to determine the amount of bonus payment (if any), and the emoluments of the non-executive Directors and the independent non-executive Directors are recommended by Remuneration and Evaluation Committee to the Board to ensure that no Director and any of his/her associates shall be involved in determining his own remuneration.

The principal objectives of the Company's remuneration policy include:

– providing an equitable and competitive package so as to attract and retain the best available human resources to serve corporate needs;

– providing basic remuneration to the employees that is competitive to the industry and general market condition;

– awarding employees in recognition of good individual and corporate performance; and

– encouraging future employee contributions to achieve overall corporate goals.

During the year, one Remuneration and Evaluation Committee meeting was held and the abovementioned responsibilities were fulfilled. The individual attendance of each member is set out below:

Members of the Remuneration and Evaluation Committee	**Attendance/ Number of Meeting**
Non-executive Director:	
Mr. LIU Haijian *(appointed as a member of the Remuneration and Evaluation Committee on 26 November 2025)*	0/0
Independent Non-executive Directors:	
Mr. QIN Ling *(Chairman)*	1/1
Mr. XIE Rong	1/1
Mr. YU Tze Shan Hailson	1/1
Mr. LI Weidong	1/1

During the year, the Remuneration and Evaluation Committee determined the remuneration packages of all executive Directors and senior management and made recommendation to the Board of the remuneration of the non-executive Directors and independent non-executive Directors.

STRATEGIC COMMITTEE

The Board set up the Strategic Committee in January 2014. As at the date of this report, the Strategic Committee comprises of three executive Directors, one non-executive Director and two independent non-executive Directors including Mr. YANG Jun, Mr. LI Hongjian, Mr. PENG Li, Mr. LI Xiangrong, Mr. YU Tze Shan Hailson and Mr. QIN Ling. Mr. YANG Jun was appointed as the chairman.

The Strategic Committee is a specific working body set up by the Board. Its main responsibilities are to conduct researches and submit proposals to the Board in respect of medium-to-long term development strategies, material investment decisions, ESG of the Group. The Board considers that the proposals submitted by the Strategic Committee will strengthen the core competitiveness of the Group, determine its development plans as well as improve its procedures of making investment decisions, so as to enhance the effectiveness and quality of material investment decisions and perfect its corporate governance structure.

During the year, two Strategic Committee meetings were held and the abovementioned responsibilities were fulfilled. The individual attendance of each member is set out below:

Members of the Strategic Committee	**Attendance/ Number of Meetings**
Executive Directors:	
Mr. YANG Jun *(Chairman)*	2/2
Mr. LI Hongjian	2/2
Mr. PENG Li *(appointed on 25 July 2025)*	1/1
Non-executive Directors:	
Mr. LIU Haijian *(appointed on 20 June 2025, and resigned as a member of the Strategic Committee on 26 November 2025)*	0/0
Mr. LI Xiangrong *(appointed on 15 January 2025)*	2/2
Mr. ZU Jing *(appointed on 15 January 2025, and resigned as a member of the Strategic Committee on 20 June 2025)*	1/1
Independent Non-executive Directors:	
Mr. YU Tze Shan Hailson	2/2
Mr. QIN Ling	2/2

During the year, the Strategic Committee reviewed the "2024 Environmental, Social and Governance Report" and "15th Five-Year Plan (draft)" of the Group and made the detailed recommendations.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2025, the Group has been complying with applicable laws and regulations applicable to the Group, including "Pharmaceutical Administration Law of the People's Republic of China" and its implementation regulations, "Regulations of the People's Republic of China on Traditional Chinese Medicine", "Regulations on Protection of Traditional Chinese Medicine", "Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers", "Law of the People's Republic of China on Traditional Chinese Medicine", "Trademark Law of the People's Republic of China", "Patent Law of the People's Republic of China" and its implementation regulations, "Environmental Protection Law of the People's Republic of China" and "Labor Contract Law of the People's Republic of China". The Group attaches great importance to product safety and conducts multiple quality inspection in the production process to ensure the compliance with the applicable quality regulations promulgated by the relevant authorities. The Group's production subsidiaries have obtained relevant drug production and operation permission.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group attaches high importance to environmental management and has developed a comprehensive environmental management and monitoring system to strictly perform in accordance with relevant laws and regulations governing the amount and standard of emissions. Apart from monitoring its own emission data, the Group has also entrusted third parties to monitor its sewage emission on a quarterly basis and the emission of exhaust gases from boilers every six months. Having established the hazardous waste management system, the transfer of hazardous waste generated from production is recorded and the waste is recycled or disposed of regularly by local qualified professional hazardous waste recycling companies. The storage area of the hazardous waste is monitored, and relevant information filed by the local environmental protection department.

The Group promotes the concept of green production to achieve the goals of saving energy, reducing consumption and alleviating pollution. Striving to improve the environment surrounding the plant, the Group has put much efforts into the improvement of facilities over the years by replacing oil-burning boilers with gas-burning boilers and upgrading the sewage treatment facilities. In addition, through corporate culture education, the Group carries out the resources conservation campaigns and promotes the importance of green living to all staff, encouraging them to join the green living community.

ESG REPORT

The Group has published the "2025 Environmental, Social and Governance Report" in accordance with the "Environmental, Social and Governance Reporting Guide" set out in the Appendix C2 to the Listing Rules.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group values the development and construction for talents and keeps building the platform for the mutual growth of all staff together with the Group through various means. The Group strictly complies with the requirements of "Labor Law of the People's Republic of China", "Labor Contract Law of the People's Republic of China" and the Labour Legislation of Hong Kong Special Administrative Region, and abides by the open, fair and just principles while providing employment opportunities, remuneration, leave, benefits, etc. without discriminatory acts towards differences on gender, religion, culture and educational background, etc. All of the labour standards and recruitment procedures are conducted in strict compliance with the relevant labour laws of the PRC to avoid child labour or forced labour.

Moreover, the Group attaches great importance to training of employees. Pre-service trainings including corporate culture and company regulations will be arranged for the new recruit when onboarding. Staff members of different grading are further provided with different training. Besides, the Group provides off-line training course covering marketing, production, human resources, financial management and so on, on a regular basis, to ensure that employees can solve problems encountered in work through trainings and their comprehensive capabilities can be enhanced.

The Group strives to take care of the interests of customers and maintain product safety. All production lines obtained certificates as required by laws and regulations.

In addition, the Group maintained good and stable working relationship with the major suppliers of raw materials during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiry, all of the Directors who held their office during the year have confirmed that they had complied with the required standard set out in the Model Code throughout the year. In addition, the Board has adopted the provisions of the Model Code as written guidelines for relevant employees in respect of their dealings in securities of the Company. Such relevant employees who may possess or have access to inside information, have been required to comply with the provisions of the Model Code as well.

FINANCIAL REPORTING

The Board presents a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. Management shall provide such explanations and information to all Directors so as to enable them to make an informed assessment of the financial and other information at Board meetings for approval.

DIRECTORS' AND AUDITORS' RESPONSIBILITY STATEMENTS

The Directors acknowledge their responsibilities for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs, results and cash flow of the Group for that period. In preparing the accounts for the year ended 31 December 2025, the Directors have:

– approved the adoption of all applicable Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis.

The statement about the auditor's reporting responsibilities is set out in the Independent Auditor's Report on pages 82 to 88 of this report.

AUDITOR'S REMUNERATION

The fees charged by the Group's external auditor, BDO Limited, for statutory audit and non-audit service are set out below:

Services rendered	Fee paid/payable in 2025 RMB'000
Audit service	3,419
Non-audit service *(Note)*	200
Total	3,619

Note: Non-audit service mainly comprised review of the interim report of the Group during the year.

COMPANY SECRETARY

Mr. ZHAO Dongji resigned as a joint company secretary of the Company due to change of work arrangement on 14 May 2025. Ms. NG Sau Mei (a representative of an external service provider) served as the company secretary of the Company during the Reporting Period. The main contact of Ms. NG in the Company is Ms. ZHAO Xiayin, the director of the Board Office of the Company. Ms. NG confirmed that she had taken not less than 15 hours relevant professional training which complied with Rule 3.29 of the Listing Rules during the Reporting Period.

INSIDE INFORMATION DISCLOSURE POLICY

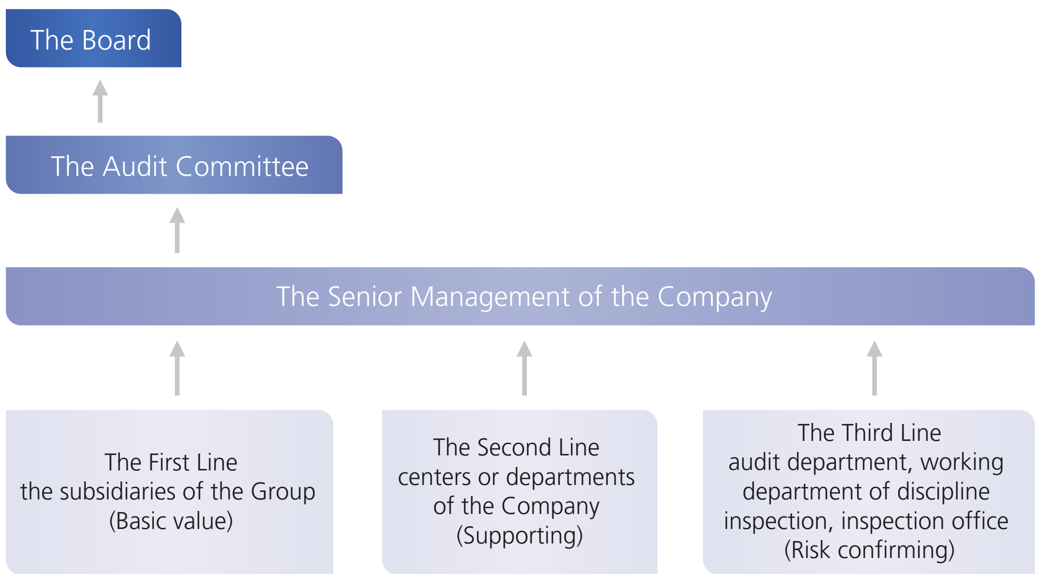
In 2013, the Board adopted an inside information disclosure policy in relation to the procedures and internal controls for handling and disseminating inside information. The Group's inside information disclosure policy sets out guidelines and procedures for Directors, senior management and related personnel to ensure that the Group's inside information is distributed to the public in an equal, accurate, timely and clear manner. The Directors, senior management and related personnel with potential inside information and/or inside information shall take reasonable steps to ensure that appropriate measures are in place to keep the information in strict confidence and that the recipients are aware of their responsibilities for keeping the information in confidence. The inside information must be disclosed in accordance with the Administrative Measures for the Information Disclosure and let all market users obtain the same information at the same time. The inside information will be updated and amended according to the changing circumstances and the changes of the Listing Rules, Part XIVA of the SFO and related statutory and regulatory requirements from time to time.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has established a risk management and internal control system in accordance with the requirements of code provision D.2 of the Code and the Board continues to monitor and review, at least on an annual basis, the effectiveness of its operation in order to ensure that the Group has adequate resources, staff qualifications and experience in accounting, internal audit and financial reporting functions, and that the training programmes received by staff and the related budget are adequate. Such system is designed to mitigate the inherent risks faced by the Group in its business to an acceptable level, rather than eliminate all risks. Therefore, this system only provides reasonable, not absolute, assurance against major false statements or financial losses in financial data.

The strategic and operation management department and audit department, both as coordinating unit between the Group and the Audit Committee, report regularly every year to the Audit Committee on the Group's risk management and internal control for the previous reporting period and provides annual work reports for review.

For risk management, the Company's risk management framework takes the following "three lines" model as a guide.



During the Reporting Period, the Company further leveraged the role of "three lines", launched risk management work in respect of each of business procedures, and advanced the in-depth development of institutionalization and process standardization: 1) conduct comprehensive system reviews to improve the institutional system. Organize all subsidiaries at all levels to identify institutional defects, continuously promote the formulation, revision and abolition of systems, place primary focus on key areas and critical links, and ensure that internal control is rules-based, evidence-based and effectively implemented. During the year, the Group added 374 systems and revised 574 systems; 2) the capacity building of internal control management departments in key subsidiaries, and promote the penetrating implementation of the internal control system. Taking key subsidiaries including Guangdong Yifang, Jiangyin Tianjiang, Tongjitang Pharmaceutical, and Zhonglian Pharmaceutical as entry points, enhance their role as a link between higher-level management and frontline operations. For example, Tongjitang Pharmaceutical promoted the penetration of rules and standards to the frontline of business, strengthened internal control training and risk warning education, significantly improved employees' awareness of internal control and risks, and fostered a sound atmosphere of "everyone emphasizes internal control, everything abides by rules, and implementation is ensured at every level".

During the year, the Company prioritized special initiatives to prevent and resolve risks and improve efficiency: 1) conducted internal control self-assessment for 59 subsidiaries under the "full assessment required" requirement, identified weaknesses in operation and management, urged rectification by subsidiaries, and continuously improved the internal control system; 2) conducted 4 rounds of inspections on subordinate enterprises regarding accountability for violations in business operations and investments, with a total of 10 violation clues verified. A dynamic problem ledger has been established for irregularities, promoting the closed-loop operation and continuous improvement of the accountability mechanism; 3) carried out audit projects including economic responsibility audits for 22 subsidiaries, achieving 100% coverage of economic responsibility audits for 5 years.

In terms of internal control, during the Reporting Period, the Company continued to strengthen audit supervision and promote internal management. A total of 318 problems were found during audits, 242 of which should be rectified when due, 242 of which had been completed, and the completion rate of due rectification was 100%. 147 defects were found in the internal control self-evaluation, all of which were general defects, 28 of which should be rectified when due, 28 of which had been completed, and the completion rate of rectification was 100%.

During the Reporting Period, the Company is of the view that the existing risk management internal control systems of the Group are effective and adequate.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

In line with continuous disclosure obligations, the Company is committed to regular and proactive communication with its Shareholders and investors. It is the Company's policy that the Shareholders and investors be informed of all major developments that have an impact on the Group.

Information is communicated to the Shareholders and investors on a timely basis through:

(a) publication of announcements and circulars on the websites of the Stock Exchange and the Company;

(b) publication of financial statements containing a summary of the financial information and affairs of the Group for the interim and full financial year via the websites of the Stock Exchange and the Company;

(c) interim reports, annual reports and circulars that are sent to all shareholders;

(d) notices of and explanatory notes for general meetings;

(e) general meetings; and

(f) meetings with investors and analysts.

The Company also maintains a website at www.china-tcm.com.cn as a communication platform with its Shareholders and investors, where the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may also contact the Company's Investor Relationship for any inquiries with the contact details set out below:

Email: ir@china-tcm.com.cn
Telephone: (852) 2854 3393, (86) 757 8833 3168
Fax: (852) 2544 1269
Address: Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong

Inquiries are dealt with in an informative and timely manner.

During the year ended 31 December 2025, the Board has reviewed the effectiveness of the Shareholders' communication policy and considered it to be effective and adequate.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in code provision A.2.1 of the Code, including:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

ARTICLES OF ASSOCIATION

During the year, there were no changes in the Articles of Association.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Pursuant to the Listing Rules, any resolution put forward at Shareholders' meetings will be voted by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on a show of hands and the poll results will be posted on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.china-tcm.com.cn after the relevant general meetings.

CONVENING OF GENERAL MEETING ON REQUEST

In accordance with section 566 of the Companies Ordinance the Companies Ordinance (the "Companies Ordinance") (Chapter 622 of the Laws of Hong Kong), the Directors are required to call a general meeting if the Company has received requests to do so from members of the Company representing at least 5% of the total voting rights of all the members having a right to vote at general meeting. Such requests must state the general nature of the business to be dealt with at the meeting, and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests may be sent to the Company in hard copy form (by depositing at the registered office of the Company at Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong for the attention of the Board) or in electronic form (by email: publicrelation@china-tcm.com.cn); and must be authenticated by the person or persons making it. In accordance with Section 567 of the Companies Ordinance, the Directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the Companies Ordinance and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

PUTTING FORWARD PROPOSALS AT ANNUAL GENERAL MEETING

To put forward a resolution at an annual general meeting, Shareholders are requested to follow the requirements and procedures set out in Sections 615 and 616 of the Companies Ordinance.

Section 615 of the Companies Ordinance provides that the Company must give notice of a resolution if it has received requests to do so from (a) the members of the Company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong for the attention of the Board) or in electronic form (by email: publicrelation@china-tcm.com.cn); (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than: (i) six weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the Companies Ordinance provides that the Company that is required under Section 615 of the Companies Ordinance to give notice of a resolution must send a copy of it at the Company's own expense to each member of the Company entitled to receive notice of the annual general meeting (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

Pursuant to Article 105 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days. The period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. Detailed procedures for Shareholders to propose a person for election as a Director can be found on the Company's website.

EXECUTIVE DIRECTORS

Mr. YANG Jun, aged 60, was appointed to the Board on 27 September 2024. Mr. YANG graduated from Beijing Normal University with a bachelor's degree majoring in education management in July 1989, and completed the in-service postgraduate program in economic management at the Graduate School of The Party School of the CPC Central Committee in July 2001, and holds the professional qualification of Senior Marketing Specialist.

Mr. YANG successively served as a secretary of the office, deputy director of the supply and marketing department, manager of the comprehensive planning department, manager of the preparation department, traditional Chinese medicine department (concurrently), deputy manager of the operating business headquarters, and municipal marketing director and hospital manager (concurrently) and so on in China Pharmaceutical Industry Corporation from July 1989 to June 2006. Mr. YANG has joined China National Pharmaceutical Group Corporation (中國醫藥集團總公司) (currently known as China National Pharmaceutical Group Co., Ltd.) since 2006, and successively served as deputy director and director of the operation management department and director of the international cooperation department. From March 2014 to September 2024, he successively held positions including secretary of the discipline inspection commission and supervisor of Sinopharm Group Co., Ltd. (01099.HK), president, deputy secretary of the Party Committee and director of Shanghai Shyndec Pharmaceutical Co., Ltd. (600420.SH), deputy secretary of the Party Committee (with full-level treatment) of China Sinopharm International Corporation, and secretary of the Party Committee, deputy general manager and chairman (legal representative) of Sinopharm Healthcare Industry Co., Ltd.

Mr. YANG currently also serves as the secretary of the Party Committee of the Company and a director of China National Traditional Chinese Medicine Co., Ltd. representing the Company in the conduct of its affairs.

Mr. LI Hongjian, aged 40, was appointed to the Board on 27 September 2024. Mr. LI holds a Master of Business Administration (MBA) degree from Sun Yat-sen University, and possesses the qualifications of senior economist (top grade) and management consultant.

Mr. LI has joined China National Pharmaceutical Group Co., Ltd. since 2018. From April 2018 to June 2021, he served as deputy director and director of the human resources center of the Company. From June 2021 to September 2024, he was interim deputy party secretary, interim secretary of the discipline inspection commission and general manager of the strategy and data operations center of Chongqing Taiji Industry (Group) Co., Ltd. (600129.SH). From August 2022 to September 2024, he concurrently served as executive director of Chongqing Pharmaceutical & Health Products Import & Export Co., Ltd. (now known as Chongqing Taiji International Health Industry Co., Ltd.). From August 2023 to May 2024, he concurrently held the position of director of Chongqing Traditional Chinese Medicine High-Tech Development Co., Ltd.

Mr. LI currently also serves as president and deputy secretary of the Party Committee of the Company.

Mr. PENG Li, aged 54, was appointed to the Board of Directors on 25 July 2025. Mr. PENG graduated from rehabilitation medicine major of Tongji Medical College of Huazhong University of Science and Technology with a doctoral degree and is qualified as a Chief Physician and doctoral tutor.

Mr. PENG has extensive experience in clinical practice, scientific research and hospital management with a deep focus on traditional Chinese medicine. During his medical career, he actively promoted the development of TCM disciplines and worked and exchanged at Hamburg Trauma Hospital in Germany. Mr. PENG previously served as physician, director, deputy secretary of the Party Committee and vice president of the acupuncture department of Shiyan Taihe Hospital (Affiliated Hospital of Hubei University of Medicine), secretary of the Party Committee and director of Shiyan Hospital of Traditional Chinese Medicine; and secretary of the Party Committee, director and level I division rank official of Shiyan Health Commission.

Mr. PENG has joined China National Pharmaceutical Group Co., Ltd. since February 2024, and served as executive dean of Sinopharm Medical Innovation Research Institute, chairman and secretary of the Party Committee of Sinopharm Central China (Hubei) Healthcare Co., Ltd., and secretary of the Party Committee of Sinopharm Dongfeng General Hospital.

Mr. PENG currently also serves as deputy secretary of the Party Committee and chairman of the Labor Union of the Company.

NON-EXECUTIVE DIRECTORS

Mr. LIU Haijian, aged 51, was appointed to the Board on 15 January 2025. Mr. LIU holds a master's degree and qualification of assistant engineer.

Mr. LIU has a diverse professional background and extensive experience in corporate governance and general management. He previously served as an associate section assistant of the preliminary examination and process management department of the patent office of the State Intellectual Property Office.

Mr. LIU has joined China National Pharmaceutical Group Co., Ltd. since June 2008, and served as deputy director and director of the party-mass work department. From January 2018 to October 2024, he was deputy secretary of the Party Committee of Sinopharm Group Co., Ltd. (01099.HK), and concurrently chairman of Sinopharm Group Henan Co., Ltd., Sinopharm Group Xinjiang Xinte Pharmaceutical Co., Ltd. and Sinopharm Group Hubei Co., Ltd. Mr. LIU has been serving as a full-time external director of China National Pharmaceutical Group Co., Ltd. since October 2024.

Mr. LIU currently also serves as a non-executive director of Chongqing Taiji Industry (Group) Co., Ltd. (600129.SH, since March 2025).

Mr. LI Xiangrong, aged 56, was appointed to the Board on 15 January 2025. Mr. LI holds a bachelor's degree and master's degree of science of Peking University, with qualification of lectureship, and he is a member of Pharmaceutical Intellectual Property Research Professional Committee of Chinese Pharmaceutical Association.

Mr. LI possesses diversified experience spanning academia, public administration and corporate governance. He worked at Peking University from July 1995 to July 2001, and served as a member of the party leadership group and vice mayor of Jinggangshan Municipal People's Government, Jiangxi Province from June 1997 to August 1998.

Mr. LI has joined China National Pharmaceutical Group Co., Ltd. since October 2003. He previously served as deputy manager of the asset management department and manager of the planning & development department of China National Biotec Group Company Limited, as well as deputy director of the planning & development department and director of the board office of China National Pharmaceutical Group Co., Ltd. From February 2018 to November 2024, he was vice president and company secretary of China National Biotec Group Company Limited, during which he concurrently served as a director of Beijing Tiantan Biological Products Corporation Limited (600161.SH) from October 2018 to May 2023. Mr. LI has been serving as a full-time external director of China National Pharmaceutical Group Co., Ltd. since October 2024.

Mr. LI currently also serves as a non-executive director of Chongqing Taiji Industry (Group) Co., Ltd. (600129.SH, since March 2025).

Mr. ZU Jing, aged 55, was appointed to the Board on 15 January 2025. Mr. ZU holds a bachelor's degree of economics of Beijing Economics College, with the qualification of senior accountant.

Mr. ZU has more than thirty years of experience in financial management and corporate general management. Mr. ZU previously served as deputy general manager of the finance department of China National Service Corporation for Chinese Personnel Working Aboard and deputy general manager & chief financial officer of Zhongfu Jiayuan Trade Company (中服嘉遠貿易公司); general manager of the finance department, deputy chief financial officer and chief financial officer of China Sinopharm International Company (currently known as China Sinopharm International Corporation); and chief financial officer of Shanghai Shyndec Pharmaceutical Co., Ltd. (600420.SH). From April 2022 to March 2024, he was director of the international cooperation department of China National Pharmaceutical Group Co., Ltd. Mr. Zu has been serving as a full-time external director of China National Pharmaceutical Group Co., Ltd. since October 2024.

Mr. ZU currently also serves as a non-executive director of Sinopharm Group Co., Ltd. (01099.HK), since February 2025).

Ms. XU Jinghui, aged 54, was appointed to the Board on 15 January 2025. Ms. XU holds a bachelor's degree of applied economics of Beijing University of Technology and a master of business administration (MBA) degree of Xiamen University, with certificates of full senior accountant (top grade), certified public accountant, certified tax agent and international certified internal auditor.

Ms. XU has more than thirty years of experience in finance, auditing and general management. She previously served as accountant of the administrative committee of Beijing Central Wholesale Market for Agricultural Products, the accounting assistant of Yukun information center of China Urban Planning and Design Institute and a senior auditor of Beijing Zhongzhou Guanghua Certified Public Accountants.

Ms. XU has joined China National Pharmaceutical Group Co., Ltd. since September 2001. She previously served as director assistant of the finance department of China National Pharmaceutical Group Co., Ltd., the manager of financial department of Reed Sinopharm Exhibitions Co., Ltd., the financial director of Bakery China Exhibitions Co., Ltd. and the financial director of China National Pharmaceutical Investment Co., Ltd. From June 2016 to October 2024, she was the financial director of Sinopharm Group Finance Co., Ltd. Ms. XU has been serving as a full-time external director of China National Pharmaceutical Group Co., Ltd. since October 2024.

Mr. HUANG Hao, aged 42, was appointed to the Board on 15 January 2025. Mr. HUANG holds a master of business administration (MBA) degree of Swiss Geneva Business Institute, and possesses the qualifications of chartered financial analyst (CFA) and China securities qualification certificate.

Mr. HUANG previously served as a senior auditor in the Financial Services Group at PricewaterhouseCoopers Zhong Tian CPAs Limited Company; a senior strategy analyst in the planning department of Ping An Insurance (Group) Company of China, Ltd.; a senior investment manager in the investment management department and a corporate governance expert in the subsidiary directors resource bureau at Huawei Technologies Co., Ltd.; and an investment manager in the private equity team at Shanghai Huliu Investment Management Co., Ltd.

Mr. HUANG currently serves as deputy general manager of investment business at Ping An Shenye (Shanghai) Private Fund Management Partnership Enterprise LLP, a subsidiary of Ping An Insurance Overseas (Holdings) Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. XIE Rong, aged 73, was appointed to the Board on 5 February 2013. Mr. XIE obtained a doctoral degree in economics, majoring in accounting in Shanghai University of Finance and Economics, in January 1993. He has over fifty years of profound academic accumulation and professional practical experience.

From September 1994 to November 1997, Mr. XIE served as deputy head of the accounting department at Shanghai University of Finance and Economics. From December 1997 to October 2002, he was a partner at KPMG Huazhen Certified Public Accountants (Shanghai). From October 2002 to November 2017, he successively served as professor and vice president of Shanghai National Accounting Institute, making outstanding contributions to accounting education, research and professional talent development.

Mr. XIE has extensive experience in the governance of listed companies. He has served as an independent non-executive director of a number of listed companies in Hong Kong and Mainland China, covering various sectors including finance, transportation, industry, pharmaceuticals, public utilities and consumer goods. His former directorships include (without limitation): independent non-executive director of SAIC Motor Corporation Limited (600104.SH); COSCO Shipping Energy Transportation Co., Ltd. (01138.HK, 600026.SH), China Eastern Airlines Corporation Limited (00670.HK, 600115.SH), China CITIC Bank Corporation Limited (00998.HK, 601998.SH), Tianjin Capital Environmental Protection Group Company Limited (01065.HK, 600874.SH), Sinopharm Group Co., Ltd. (01099.HK); Shanghai Baosight Software Co., Ltd. (600845.SH), China Everbright Bank Company Limited (06818.HK, 601818.SH); Shenwan Hongyuan Group Co., Ltd. (06806.HK, 000166.SZ), Shanghai Bairun Investment Holding Group Co., Ltd. (002568.SZ); and Baoshan Iron & Steel Co., Ltd. (600019.SH).

Mr. XIE currently also serves as an independent non-executive director of Shanghai Foreign Service Holding Group Co., Ltd. (600662.SH, since September 2021).

Mr. YU Tze Shan Hailson, aged 69, was appointed to the Board on 25 November 2013. Mr. YU possesses a bachelor's degree and a master's degree in electrical engineering, as well as a master of arts in arbitration and dispute resolution. He completed advanced programs including the Postgraduate Diploma in Investment Management, Certificate in Hong Kong Law, and Certificate in Chinese Medicine and Chinese Medical Sciences. He is a Chartered Engineer and a Fellow of the Institution of Engineering and Technology, the Hong Kong Institution of Engineers, the Chartered Institute of Arbitrators, and the Hong Kong Institute of Arbitrators.

Mr. YU has over forty years of extensive experience spanning engineering, technology research and development, technology transfer and corporate management. He joined Ampex Ferrotec Limited in 1979 and successively served as assistant engineer, manager of equipment maintenance and test laboratory, and later headed the computer engineering and systems engineering section, overseeing product design, system development and the establishment of the CAD centre. In 1987, Mr. YU joined China International Trust and Investment Corporation Hong Kong (Holdings) Limited as general manager of engineering research & development department. During his tenure, he was involved in improving the operations of technology subsidiaries, monitoring venture capital investments in the United States, assisting a number of subsidiaries in listing in the US and completing asset restructuring, and also acted as a consultant for petroleum and LPG terminal projects.

Since 1998, Mr. YU has served long-term at the University of Hong Kong, as deputy managing director of Versitech Limited and deputy director of technology transfer office, responsible for promoting the commercialization of university technological achievements. Since 2021, he has concurrently served as chief operating officer of HKU Innovation Holdings Limited, overseeing the operation of its 9 research centers in artificial intelligence, robotics and biomedicine. Mr. YU retired from the University of Hong Kong in 2022 and served director of research translation and entrepreneurship at Macau University of Science and Technology in 2023.

Mr. Yu has extensive experience in listed company governance and was an independent non-executive director of Sinopharm Group Co., Ltd. (01099.HK). He is currently an independent non-executive director of China Talent Pharmaceutical Group Limited (01011.HK, since June 2017) and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (02196.HK, 600196.SH, since June 2021).

Mr. QIN Ling, aged 66, was appointed to the Board on 18 February 2019. Mr. QIN obtained his doctoral degree in Orthopaedic Sports Medicine and Rehabilitation Physiotherapy from the German Sport University Cologne in 1992, and completed postdoctoral research on osteoporosis at the AO Foundation (Swiss International Institute for Internal Fixation of Fractures) in the same year. He is currently a member of the US National Academy of Medicine and Biological Engineering, and a foreign member of the European Academy of Arts and Sciences.

Mr. QIN is a senior scholar and research principal in orthopaedics and sports science. From July 1993 to August 1994, he served as laboratory head of the department of trauma and reconstructive surgery at the Faculty of Medicine, Freie Universität Berlin. He joined The Chinese University of Hong Kong in 1994, and has successively held positions including director of the research laboratory of the department of orthopaedics and traumatology, director of the bone health and bone assessment centre, and director of the centre for orthopaedic innovative biomaterials and drug development at the Li Ka Shing Institute of Health Sciences.

Mr. QIN is currently Choh Ming Li Professor of Orthopaedics and Traumatology, assistant dean (mainland affairs) and director of the musculoskeletal research laboratory at the faculty of medicine, The Chinese University of Hong Kong. He also serves as President of the Shenzhen-Hong Kong Institute of Innovation (Futian), CUHK, and concurrently as director of the translational medicine research and development centre at the Institute of Biomedical and Health Engineering, Shenzhen Institute of Advanced Technology, Chinese Academy of Sciences.

Mr. LI Weidong, aged 57, was appointed to the Board on 18 February 2019. Mr. LI obtained dual bachelor's degrees in science and law from Nanjing University in 1992, and a doctor of juridical science degree from City University of Hong Kong in 2004. He is qualified to practice as a lawyer in both Hong Kong and Mainland China.

Mr. LI has long specialized in cross-border legal matters and capital markets legal services. From September 1992 to April 1997, he served as a full-time lawyer at Nanjing Zhongshan Law Firm and Jiangsu Jingwei Law Firm. He is currently Director of Hip Shing Law Firm (Shenzhen, Hong Kong), and has extensive influence in legal practice across the Guangdong-Hong Kong-Macao Greater Bay Area.

Mr. LI has rich experience in listed company governance. Mr. LI was an independent non-executive director of Ocean Line Port Development Limited (8502.HK) from June 2018 to July 2024 and an independent director of LUFAX Holding, Ltd. (LU.NYSE, 06623.HK) from April 2018 to August 2025. He currently serves as an independent non-executive director of a number of Hong Kong and Mainland listed companies, including: independent non-executive director of Hualin Securities Co., Ltd. (002945.SZ, since June 2025), Shenzhen Yitoa Intelligent Control Co., Ltd. (300131.SZ, since November 2023) and Shenzhen Yantian Port Holdings Co., Ltd. (000088.SZ, since July 2022).

SENIOR MANAGEMENT

Mr. SHEN Lixin, aged 59, was appointed as the vice president and financial director on 3 September 2021. Mr. SHEN graduated from Dongbei University of Finance and Economics with a bachelor's degree in trade and economics in 1989. Mr. SHEN holds professional qualifications as a senior accountant. Mr. Shen served as a cadre of the finance department of China National Pharmaceutical Corporation from July 1989 to January 1999, the deputy director of the finance department of China National Pharmaceutical Group Co., Ltd.) from January 1999 to January 2003, the director of the finance department of Sinopharm Group Co. Ltd. (01099.HK) from January 2003 to July 2003, and the financial director of China National Traditional Chinese Medicine Co., Ltd. from July 2003 to May 2010. From May 2010 to September 2021, he served as the financial director of China National Medicines Corporation Ltd. (600511.SH).

Ms. HUANG He, aged 47, was appointed as a vice president on 25 March 2025. Ms. HUANG graduated from Renmin University of China majoring in accounting with a master's degree in 2004. She has qualifications of senior economist, senior human resource manager and auditor. Ms. HUANG successively served as the manager of department of operation inspection and audit, department of strategic planning, department of audit, department of human resource and operation director of China Traditional Chinese Medicine Co. Ltd. from July 2004 to December 2018; successively served as the secretary of the party, the vice president, an executive director, the deputy secretary of the party and chairman of the labor union of the Company from May 2017 to March 2025.

Mr. ZHENG Jun, aged 43, was appointed as a vice president on 14 May 2025.Mr. ZHENG is a master of Huazhong University of Science and Technology, and holds a qualification of senior engineer (top grade). Mr. ZHENG served as the design engineer of public project department, the general manager of environmental protection affairs department and the general manager of marketing department of Sino Pharmengin Corporation (formerly Sinopharm Group Wuhan Medical Design Institute.

Independent Auditor's Report

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To the members of
China Traditional Chinese Medicine Holdings Co. Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Traditional Chinese Medicine Holdings Co. Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 89 to 204, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "*Code of Ethics for Professional Accountants*" (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	**How our audit addressed the key audit matters**
Impairment of goodwill and other intangible assets	
As at 31 December 2025, the carrying values of goodwill and other intangible assets with indefinite useful lives in the consolidated financial statements amounted to RMB2,531,159,000 and RMB1,873,379,000, respectively. In accordance with HKFRSs, the Company is required to perform impairment tests for goodwill and other intangible assets with indefinite useful lives annually and management performed impairment tests on these assets by using the discounted cash flow model as at 31 December 2025. The impairment tests involve significant judgements about future business performance, with key assumptions including cash flows, the overall long-term growth rates and discount rates used. This matter was significant to our audit because the balances were material and the test process involved significant judgements. The significant judgements and estimates and the disclosures about the impairment of goodwill and other intangible assets with indefinite useful lives are included in notes 3, 16, 19 and 20 respectively to the consolidated financial statements.	Our audit procedures included, among others, the following: Involved our internal valuation specialists to assist us in evaluating the methodologies and the discount rates used by the Group for determining the recoverable amounts of certain cash-generating unit (the "CGU"); Evaluated the underlying data used in management's cash flow projection on the future revenues and operating results by comparing to the financial performance of certain CGUs during the year 2025; Evaluated management's assumptions of growth rates of certain CGUs by examining the business development plans and historical annual growth of CGUs. We also checked the mathematical accuracy of computation supporting the value in use model; and Assessed the adequacy of the related disclosures in the consolidated financial statements.

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KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment of other long-term non-financial assets	
The carrying values of the Group's property, plant and equipment, other intangible assets with finite useful lives and right-of-use assets as at 31 December 2025 amounted to RMB6,123,376,000, RMB2,618,193,000 and RMB1,064,320,000, respectively. These assets are reviewed annually by management for potential indicators of impairment. For certain long-term non-financial assets where such indicators exist, management engages an independent external valuer to assist to perform detailed impairment review of their recoverable amounts. This matter was significant to our audit because the assessment involves a significant degree of management judgements and estimates in determining the key assumptions. The significant judgements and estimates and related disclosures of these non-financial assets are included in notes 3, 17, 18 and 19 respectively to the consolidated financial statements.	Our audit procedures included, among others: Evaluated the competence, capabilities and independence of management's independent third party valuer and involved our internal valuation specialists to assist us in evaluating the methodologies used by the independent external valuer for determining the recoverable amounts, and assessing the discount rates and market data used in the assessment of the recoverable amounts of the non-financial assets. Examined the underlying data used such as management's projection on the future revenues and operating results by comparing with the financial performance of the certain CGUs to which the long-term non-financial assets belong during the year 2025 and examined the business development plan and historical annual growth of certain CGUs to evaluate the growth rate of certain CGUs used in the projection.

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KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of trade receivables	
As at 31 December 2025, the Group had trade receivables of RMB8,378,649,000, after making a provision of RMB402,772,000. The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on the number of days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. This matter was significant to our audit because of the high level of management estimation required and the materiality of the amounts. The disclosures about the provision for impairment of trade receivables are included in notes 3 and 23 respectively to the consolidated financial statements.	Our audit procedures included, among others: Assessed the Group's internal controls over the credit control of trade receivables and evaluated the mathematic calculation by recalculating the provision matrix of ECLs. Evaluated the assumptions used in the ECL model by 1) assessing management's assumptions regarding the groupings of customer segments with similar loss patterns by reviewing the credit terms and historical payment patterns of different categories of the customers; 2) examining the underlying data used in the provision matrix by checking to the corresponding ageing and payment records on a sampling basis; and 3) evaluating forward-looking adjustments by reviewing the model calibration performed by management based on latest credit loss experience. Assessed the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

BDO Limited
Certified Public Accountants
Chau Ka Kin
Practising Certificate No. P07445

Hong Kong, 20 March 2026

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	4	**14,744,779**	16,509,708
Cost of sales		**(7,653,651)**	(8,653,400)
Gross profit		**7,091,128**	7,856,308
Other income	6	**157,115**	197,696
Other gains and losses	7	**(722,819)**	(538,914)
Selling and distribution expenses		**(4,954,925)**	(5,419,271)
Administrative expenses		**(1,115,364)**	(1,057,664)
Research and development expenses		**(511,472)**	(596,007)
Impairment losses under the expected credit loss model, net of reversal	8	**(212,566)**	(106,554)
Operating (losses)/profits		**(268,903)**	335,594
Finance costs	9	**(99,129)**	(171,535)
Share of results of associates		**(197)**	(950)
(LOSS)/PROFIT BEFORE TAX		**(368,229)**	163,109
Income tax expense	10	**(89,860)**	(142,338)
(LOSS)/PROFIT FOR THE YEAR	11	**(458,089)**	20,771
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent period:			
Re-measurement of defined benefit plan		**360**	(3,235)
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		**6,547**	(6,325)
(Reversal of impairment loss)/impairment loss recognised for debt instruments at fair value through other comprehensive income included in profit or loss		**(619)**	727
Income tax relating to items that may be reclassified to profit or loss		**(949)**	799
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**5,339**	(8,034)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(452,750)**	12,737

	Notes	2025 RMB'000	2024 RMB'000
(Loss)/profit for the year attributable to:			
Owners of the Company		**(342,070)**	54,067
Non-controlling interests		**(116,019)**	(33,296)
		(458,089)	20,771
Total comprehensive income for the year attributable to:			
Owners of the Company		**(336,570)**	45,900
Non-controlling interests		**(116,180)**	(33,163)
		(452,750)	12,737
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and Diluted (RMB cents)	*15*	**(6.79)**	1.07

Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**6,123,376**	6,614,028
Investment properties	17	**156,387**	81,627
Right-of-use assets	18	**1,064,320**	1,099,971
Goodwill	16	**2,531,159**	3,026,077
Other intangible assets	19	**4,491,572**	5,106,168
Investments in associates	21	**10,724**	10,921
Deposits and prepayments	22	**12,779**	65,446
Deferred taxation	31	**248,807**	219,977
Total non-current assets		**14,639,124**	16,224,215
CURRENT ASSETS			
Trade and other receivables	23	**8,844,453**	8,566,512
Inventories	25	**3,710,941**	4,783,099
Debt instruments at fair value through other comprehensive income ("FVTOCI")	26	**1,108,164**	1,469,238
Pledged bank deposits	27(a)	**102,670**	153,743
Bank balances and cash	27(b)	**3,942,077**	3,866,911
Total current assets		**17,708,305**	18,839,503
CURRENT LIABILITIES			
Trade and other payables	28	**5,327,339**	5,437,645
Lease liabilities	18	**18,652**	22,605
Contract liabilities	29	**136,186**	185,192
Interest-bearing bank and other borrowings	32	**992,939**	2,078,923
Unsecured notes	33	**1,221,910**	22,388
Tax liabilities		**36,559**	53,445
Total current liabilities		**7,733,585**	7,800,198
NET CURRENT ASSETS		**9,974,720**	11,039,305
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,613,844**	27,263,520

	Notes	2025 RMB'000	2024 RMB'000
NON-CURRENT LIABILITIES			
Deferred government grants	*30*	**385,799**	396,304
Deferred taxation	*31*	**939,862**	1,042,460
Unsecured notes	*33*	**–**	1,198,299
Interest-bearing bank and other borrowings	*32*	**207,748**	618,391
Lease liabilities	*18*	**52,469**	75,032
Total non-current liabilities		**1,585,878**	3,330,486
Net assets		**23,027,966**	23,933,034
EQUITY			
Equity attributable to owners of the Company			
Share capital	*34*	**11,982,474**	11,982,474
Reserves		**8,487,258**	9,221,310
		20,469,732	21,203,784
Non-controlling interests		**2,558,234**	2,729,250
Total equity		**23,027,966**	23,933,034

Approved and authorised for issue by the Board of directors on 20 March 2026 and signed on its behalf by:

YANG Jun
EXECUTIVE DIRECTOR

LI Hongjian
EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2025

	Share capital RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note)	FVTOCI reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests ("NCI") RMB'000	Total RMB'000
At 1 January 2024	11,982,474	(165,183)	882,550	(6,703)	(71,180)	8,538,177	21,160,135	2,776,483	23,936,618
Profit for the year	–	–	–	–	–	54,067	54,067	(33,296)	20,771
Other comprehensive income for the year	–	–	–	(8,167)	–	–	(8,167)	133	(8,034)
Total comprehensive income for the year	–	–	–	(8,167)	–	54,067	45,900	(33,163)	12,737
Dividends distributed to non–controlling interests	–	–	–	–	–	–	–	(16,321)	(16,321)
Acquisition of non-controlling interests of subsidiaries	–	–	–	–	–	(2,251)	(2,251)	2,251	–
Transfer to statutory surplus reserve	–	–	27,822	–	–	(27,822)	–	–	–
At 31 December 2024	11,982,474	(165,183)	910,372	(14,870)	(71,180)	8,562,171	21,203,784	2,729,250	23,933,034
Loss for the year	–	–	–	–	–	(342,070)	(342,070)	(116,019)	(458,089)
Other comprehensive income for the year	–	–	–	5,500	–	–	5,500	(161)	5,339
Total comprehensive income for the year	**–**	**–**	**–**	**5,500**	**–**	**(342,070)**	**(336,570)**	**(116,180)**	**(452,750)**
Dividends distributed to non–controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(54,904)**	**(54,904)**
Deregistration of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**68**	**68**
Final 2024 dividend distribution	**–**	**–**	**–**	**–**	**–**	**(397,482)**	**(397,482)**	**–**	**(397,482)**
Transfer to statutory surplus reserve	**–**	**–**	**37,394**	**–**	**–**	**(37,394)**	**–**	**–**	**–**
At 31 December 2025	**11,982,474**	**(165,183)**	**947,766**	**(9,370)**	**(71,180)**	**7,785,225**	**20,496,732**	**2,558,234**	**23,027,966**

Note: As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their boards of directors annually. The statutory surplus reserve can be used to make up prior-year losses, if any, and can be applied in conversion into capital by means of capitalisation.

Consolidated Statement of Cash Flows

For the Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(368,229)**	163,109
Adjustments for:			
Depreciation and amortisation	11	**1,158,866**	1,130,224
Amortisation of deferred government grants	6	**(62,027)**	(42,782)
Impairment losses recognised/(reversed) in respect of			
– goodwill	11	**494,918**	431,826
– right-of-use assets	11	**9,942**	7,846
– other intangible assets	11	**222,835**	129
– property, plant and equipment	11	**6,265**	24,201
– Investment properties	11	**946**	–
– trade receivables	11	**181,079**	105,708
– other receivables	11	**32,106**	119
– debt instruments at FVTOCI	11	**(619)**	727
Write-down of inventories	11	**87,516**	73,176
Finance costs	9	**99,129**	171,535
Interest income	6	**(34,653)**	(47,677)
Net loss on disposal of property, plant and equipment	7	**6,632**	2,825
Net gain on disposal of right-of-use assets	7	**(1,283)**	(1,544)
Net loss on disposal of other intangible assets	7	**287**	11
Net foreign exchange losses/(gains)	7	**1,862**	(1,798)
Gain on disposal of an associate	7	**–**	(361)
Share of losses of associates	21	**197**	950
		1,835,769	2,018,224
Decrease in inventories		**984,642**	1,102,874
(Increase)/decrease in trade and other receivables		**(478,186)**	973,247
Decrease in trade and other payables		**(140,480)**	(491,493)
Decrease in contract liabilities		**(49,006)**	(25,314)
Decrease/(increase) in debt instruments at FVTOCI		**367,193**	(672,773)
Cash generated from operations		**2,519,932**	2,904,765
PRC Enterprise Income Tax paid		**(238,998)**	(321,422)
Net cash flows from operating activities		**2,280,934**	2,583,343

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment properties		**–**	18
Purchase of items of property, plant and equipment and payment for construction in progress		**(320,812)**	(511,323)
Purchase of other intangible assets		**(3,395)**	(782)
Proceeds from disposal of intangible assets		**–**	1
Proceeds from disposal of property, plant and equipment		**2,460**	2,483
Assets-related government grants received		**51,522**	17,795
Capital injection to an associate		**–**	(24)
Proceeds from disposal of an associate, net of cash disposed		**–**	361
Decrease in pledged bank deposits		**62,771**	64,558
Interest received		**34,653**	47,677
Net cash flows used in investing activities		**(172,801)**	(379,236)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings raised		**1,302,579**	4,554,350
Repayments of unsecured notes		**–**	(800,000)
Repayments of bank and other borrowings		**(2,799,206)**	(4,893,069)
Principal portion of lease payments		**(23,747)**	(24,277)
Dividends paid		**(396,450)**	–
Interest paid		**(84,976)**	(177,531)
Dividends paid to non-controlling interests of subsidiaries		**(36,521)**	(52,212)
Net cash flows used in financing activities	*41*	**(2,038,321)**	(1,392,739)

	Notes	2025 RMB'000	2024 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**69,812**	811,368
Cash and cash equivalents at beginning of year	*27(b)*	**3,798,425**	2,986,819
Effect of foreign exchange rate changes, net		**(847)**	238
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,867,390**	3,798,425
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash as stated in the statement of financial position	*27(b)*	**3,942,077**	3,866,911
Restricted cash	*27(b)*	**(74,687)**	(68,486)
Cash and cash equivalents as stated in the statement of cash flows		**3,867,390**	3,798,425

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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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	*Lack of exchangeability*

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

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 Effective for annual periods beginning on or after a date to be determined.

Except for the new HKFRS Accounting Standard mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18 "Presentation and Disclosure in Financial Statements", which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 "Presentation of Financial Statements". This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Groups are in the process of assessing the detailed impact of HKFRS 18 on the Groups' consolidated financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and, deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Owned properties	2% to 5%
Plant, machinery and equipment	6.67% to 33.4%
Motor vehicles	10% to 25%
Office equipment and others	10% to 33.4%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property to its residual value over its estimated useful life. The annual rates used for this purpose are 2% to 5%.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Licenses and franchises, customer relationship, software and distribution network

Licenses and franchises, customer relationship, software and distribution network, purchased or acquired through business combinations are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives as below:

Licenses and franchises	12 to 20 years
Customer relationship	5 to 21 years
Software	5 to 10 years
Distribution network	10 years

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

Product protection rights

The product protection rights mainly comprises the licenses for manufacturing and trading of concentrated Traditional Chinese Medicines ("TCM") granules and patterns and knowhows regarding production technology and processes of various concentrated TCM granules. Production protection rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 25 years.

Trademark

Trademarks (including brand names) are assessed to have indefinite useful lives or finite useful lives ranging from 10 years to 44 years according to the managements' assessment regarding the foreseeable limit to the period over which these trademarks are expected to generate net cash flows for the Group. Trademarks with finite useful lives are amortised on the straight-line basis over their estimated useful lives.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 to 50 years
Buildings	1 to 20 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, unsecured notes and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised; and

- those related to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development;

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of goods

Revenue from the sale of goods includes the sale of TCM products. Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Some contracts for the sale of goods provide customers with rebates giving rise to variable consideration.

Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customers. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) TCM healthcare service

TCM healthcare service comprises of consultation and diagnosis service, prescription service, decoction service, medication and physiotherapy. These services constitute three performance obligations: i) consultation, diagnosis and prescription, ii) decoction and medication, and iii) physiotherapy. The Group allocates the transaction price to each performance obligation based on the relative stand-alone selling price. For all of the three performance obligations, control of the respective service is transferred at a point in time, i.e. upon completion of the respective service or delivery of medicative healthcare products to the customer. Revenue from consultation, diagnosis and prescription is recognised when those services are completed. Revenue from decoction and medication is recognised when the related medicative healthcare products are delivered to the customer. Revenue from physiotherapy is recognised evenly upon each of the completed services. Transactions are settled by payment from commercial insurance, the government's insurance schemes, or directly paid by bank cards, third-party payment platforms or cash from customers.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Contract liabilities

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Employee retirement benefits

Mainland China

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Hong Kong

Under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, the Company's subsidiaries registered in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The costs of employee retirement benefits are recognised as expenses in profit or loss in the period in which they are incurred.

Defined benefit plan

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Defined benefit plan (continued)

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales", "selling and distribution expenses" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Withholding taxes arising from the distribution of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distribution of dividends from a subsidiary according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends or on whether the subsidiary of the Group is determined to be Chinese resident enterprise by the PRC governing tax authorities in the future.

Management considered that several subsidiaries in Chinese Mainland will distribute 30% of the retained profits as at the end of each of the reporting periods in the foreseeable future and provision for withholding tax was made accordingly. Where the final outcome of these matters is different from the amounts originally rewarded, the difference will impact the deferred tax provision in the period in which the difference arises.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill and other intangible assets with indefinite useful lives

The Group determines whether goodwill and other intangible assets with indefinite useful lives is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and other intangible assets with indefinite useful lives is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The information about the Group's goodwill and other intangible assets with indefinite useful lives is disclosed in notes 16, 19 and 20 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of other long-term non-financial assets

The Group assesses whether there are any indicators of impairment for other long -term non-financial assets, excluding goodwill and other intangible assets with indefinite useful lives, at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 17, 18 and 19 to the consolidated financial statements.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 23 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Write-down of inventories to net realisable value

The Group, pursuant to the accounting policy for inventories, writes down inventories from cost to net realisable value and makes provision against obsolete and slow-moving items by using the lower of cost and net realisable value rule. The assessment of the write-down required involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down of inventories in the period in which the estimate has been changed. The information about the Group's inventories is disclosed in note 25 to the consolidated financial statements.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as the expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of each of the reporting periods. Further details of property, plant and equipment are set out in note 17 to the consolidated financial statements.

Deferred tax

Deferred tax are recognised on the temporary differences arising between the carrying amounts of assets or liabilities in the Group's consolidated financial statements and their tax basis. Significant management estimation is required to determine the amount of the deferred tax, including the likely timing and level of future taxable profits, future tax planning strategies, and applicability and sustainability of preferential tax policies.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2025 **RMB'000**	2024 RMB'000
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	**234,552**	283,277
Total	**14,744,779**	16,509,708

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

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

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

4. REVENUE (CONTINUED)

(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.

5. 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:

5. OPERATING SEGMENTS INFORMATION (CONTINUED)

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:

5. OPERATING SEGMENTS INFORMATION (CONTINUED)

(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
Segment revenue (note 4)						
External customers	4,910,973	3,196,364	2,096,697	4,540,745	–	14,744,779
Intersegment sales	270,253	297,394	456,993	1,613,020	(2,637,660)	–
Total segment revenue	5,181,266	3,493,758	2,553,690	6,153,765	(2,637,660)	14,744,779
Segment results	(113,442)	(826,304)	301,203	191,804	–	(446,739)
Reconciliation:						
Other unallocated head office and corporate expenses						(11,350)
Loss for the year						(458,089)
Other segment information:						
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	–	(946)	–	–	–	(946)

5. OPERATING SEGMENTS INFORMATION (CONTINUED)

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

As at 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
Segment assets	13,508,962	9,153,656	6,049,940	9,387,050	–	38,099,608
Elimination of intersegment receivables						(6,236,702)
Deferred tax assets						248,807
Corporate and other unallocated assets						235,716
Total assets						32,347,429
Segment liabilities	3,229,824	3,033,690	992,353	7,223,921	–	14,479,788
Elimination of intersegment payables						(6,236,702)
Tax liabilities						36,559
Deferred tax liabilities						939,862
Corporate and other unallocated liabilities						99,956
Total liabilities						9,319,463

5. OPERATING SEGMENTS INFORMATION (CONTINUED)

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

Year ended 31 December 2024	Yi Fang RMB'000	Tian Jiang RMB'000	Tong Ji Tang RMB'000	Medi-World RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue (note 4)						
External customers	5,613,357	3,880,694	2,328,566	4,687,091	–	16,509,708
Intersegment sales	171,688	232,219	344,266	1,629,745	(2,377,918)	–
Total segment revenue	5,785,045	4,112,913	2,672,832	6,316,836	(2,377,918)	16,509,708
Segment results	182,260	(597,856)	266,548	177,321	–	28,273
Reconciliation:						
Other unallocated head office and corporate expenses						(7,502)
Profit for the year						20,771
Other segment information:						
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	–	(24,201)	–	–	–	(24,201)

5. OPERATING SEGMENTS INFORMATION (CONTINUED)

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

As at 31 December 2024	Yi Fang RMB'000	Tian Jiang RMB'000	Tong Ji Tang RMB'000	Medi-World RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	15,110,492	10,244,478	6,033,056	8,860,033	–	40,248,059
Reconciliation:						
Elimination of intersegment receivables						(5,679,697)
Deferred tax assets						219,977
Corporate and other unallocated assets						275,379
Total assets						35,063,718
Segment liabilities	4,071,509	3,514,196	1,253,622	6,817,455	–	15,656,782
Reconciliation:						
Elimination of inter-segment payables						(5,679,697)
Tax liabilities						53,445
Deferred tax liabilities						1,042,460
Corporate and other unallocated liabilities						57,694
Total liabilities						11,130,684

5. OPERATING SEGMENTS INFORMATION (CONTINUED)

(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.

6. OTHER INCOME

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

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.

7. OTHER GAINS AND LOSSES

	Notes	**2025 RMB'000**	2024 RMB'000
Impairment loss recognised in respect of			
– goodwill	*16*	**(494,918)**	(431,826)
– right-of-use assets	*18*	**(9,942)**	(7,846)
– other intangible assets	*19*	**(222,835)**	(129)
– Property, plant and equipment	*17*	**(6,265)**	(24,201)
– investment properties	*17*	**(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 (note i)		**(18,359)**	(64,237)
Other gains		**46,151**	2,895
Total losses		**(722,819)**	(538,914)

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 10 Income Tax Expense.

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

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

Details of impairment assessment for the year ended 31 December 2025 are set out in note 39.

9. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on bank borrowings	**42,975**	97,281
Effective interest expense on unsecured notes	**37,703**	43,207
Factoring of trade receivables	**14,153**	24,800
Interest on lease liabilities	**4,298**	6,247
Total	**99,129**	171,535

10. INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss represents:

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

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 2024.

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.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Certain subsidiaries of the Group were qualified enterprises located in the western region of the PRC or recognised as advanced and new technology enterprises and, accordingly, enjoyed a preferential enterprise income tax rate of 15%. Certain subsidiaries of the Company were qualified enterprise with operation of medicinal plants primary processing business in the PRC and enjoys a full enterprise income tax exemption.

10. INCOME TAX EXPENSE (CONTINUED)

(b) The income tax expense for the year is reconciled to (loss)/profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2025 **RMB'000**	2024 RMB'000
(Loss)/profit before tax	**(368,229)**	163,109
Tax at the domestic income tax rate of 25%	**(92,057)**	40,777
Income tax at concessionary rate	**(46,328)**	(78,668)
Additional tax deduction for qualified research and development expenses	**(57,275)**	(75,785)
Effect of tax exemptions granted to PRC subsidiaries	**(37,622)**	(40,601)
Tax effect of expenses not deductible for tax purposes	**174,954**	117,325
Tax effect of income not taxable for tax purposes	**(277)**	(3,306)
Under provision in respect of prior years	**76,458**	97,568
Tax losses not recognised	**94,324**	93,564
Utilisation of tax losses previously not recognised	**(24,192)**	(12,619)
Withholding tax on interest income from PRC entities	**9,631**	3,240
Withholding tax on distributable profits of PRC entities	**(7,756)**	843
Income tax expense for the year	**89,860**	142,338

The domestic tax rate (which is PRC corporate tax rate) in the jurisdictions where the operation of the Group is substantially based is used.

10. INCOME TAX EXPENSE (CONTINUED)

(c) Pillar Two income taxes

The Company is part of a multinational enterprise group which is subject to the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") published by the Organisation for Economic Co-operation and Development.

From 1 January 2025, the Group is liable to Pillar Two income taxes under Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 for its earnings in the Hong Kong SAR where a domestic minimum top-up tax has not been implemented, including the Chinese Mainland.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related Pillar Two income taxes and accounted for the tax as current tax when incurred.

11. (LOSS)/PROFIT FOR THE YEAR

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

	Notes	2025 RMB'000	2024 RMB'000
Directors' remuneration	12	**3,767**	4,402
Other staff costs			
Salaries, wages and other benefits		**2,154,780**	2,224,458
Contributions to defined contribution retirement benefits		**197,814**	183,972
Subtotal		**2,352,594**	2,408,430
Cost of sales~		**7,653,651**	8,653,400
Included: Write-down of inventories to net realisable value#	25	**87,516**	73,176
Auditor's remuneration		**3,619**	5,255
Impairment loss recognised/(reversed) in respect of			
– goodwill	7	**494,918**	431,826
– right of use assets	7	**9,942**	7,846
– other intangible assets	7	**222,835**	129
– property, plant and equipment	7	**6,265**	24,201
– Investment properties	7	**946**	–
– trade receivables	8	**181,079**	105,708
– other receivables	8	**32,106**	119
– debt instruments at FVTOCI	8	**(619)**	727
Depreciation of			
– investment properties	17	**27,812**	6,052
– property, plant and equipment	17	**664,748**	679,563
– right-of-use assets	18	**74,114**	53,445
Amortisation of other intangible assets	19	**392,192**	391,164
Total depreciation and amortisation~		**1,158,866**	1,130,224
Gross rental income from investment properties	6	**(11,238)**	(9,019)
Less: Direct operating expenses incurred for investment properties		**3,607**	1,362
Total		**(7,631)**	(7,657)

~ Cost of inventories includes RMB664,993,000 (2024: RMB700,568,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

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

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for both years, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

			2025		
	Directors' fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive directors					
Mr. Yang Jun (note a)	–	344	639	126	1,109
Mr. Li Hongjian (note c)	–	386	547	57	990
Mr. Peng Li (note d)	–	230	242	42	514
Independent non-executive directors					
Mr. Xie Rong	229	55	–	–	284
Mr. Yu Tze Shan Hailson	229	64	–	–	293
Mr. Qin Ling	229	64	–	–	293
Mr. Li Weidong	229	55	–	–	284
Total	916	1,198	1,428	225	3,767

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

	2024				
	Directors' fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive directors					
Mr. Yang Jun (note a)	–	72	–	31	103
Mr. Chen Yinglong (note a)	–	700	718	91	1,509
Mr. Li Hongjian (note c)	–	93	–	13	106
Non-executive director					
Mr. Cheng Xueren (note b)	–	255	540	12	807
Mr. Yang Wenming (note b)	–	259	540	18	817
Independent non-executive directors					
Mr. Xie Rong	228	37	–	–	265
Mr. Yu Tze Shan Hailson	228	37	–	–	265
Mr. Qin Ling	228	37	–	–	265
Mr. Li Weidong	228	37	–	–	265
Total	912	1,527	1,798	165	4,402

The executive directors' emoluments shown above for both years were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above for both years were for his services as director of the Company or its subsidiaries.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

The independent non-executive directors' emoluments shown above for both years were for their services as directors of the Company.

Note:

(a) On 27 September 2024, Mr. Chen Yinglong resigned as a director of the Company and Mr. Yang Jun was appointed as executive directors of the Company.

(b) Mr. Cheng Xueren and Mr. Yang Wenming ceased as non-executive directors with effect from 15 January 2025.

(c) Mr. Li Hongjian has been appointed as an executive director and managing director of the Company with effect from 27 September 2024.

(d) Mr. Peng Li has been appointed as an executive director with effect from 25 July 2025.

(e) Mr. Liu Haijian, Mr, Li Xiangrong, Mr. Zu Jing, Ms. Xu Jinghui and Mr. Huang Hao have been appointed as non-executive directors with effect from 15 January 2025.

Some directors were also the employees of the CNPGC and their remuneration were paid and borne by CNPGC and there is no reasonable basis to allocate the emoluments relating to services provided to the Group during the years ended 31 December 2025 and 2024.

Neither the chief executive officer nor any of the directors waived any emoluments, compensation loss and inducement to join or upon joining the Group during the years ended 31 December 2025 and 2024.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included no director (2024: one director), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the five (2024: remaining four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and allowances	**2,786**	2,230
Discretionary bonuses	**3,481**	3,390
Retirement benefits	**258**	311
Total	**6,525**	5,931

The number of non-directors and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2025 Number	2024 Number
HK$		
1,000,001 – 1,500,000	**4**	3
1,500,001 – 2,000,000	**1**	–
2,000,001 – 2,500,000	**–**	1
Total	**5**	4

14. DIVIDENDS

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

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

15. (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.

	2025 **RMB'000**	2024 RMB'000
(Loss)/profit attributable to the owners of the Company	**(342,070)**	54,067
	'000	'000
Shares Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**5,035,801**	5,035,801

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.

16. GOODWILL

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

Particulars regarding to the carrying amount of goodwill and impairment testing on goodwill are disclosed in note 20.

17. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	Owned properties RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Office equipment and others RMB'000	Sub-total RMB'000	Investment properties RMB'000	Total RMB'000
COST								
At 1 January 2024	6,061,758	2,364,428	14,562	773,484	1,180,463	10,394,695	144,301	10,538,996
Additions	96	61,840	2,594	395,167	71,712	531,409	–	531,409
Transfer from construction in progress	499,358	126,346	2,930	(667,523)	38,708	(181)	181	–
Transfer from right-of-use assets	–	–	–	–	–	–	11,809	11,809
Transfer from investment properties	24,182	–	–	–	–	24,182	(24,182)	–
Transfer to other intangible assets	–	–	–	(10,326)	–	(10,326)	–	(10,326)
Transfer to investment properties	(10,551)	–	–	–	–	(10,551)	10,551	–
Disposals	(10,453)	(26,598)	(2,191)	(697)	(90,886)	(130,825)	(18)	(130,843)
At 31 December 2024	6,564,390	2,526,016	17,895	490,105	1,199,997	10,798,403	142,642	10,941,045
Additions	**32,553**	**41,191**	**1,450**	**207,559**	**48,380**	**331,133**	**96**	**331,229**
Transfer from construction in progress	**345,464**	**108,898**	**7**	**(466,303)**	**11,934**	**–**	**–**	**–**
Transfer from right-of-use assets	**–**	**–**	**–**	**–**	**–**	**–**	**13,207**	**13,207**
Transfer from investment properties	**139,652**	**29**	**–**	**–**	**962**	**140,643**	**(140,643)**	**–**
Transfer to other intangible assets	**–**	**–**	**–**	**(10,043)**	**–**	**(10,043)**	**–**	**(10,043)**
Transfer to investment properties	**(260,186)**	**–**	**–**	**–**	**–**	**(260,186)**	**260,186**	**–**
Transfer to right-of-use assets	**–**	**–**	**–**	**–**	**–**	**–**	**(11,184)**	**(11,184)**
Disposals	**(85,108)**	**(45,609)**	**(2,255)**	**–**	**(70,432)**	**(203,404)**	**(149)**	**(203,553)**
At 31 December 2025	**6,736,765**	**2,630,525**	**17,097**	**221,318**	**1,190,841**	**10,796,546**	**264,155**	**11,060,701**

17. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Owned properties RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Office equipment and others RMB'000	Sub-total RMB'000	Investment properties RMB'000	Total RMB'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2024	1,751,992	1,066,936	1,861	929	759,438	3,581,156	68,558	3,649,714
Additions	345,684	177,223	4,289	–	152,367	679,563	6,052	685,615
Transfer from right-of-use assets	–	–	–	–	–	–	923	923
Transfer from investment properties	19,174	–	–	–	–	19,174	(19,174)	–
Transfer to investment properties	(4,656)	–	–	–	(4,656)	4,656	–	
Disposals	(6,590)	(20,846)	(1,947)	(697)	(84,983)	(115,063)	–	(115,063)
Impairment	23,999	–	77	–	125	24,201	–	24,201
At 31 December 2024	2,129,603	1,223,313	4,280	232	826,947	4,184,375	61,015	4,245,390
Additions	**350,335**	**181,079**	**3,653**	**–**	**129,681**	**664,748**	**27,812**	**692,560**
Transfer from right-of-use assets	**–**	**–**	**–**	**–**	**–**	**–**	**247**	**247**
Transfer from investment properties	**38,405**	**23**	**–**	**–**	**661**	**39,089**	**(39,089)**	**–**
Transfer to right-of-use assets	**–**	**–**	**–**	**–**	**–**	**–**	**(1,977)**	**(1,977)**
Transfer to investment properties	**(58,814)**	**–**	**–**	**–**	**–**	**(58,814)**	**58,814**	**–**
Disposals	**(38,671)**	**(27,025)**	**(1,884)**	**–**	**(61,778)**	**(129,358)**	**–**	**129,358**
Impairment	**4,741**	**1,483**	**–**	**–**	**41**	**6,265**	**946**	**7,211**
Reversal of impairment	**(32,626)**	**(491)**	**(5)**	**–**	**(13)**	**(33,135)**	**–**	**(33,135)**
At 31 December 2025	**2,392,973**	**1,378,382**	**6,044**	**232**	**895,539**	**4,673,170**	**107,768**	**4,780,938**
CARRYING VALUES								
At 31 December 2025	**4,343,792**	**1,252,143**	**11,053**	**221,086**	**295,302**	**6,123,376**	**156,387**	**6,279,763**
At 31 December 2024	4,434,787	1,302,703	13,615	489,873	373,050	6,614,028	81,627	6,695,655

17. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) For investment properties, the Group leases out various offices and warehouses under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 8 years, with no unilateral rights to extend the lease beyond initial period.

(b) The Group is not exposed to foreign currency risk for investment properties as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

(c) All investment properties of the Group were stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses. The fair values of the investment properties as at 31 December 2025 was RMB287,365,000 (2024: RMB135,648,000). The fair value of the investment properties as at 31 December 2025 and 31 December 2024 have been arrived at based on valuation, carried out by an independent valuer not connected with the Group.

The fair value of the investment properties as at 31 December 2025 was determined based on the market approach (direct comparison approach) assuming sale of the property interests in their existing states with the benefit of vacant possession and with reference to comparable sales transactions as available in the relevant market. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about their fair value under level 2 fair value hierarchy are as follows:

	2025		2024	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Commercial property units	**7,350**	**10,186**	2,750	8,980
Office and Plant units	**149,037**	**277,179**	78,877	126,668
Total	**156,387**	**287,365**	81,627	135,648

17. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Certain of the Group's buildings with carrying values of RMB637,955,000 (2024: RMB614,842,000) were pledged to secure certain interest-bearing bank and other borrowings and bills payables granted to the Group.

(e) A factory building situated in the PRC with carrying values of RMBnil (2024: RMB23,767,000) was subject to judicial auction, resulting in restricted control rights over the assets.

(f) The Group has not yet obtained the building ownership certificates for buildings situated in the PRC with an aggregate carrying value of RMB419,380,000 (2024: RMB972,981,000). The buildings are currently in use and in the opinion of directors, there is no material legal impediment for the Group to obtain the building ownership certificates.

18. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 to 20 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

18. LEASES (CONTINUED)

The Group as a lessee (continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Notes	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2024		1,067,722	78,326	1,146,048
Additions		8,323	48,225	56,548
Transfer to investment property	17	(10,886)	–	(10,886)
Disposals		–	(30,448)	(30,448)
Impairment		(7,846)	–	(7,846)
Depreciation charge		(30,412)	(23,033)	(53,445)
As at 31 December 2024 and 1 January 2025		**1,026,901**	**73,070**	**1,099,971**
Additions		**15,872**	**40,520**	**56,392**
Transfer to investment property	17	**(293)**	**–**	**(293)**
Disposals		**(2,882)**	**(12,658)**	**(15,540)**
Impairment		**(9,942)**	**–**	**(9,942)**
Reversal of impairment		**7,846**	**–**	**7,846**
Depreciation charge		**(29,202)**	**(44,912)**	**(74,114)**
As at 31 December 2025		**1,008,300**	**56,020**	**1,064,320**

Certain of the Group's right-of-use assets with carrying values of RMB84,028,000 (2024: RMB50,420,000) were pledged to secure certain interest-bearing bank and other borrowings and bills payables granted to the Group.

18. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	**97,637**	98,462
New leases	**40,543**	55,787
Accretion of interest recognised during the year	**4,298**	6,247
Disposal	**(43,312)**	(32,335)
Payments	**(28,045)**	(30,524)
Carrying amount at 31 December	**71,121**	97,637
Analysed into:		
Current portion	**18,652**	22,605
Non-current portion	**52,469**	75,032

	2025 RMB'000	2024 RMB'000
Lease liabilities payable:		
Within one year	**18,652**	22,605
Within a period of more than one year but not more than two years	**17,461**	21,328
Within a period of more than two years but not more than five years	**22,698**	33,033
Within a period of more than five years	**12,310**	20,671
Total	**71,121**	97,637
Less: Amount due for settlement with 12 months shown under current liabilities	**18,652**	22,605
Amount due for settlement after 12 months shown under non-current liabilities	**52,469**	75,032

18. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

The weighted average incremental borrowing rate applied to lease liabilities is 4.86% (2024: 4.83%).

For both years, the Group leases various offices and warehouses for its operations. Lease contracts are entered into for fixed term of 12 months to 20 years, with no extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group has obtained the land use right certificates for all leasehold lands except for the leasehold land with a carrying amount of RMB6,213,000 (2024: RMB6,424,000) in which the Group is in the process of obtaining the certificates.

The Group regularly entered into short-term leases for plant and warehouse. As at 31 December 2025 and 2024, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB71,121,000 are recognized with related right-of-use assets of RMB68,331,000 as at 31 December 2025 (2024: lease liabilities of RMB97,637,000 are recognized with related right-of-use assets of RMB92,955,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. OTHER INTANGIBLE ASSETS

	Product protection rights RMB'000	Trademarks RMB'000	Distribution network RMB'000	Software RMB'000	Customer relationship RMB'000	Licences and franchises RMB'000	Total RMB'000
COST							
At 1 January 2024	2,824,366	2,006,409	59,000	76,420	2,245,552	326,372	7,538,119
Additions	251	11	–	520	–	–	782
Transfer from construction in progress	–	–	–	10,326	–	–	10,326
Disposals	(150)	–	–	(2,206)	–	(12,186)	(14,542)
At 31 December 2024	**2,824,467**	**2,006,420**	**59,000**	**85,060**	**2,245,552**	**314,186**	**7,534,685**
Additions	**133**	**–**	**–**	**3,262**	**–**	**–**	**3,395**
Transfer from construction in progress	**–**	**–**	**–**	**10,043**	**–**	**–**	**10,043**
Disposals	**(46,558)**	**(7,560)**	**–**	**(3,171)**	**–**	**–**	**(57,289)**
At 31 December 2025	**2,778,042**	**1,998,860**	**59,000**	**95,194**	**2,245,552**	**314,186**	**7,490,834**
AMORTISATION AND IMPAIRMENT							
At 1 January 2024	880,312	24,898	59,000	38,412	960,474	88,658	2,051,754
Amortisation for the year	259,264	987	–	12,389	105,599	12,925	391,164
Write-back on disposals	(150)	–	–	(2,195)	–	(12,185)	(14,530)
Impairment loss recognised in profit or loss	129	–	–	–	–	–	129
At 31 December 2024	**1,139,555**	**25,885**	**59,000**	**48,606**	**1,066,073**	**89,398**	**2,428,517**
Amortisation for the year	**258,679**	**988**	**–**	**13,538**	**105,599**	**13,388**	**392,192**
Write-back on disposals	**(36,644)**	**(2,668)**	**–**	**(3,170)**	**–**	**–**	**(42,482)**
Impairment loss recognised in profit or loss	**62,369**	**83,435**	**–**	**–**	**61,626**	**15,405**	**222,835**
Reversal of impairment loss on disposal	**(1,800)**	**–**	**–**	**–**	**–**	**–**	**(1,800)**
At 31 December 2025	**1,422,159**	**107,640**	**59,000**	**58,974**	**1,233,298**	**118,191**	**2,999,262**
CARRYING VALUES							
At 31 December 2025	**1,355,883**	**1,891,220**	**–**	**36,220**	**1,012,254**	**195,995**	**4,491,572**
At 31 December 2024	1,684,912	1,980,535	–	36,454	1,179,479	224,788	5,106,168

19. OTHER INTANGIBLE ASSETS (CONTINUED)

At 31 December 2025, the carrying amount of other intangible assets with finite useful lives was RMB2,618,193,000 (2024: RMB3,149,354,000). Other intangible assets with finite useful lives are amortised on a straight-line:

	2025 **RMB'000**	2024 RMB'000
Product protection rights	**1,355,883**	1,684,912
Trademarks	**17,841**	23,721
Software	**36,220**	36,454
Customer relationship	**1,012,254**	1,179,479
Licences and franchises	**195,995**	224,788
Total	**2,618,193**	3,149,354

The amortisation charge for the year is mainly included in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

19. OTHER INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2025, the following other intangible assets, trademarks (including brand names) acquired through business combinations, are assessed to have indefinite useful lives. The trademarks have a legal life of 5 years and 10 years respectively but are renewable at minimal cost. The directors of the Company are of the opinion that the Group could renew and maintain the trademarks (including brand names) continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which support that the trademarks (including brand names) have no foreseeable limit to the period over which the products are expected to generate net cash flows for the Group. As a result, the trademarks (including brand names) are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks (including brand names) will not be amortised until the useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in note 20.

	2025 **RMB'000**	2024 RMB'000
Tongjitang Group*		
– Tongjitang Pharmaceutical	**209,047**	209,047
– Jingfang	**37,779**	37,779
– Pulante	**5,037**	5,037
Shanghai Tongjitang	**110,403**	110,403
Jiangyin Tianjiang Group	**562,239**	645,674
Jiangyin Yifang Group	**948,874**	948,874
Total	**1,873,379**	1,956,814

* Tongjitang Pharmaceutical, Jingfang and Pulante are collectively referred to as Tongjitang Group.

20. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and trademarks (including brand names) with indefinite useful lives set out in notes 16 and 19 have been allocated to individual CGUs as below:

	Goodwill		Trademarks	
	2025 **RMB'000**	2024 RMB'000	**2025** **RMB'000**	2024 RMB'000
Manufacture and sale of pharmaceutical products				
Dezhong	**100,391**	100,391	**–**	–
Guangdong Medi-World	**26,055**	26,055	**–**	–
Tongjitang Group				
– Tongjitang Pharmaceutical	**770,153**	770,153	**209,047**	209,047
– Jingfang	**139,184**	139,184	**37,779**	37,779
– Pulante	**–**	–	**5,037**	5,037
Jiangyin Tianjiang	**–**	494,918	**562,239**	645,674
Jiangyin Yifang	**1,283,826**	1,283,826	**948,874**	948,874
Shanghai Tongjitang	**111,101**	111,101	**110,403**	110,403
Tongjitang Herbal	**29,433**	29,433	**–**	–
Zhonglian Pharmaceutical	**68,567**	68,567	**–**	–
Sale of pharmaceutical products				
Sinopharm Group Feng Liao Xing (Foshan) Medicinal Material & Slices Co., Ltd. ("Feng Liao Xing Material & Slices")	**2,449**	2,449	**–**	–
Total	**2,531,159**	3,026,077	**1,873,379**	1,956,814

In addition to goodwill and trademarks above, investment properties and property, plant and equipment, other intangible assets with finite useful lives and right-of-use assets that generate cash flows together with the related goodwill and trademarks are also included in the respective CGUs for the purpose of impairment assessment.

20. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONTINUED)

During the year ended 31 December 2025, the Group recognised impairment losses in profit or loss under "other gains and losses" for Jiangyin Tianjiang CGU. The carrying amounts impaired were: goodwill RMB 494,918,000, right-of-use assets RMB 365,000, other intangible assets RMB 198,019,000, and investment properties and property, plant and equipment RMB 1,061,000.

For the other certain impairment losses were recognised in aggregate as follows: right-of-use assets RMB 9,577,000, other intangible assets RMB 24,816,000, and investment properties and property, plant and equipment RMB 6,150,000.

In the opinion of the directors, no additional impairment loss of other CGUs was recognised during the years ended 31 December 2025 and 2024.

The recoverable amounts of the CGUs are determined based on value-in-use calculations. The recoverable amounts of the CGUs as at 31 December 2025 have been arrived at based on the valuations carried out on the respective dates by independent qualified professional valuers. The key assumptions used in the valuations are those regarding the discount rates, growth rates, budgeted sales and gross profit margin. The changes in selling prices and costs are based on historical operating records and expectation of future changes in the market. Discount rates applied are able to reflect the current market assessments of the time value of money and the risks specific to the CGUs.

20. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (CONTINUED)

For the purpose of impairment testing, goodwill and other intangible assets with indefinite useful lives have been allocated to the relevant CGUs. The Group determined the value-in-use by preparing cash flow projections of these CGUs derived from the most recent financial forecast approved by the management covering a 5-year period with an average sales growth rate as mentioned below. Cash flows beyond the fifth year are extrapolated using an estimated growth rate as mentioned below. Other key assumptions for the value-in-use calculations relate to the estimation of cash flow projections which include gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. The discount rate reflects specific risks relating to the relevant CGUs.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

	Average growth rate for five-year Period		Growth rate beyond the fifth year		Pre-tax discount rates	
	2025	2024	**2025**	2024	**2025**	2024
Jiangyin Tianjiang	**7.02%**	8.32%	**2.30%**	2.30%	**9.61%**	10.09%
Jiangyin Yifang	**2.98%**	7.18%	**2.30%**	2.30%	**9.55%**	9.37%
Dezhong	**7.77%**	8.12%	**2.30%**	2.30%	**11.53%**	13.52%
Tongjitang Pharmaceutical	**6.67%**	13.35%	**2.30%**	2.30%	**11.41%**	12.32%
Jingfang	**(0.16%)**	10.62%	**2.30%**	2.30%	**11.51%**	11.99%
Shanghai Tongjitang	**1.59%**	4.85%	**2.30%**	2.30%	**10.23%**	9.70%
Others	**3.87%-11.32%**	(2.90%)-10.65%	**2.30%**	2.30%	**9.89%-11.45%**	9.07%-12.99%

As at 31 December 2025, and the recoverable amount for above CGUs, other than Jiangyin Tianjiang CGU, exceeds their carrying amount by 7% to 538%.

Management believes that change in 1% of gross profit margin would not cause the aggregate carrying amounts of the above CGUs that contain goodwill and other intangible assets with indefinite useful lives to exceed their recoverable amounts.

21. INTERESTS IN ASSOCIATES

	2025 **RMB'000**	2024 RMB'000
Cost of investments in associates, unlisted	**48,067**	48,067
Share of post-acquisition losses, other comprehensive expense and reserve movement of associates	**(37,343)**	(37,146)
Total	**10,724**	10,921

21. INTERESTS IN ASSOCIATES (CONTINUED)

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of associate	Country of establishment and principal place of operation	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activities
		2025	2024	**2025**	2024	
Mianyang Anju District Feishui Town Tiantai Mountain Chinese Medicine Herbs Planting Professional Cooperatives	The PRC	**37.6%**	37.6%	**37.6%**	37.6%	Chinese Medicine Herbs planting
An District Feishui Town Tianfu Fuzi Professional Cooperatives	The PRC	**37.5%**	37.5%	**37.5%**	37.5%	Fuzi planting
Guangdong Baobaobao Healthy Soup Co., Ltd.	The PRC	**49%**	49%	**49%**	49%	Healthy soup production
Guangdong Haisikanger Rehabilitation Medical Co., Ltd.	The PRC	**40%**	40%	**40%**	40%	Rehabilitation service
Liaoxingtang (Foshan Nanhai) TCM Clinic Co., Ltd.	The PRC	**35%**	35%	**35%**	35%	Chinese medical institution
Sinopharm Intelligent Technology (Shanghai) Co., Ltd.*	The PRC	**10%**	10%	**10%**	10%	Internet information service for drug

* The Group has power over the associate via voting rights from one board seat of Sinopharm Intelligent Technology (Shanghai) Co., Ltd.

21. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	2025 RMB'000	2024 RMB'000
The Group's share of losses and total comprehensive expense	**(197)**	(950)
Aggregate carrying amount of the Group's interests in associates	**10,724**	10,921

22. DEPOSITS AND PREPAYMENTS

	2025 RMB'000	2024 RMB'000
Prepayments for acquisition of property, plant and equipment	**12,779**	65,446

23. TRADE AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	**8,781,421**	8,392,206
Less: Allowance for credit losses	**(402,772)**	(223,216)
Net carrying amount	**8,378,649**	8,168,990
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	**(63,162)**	(31,103)
Subtotal	**465,804**	397,522
Total	**8,844,453**	8,566,512

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

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

As at 31 December 2025, included in the Group's trade receivables balance were debtors with an aggregate carrying amount of RMB1,806,306,000 (2024: RMB1,519,201,000) which were past due as at the reporting date.

Included in trade and other receivables are RMB31,843,000 (2024: RMB25,057,000) and RMB2,306,000 (2024: RMB10,036,000), which are denominated in HK$ and US$ respectively, the currencies other than functional currencies of the relevant group entities.

The movements in the loss allowance for impairment of trade and other receivables are as follows:

	31 December **2025** **RMB'000**	31 December 2024 RMB'000
At the beginning of the year	**254,319**	149,602
Impairment losses, net (note 8)	**213,185**	105,827
Amount written off as uncollectible	**(1,570)**	(1,110)
At the end of the year	**465,934**	254,319

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two year and are not subject to enforcement activity.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2025

Group A

	Aging Less than 1 year	 1 to 2 years	 Over 2 years	 Total
Expected credit loss rate (%)	1.22	31.95	100	4.03
Gross carrying amount (RMB'000)	5,109,974	403,990	31,948	5,545,912
Expected credit losses (RMB'000)	62,260	129,073	31,948	223,281

Group B

	Aging Less than 1 year	 1 to 2 years	 Over 2 years	 Total
Expected credit loss rate (%)	3.28	33.14	100	11.29
Gross carrying amount (RMB'000)	595,094	96,430	29,991	721,515
Expected credit losses (RMB'000)	19,496	31,959	29,991	81,446

Group C

	Aging Less than 1 year	 1 to 2 years	 Over 2 years	 Total
Expected credit loss rate (%)	0.95	29.47	96.06	3.90
Gross carrying amount (RMB'000)	2,376,455	84,968	52,571	2,513,994
Expected credit losses (RMB'000)	22,502	25,043	50,500	98,045

TOTAL

	Aging Less than 1 year	 1 to 2 years	 Over 2 years	 Total
Expected credit loss rate (%)	1.29	31.79	98.19	4.59
Gross carrying amount (RMB'000)	8,081,523	585,388	114,510	8,781,421
Expected credit losses (RMB'000)	104,258	186,075	112,439	402,772

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2024

Group A

	Aging Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate (%)	0.52	37.17	100	1.91
Gross carrying amount (RMB'000)	5,383,232	177,261	12,809	5,573,302
Expected credit losses (RMB'000)	28,013	65,886	12,809	106,708

Group B

	Aging Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate (%)	1.82	26.45	100	5.69
Gross carrying amount (RMB'000)	843,322	118,016	8,660	969,998
Expected credit losses (RMB'000)	15,328	31,210	8,660	55,198

Group C

	Aging Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate (%)	0.94	25.51	100	3.32
Gross carrying amount (RMB'000)	1,701,859	136,578	10,469	1,848,906
Expected credit losses (RMB'000)	16,003	34,838	10,469	61,310

TOTAL

	Aging Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate (%)	0.75	30.56	100	2.66
Gross carrying amount (RMB'000)	7,928,413	431,855	31,938	8,392,206
Expected credit losses (RMB'000)	59,344	131,934	31,938	223,216

24. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2025 and 2024 that were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as other borrowings (see note 32). These financial assets are carried at amortised cost in the consolidated statement of financial position.

	Bills discounted to banks with full recourse	
	2025	2024
	RMB'000	RMB'000
Carrying amount of transferred assets	**4,731**	7,631
Carrying amount of associated liabilities	**(4,731)**	(7,631)
Net position	**–**	–

25. INVENTORIES

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

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

	2025	2024
	RMB'000	RMB'000
Carrying amount of inventories sold	**7,566,135**	8,580,224
Write down of inventories	**87,516**	73,176
Total	**7,653,651**	8,653,400

As at 31 December 2025, there is a provision for inventories write-down with the amount of approximately RMB248,793,000 (31 December 2024: RMB192,485,000).

26. DEBT INSTRUMENTS AT FVTOCI

The amounts represent the bills receivable that were held under the "hold to collect and sell" business model and the ageing analysis based on invoice date at the end of each reporting period are as follows:

	2025 RMB'000	2024 RMB'000
0 to 90 days	**602,838**	1,054,997
91 to 180 days	**500,283**	408,603
181 to 365 days	**5,043**	5,638
Total	**1,108,164**	1,469,238

As at 31 December 2025, certain amount of the bills receivable with the carrying value of RMB50,440,000 (2024: RMB62,648,000) was pledged to secure bills payable granted to the Group.

27. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

(a) Pledged bank deposits

The amounts represent the guarantee deposits for bills payables and carry interest at market rates ranging from 0% to 1.20% per annum (2024: 0.10% to 1.70%).

(b) Bank balances and cash

Included in bank balances and cash is RMB3,867,390,000 (2024: RMB3,798,425,000) which represents cash held by the Group and short-term deposits carrying interest at prevailing market rates ranging from 0% to 1.30% per annum (2024: 0.10% to 1.30% per annum) with original maturity of three months or less.

The remaining of bank balances were restricted cash of approximately RMB74,687,000 (2024: RMB68,486,000), in which RMB33,970,000 (2024: RMB48,165,000) represents the cash collected on behalf of factoring institutions under the non-recourse factoring arrangements of trade receivables with the Group.

Included in pledged bank deposits/bank balances and cash are approximately RMB6,209,000 (2024: RMB9,635,000) and RMB1,500,000 (2024: RMB639,000), which are denominated in HK$ and US$ respectively, the currencies other than functional currencies of the relevant group entities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

Details of impairment assessment of pledged bank deposits/bank balances and cash are set out in note 39.

28. TRADE AND OTHER PAYABLES

	2025 **RMB'000**	2024 RMB'000
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 (note)	**365,424**	453,622
Total	**5,327,339**	5,437,645

Note: Payables mainly include payables for acquisition of equipment, collection and payment on behalf of centralised procurement funds and output VAT payable arising from advance payments from customers.

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 **RMB'000**	2024 RMB'000
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	**61,406**	69,122
Total	**2,207,203**	2,236,893

Included in trade and other payables is RMB1,685,000 (2024: RMB1,361,000), which is denominated in HK$, the currency other than functional currency of the relevant group entities.

29. CONTRACT LIABILITIES

	2025 **RMB'000**	2024 RMB'000
Amounts received in advance of delivery products	**136,186**	185,192

Contract liabilities as at 1 January 2025 and 2024 were fully recognised as revenue for the years ended 31 December 2025 and 2024, respectively.

The Group has elected the practical expedient of not disclosing information about remaining performance obligations, as the majority of the contracts relate to the sale of products with an original expected duration of one year or less. The delivery cycle is typically completed within a short period of time.

30. DEFERRED GOVERNMENT GRANTS

The movements in deferred government grants as stated under non-current liabilities are as follows:

	2025 **RMB'000**	2024 RMB'000
At the beginning of the year	**396,304**	421,291
Additions	**51,522**	17,795
Credited to profit or loss (note 6)	**(62,027)**	(42,782)
At the end of the year	**385,799**	396,304

As at 31 December 2025, deferred government grants of the Group mainly includes various conditional government grants relating to purchase of property, plant and equipment. Such deferred government grants will be recognised as income on a straight-line basis over the expected useful life of the relevant assets.

31. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2025 **RMB'000**	2024 RMB'000
Deferred tax assets	**(248,807)**	(219,977)
Deferred tax liabilities	**939,862**	1,042,460
Total	**691,055**	822,483

31. DEFERRED TAXATION (CONTINUED)

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the current and prior years are as follows:

	Excess of fair value over the carrying amounts for intangible assets RMB'000	Depreciation allowance in excess of related depreciation RMB'000	ECL provision RMB'000	Fair value changes of debt instruments at FVTOCI RMB'000	Withholding tax on distributable profits of PRC subsidiaries RMB'000	Unrealised inter-segment profit RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	1,041,382	94,751	(36,401)	(1,202)	33,491	(42,617)	(5,706)	(116,133)	967,565
(Credited)/charged to profit or loss	(95,493)	3,469	(18,316)	–	843	(6,013)	(184)	(9,661)	(125,355)
Credit to other comprehensive income	–	–	–	(799)	–	–	–	–	(799)
Release upon dividends declared	–	–	–	–	(18,928)	–	–	–	(18,928)
At 31 December 2024	945,889	98,220	(54,717)	(2,001)	15,406	(48,630)	(5,890)	(125,794)	822,483
(Credited)/charged to profit or loss	(93,734)	6,247	(27,071)	–	(7,756)	(8,638)	(974)	(4,622)	(136,548)
Credit to other comprehensive income	–	–	–	949	–	–	–	–	949
Release upon dividends declared	–	–	–	–	4,171	–	–	–	4,171
At 31 December 2025	852,155	104,467	(81,788)	(1,052)	11,821	(57,268)	(6,864)	(130,416)	691,055

Others mainly represent deductible temporary differences arising from lease liabilities, accrued expenses, and government grants.

31. DEFERRED TAXATION (CONTINUED)

At the end of the reporting period, the Group had unused tax losses of RMB2,003,132,000 (2024: RMB1,970,313,000) available for offset against future profits. A deferred tax asset of RMB6,113,000 (2024: RMB5,890,000) has been recognised in respect of RMB29,138,000 (2024: RMB33,577,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB1,973,994,000 (2024: RMB1,982,067,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses with expiry dates as disclosed in the following table:

	2025 **RMB'000**	2024 RMB'000
2025	**–**	105,555
2026	**322,337**	339,425
2027	**209,192**	209,192
2028	**36,236**	36,236
2029	**276,325**	276,325
2030	**112,802**	112,802
2031	**220,621**	220,621
2032	**143,685**	143,685
2033	**239,770**	239,770
2034	**253,125**	253,125
2035	**159,901**	–
Total	**1,973,994**	1,936,736

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB8,315,559,000 (2024: RMB8,530,624,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that these temporary differences will not be reversed in the foreseeable future.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2025 **RMB'000**	2024 RMB'000
Bank loans	**774,731**	1,964,320
Other loans	**425,956**	732,994
Total	**1,200,687**	2,697,314
Secured	**293,851**	492,113
Unsecured	**906,836**	2,205,201
Total	**1,200,687**	2,697,314

	2025 **RMB'000**	2024 RMB'000
Carrying amounts of the above borrowings are repayable:		
Within one year	**992,939**	2,078,923
More than one year, but not exceeding two years	**91,506**	521,123
More than two years, but not exceeding five years	**98,242**	54,118
More than five years	**18,000**	43,150
Total	**1,200,687**	2,697,314
Less: Amounts due within one year shown under current liabilities	**992,939**	2,078,923
Amounts shown under non-current liabilities	**207,748**	618,391

As at 31 December 2025, secured other borrowings amounting to RMBnil were guaranteed by bills receivable (2024: RMB7,631,000).

	2025 **RMB'000**	2024 RMB'000
Fixed rate borrowings	**900,939**	1,863,399
Floating rate borrowings	**299,748**	833,975
Total	**1,200,687**	2,697,314

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2025	2024
Effective interest rate		
– Fixed rate borrowings	**0.29%-3.65%**	0.29%-4.75%
– Floating rate borrowings	**2.30%-3.75%**	2.30%-4.10%

The Group's floating rate borrowings carried interest from Loan Prime Rate ("LPR") less 0.7% to LPR plus 0.15% (2024: LPR less 1.15% to LPR plus 0.15%).

At the end of the reporting period, the Group had the following undrawn borrowing facilities:

	2025 RMB'000	2024 RMB'000
– expiring within one year	**7,848,378**	8,183,160
– expiring beyond one year	**2,745,140**	1,306,895
Total	**10,593,518**	9,490,055

(a) The following assets were pledged as securities for bills payable and interest-bearing bank and other borrowings:

	Carrying value	
	31 December 2025 RMB'000	31 December 2024 RMB'000
Property, plant and equipment	**637,955**	614,842
Right-of-use assets	**84,028**	50,420
Debt instruments at FVTOCI	**50,440**	62,648
Pledged bank deposits	**102,670**	153,743
Total	**875,093**	881,653

33. UNSECURED NOTES

	2025 RMB'000	2024 RMB'000
Carrying amount repayable	**1,221,910**	1,220,687
Less: Amounts due within one year shown under current liabilities	**1,221,910**	22,388
Amounts shown under non-current liabilities	**–**	1,198,299

On 18 May 2023, the Company issued the medium-term notes in an aggregate amount of RMB1,200,000,000, with a maturity of three years and a coupon rate of 3.04% per annum.

On 14 April 2024, the Company fully repaid the short-term commercial papers amounting to RMB800,000,000 which were issued on 17 July 2023.

34. SHARE CAPITAL OF THE COMPANY

	Number of shares		**Share capital**	
	2025 '000	2024 '000	**2025 RMB'000**	2024 RMB'000
Authorised	Unlimited number of ordinary shares with no par value			
Issued and fully paid	**5,035,801**	5,035,801	**11,982,474**	11,982,474

35. DEFINED BENEFIT OBLIGATIONS

The Group undertook the expense related to both the retirement and the early retirement schemes for the medical and social welfare of those early retired and retired employees. The Group recognised the relevant estimated liabilities as well as charges to profit or loss once the Group undertook the obligations. These benefits are unfunded.

Where these schemes fall due more than 12 months after the end of reporting period, they were discounted using the appropriate discount rate, and carried at discounted amounts as liabilities. The discount rate was determined using the yield rate of government bonds with similar terms at the date of the financial statements.

Actuarial gains or losses included the experience adjustment (the impact of difference between the previous actuarial assumption and actual results) and the impact of changes on actuarial assumption. The actuarial gains or losses were recognised in other comprehensive income when incurred and will not be reclassified to profit or loss in a subsequent period.

Interest expense is charged to profit or loss and is derived from the discount rate determined at the commencement of the retirement scheme within an accounting period and the early retirement scheme multiplying with the average present value over the entire terms.

The principal actuarial assumptions used as at the end of the reporting are as follows:

Discount rates:	1.75%
Expected rate of future pension cost increases:	0%/6.00%

36. OPERATING LEASES

The Group as lessor

All of the properties held for rental purposes have committed lessees for the next 5 years.

Minimum lease payments receivable on leases are as follows:

	2025 **RMB'000**	2024 RMB'000
Within one year	**12,292**	8,602
In the second year	**4,296**	6,297
In the third year	**3,556**	2,288
In the fourth year	**5,283**	1,431
In the fifth year	**2,928**	51
After the fifth year	**2,885**	507
Total	**31,240**	19,176

37. CAPITAL COMMITMENTS

	2025 **RMB'000**	2024 RMB'000
Contracted but not provided:		
– Acquisition of other intangible assets	**–**	459
– Acquisition of property, plant and equipment (note a)	**80,655**	39,127
Total	**80,655**	39,586

Note:

(a) Pursuant to the cooperation agreement entered into by the Group, and the cooperation agreement between the Group and relevant engineering constructors and equipment suppliers carries out a series of engineering project construction and equipment procurement applications, and improves the production technology level and production scale to support the business development requirements of the Company.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings) less cash and cash equivalents. Adjusted capital comprises all components of equity.

The adjusted debt-to-equity ratios at 31 December 2025 and 2024 are as follows:

	2025 **RMB'000**	2024 RMB'000
Current liabilities:		
Interest-bearing bank and other borrowings	**992,939**	2,078,923
Unsecured notes	**1,221,910**	22,388
Total – current	**2,214,849**	2,101,311
Non-current liabilities:		
Interest-bearing bank and other borrowings	**207,748**	618,391
Unsecured notes	**–**	1,198,299
Total – non-current	**207,748**	1,816,690
Total debt	**2,422,597**	3,918,001
Less: Cash and cash equivalents	**3,867,390**	3,798,425
Adjusted net debt	**(1,444,793)**	119,576
Total equity	**23,027,966**	23,933,034
Adjusted net debt-to-equity ratio	**–**	1%

The Group is not subject to externally imposed capital requirements except for financial covenants relating to certain of the banking facilities of the Group. The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2025

Financial assets

	Debt instrument at FVTOCI RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Debt instruments at FVTOCI	1,108,164	–	1,108,164
Financial assets included in trade and other receivables	–	8,553,349	8,553,349
Pledged bank deposits	–	102,670	102,670
Bank balances and cash	–	3,942,077	3,942,077
Total	1,108,164	2,598,096	13,706,260

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in trade and other payables	4,674,115	4,674,115
Interest-bearing bank and other borrowings	1,200,687	1,200,687
Unsecured notes	1,221,910	1,221,910
Lease liabilities	71,121	71,121
Total	7,167,833	7,167,833

39. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

2024

Financial assets

	Debt instrument at FVTOCI RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Debt instruments at FVTOCI	1,469,238	–	1,469,238
Financial assets included in trade and other receivables	–	8,337,051	8,337,051
Pledged bank deposits	–	153,743	153,743
Bank balances and cash	–	3,866,911	3,866,911
Total	1,469,238	12,357,705	13,826,943

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in trade and other payables	4,723,695	4,723,695
Interest-bearing bank and other borrowings	2,697,314	2,697,314
Unsecured notes	1,220,687	1,220,687
Lease liabilities	97,637	97,637
Total	8,739,333	8,739,333

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, debt instruments at FVTOCI, time deposits, pledged bank deposits, bank balances and cash, trade and other payables, lease liabilities, unsecured notes and interest-bearing bank and other borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity for the years ended 31 December 2025 and 2024 to a reasonably possible change by 5% in the RMB exchange rates against HK$ and US$, with all other variables held constant, of the Group's loss/profit before tax due to changes in the fair values of monetary assets and liabilities.

	2025 **RMB'000**	2024 RMB'000
If HK$ weakens against RMB by 5% Increase in loss/decrease in profit before tax	**1,427**	(1,301)
If HK$ strengthens against RMB by 5% Decrease in loss/increase in profit before tax	**(1,427)**	1,301
If USD weakens against RMB by 5% Increase in loss/decrease in profit before tax	**143**	(400)
If USD strengthens against RMB by 5% Decrease in loss/increase in profit before tax	**(143)**	400

The Group manages the foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group currently does not have a foreign exchange hedging policy. Management will consider hedging foreign currency exposure should the need arise.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings and unsecured notes. The Group is exposed to cash flow interest rate risk in relation to the floating rate borrowings. The Group does not have any interest rate hedging policy. However, the management monitors the related interest rate risk exposure closely and will consider hedging the interest rate risk exposure should the need arise.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate of 50 basis points, with all other variables held constant, of the Group's (loss)/profit before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in the Group's (loss)/profit before tax	
	2025	2024
	HK$'000	HK$'000
If decrease by 50 basis points	**135**	376
If increase by 50 basis points	**(135)**	(376)

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Debt instrument at FVTOCI	**1,108,164**	**–**	**–**	**–**	**1,108,164**
Trade receivables*	**–**	**–**	**–**	**8,781,421**	**8,781,421**
Financial assets included in other receivables					
– Normal**	**237,862**	**–**	**–**	**–**	**237,862**
Pledged deposits					
– Not yet past due	**102,670**	**–**	**–**	**–**	**102,670**
Bank balances and cash					
– Not yet past due	**3,942,077**	**–**	**–**	**–**	**3,942,077**

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Debt instrument at FVTOCI	1,469,238	–	–	–	1,469,238
Trade receivables*	–	–	–	8,392,206	8,392,206
Financial assets included in other receivables					
– Normal**	199,164	–	–	–	199,164
Pledged deposits					
– Not yet past due	153,743	–	–	–	153,743
Bank balances and cash					
– Not yet past due	3,866,911	–	–	–	3,866,911

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the financial statements.

** The credit quality of the financial assets included in other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at 31 December 2025 and 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Maximum exposure and year-end staging (continued)

Before accepting any new customer, the management of the Group carries out researches on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. The Group only accepts bills issued or guaranteed by reputable PRC. In addition, the Group reviews the recoverability of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Group performs impairment test assessment under ECL model upon application of HKFRS 9 on trade balances based on provision matrix.

The credit risk on liquid funds is limited because the counterparties are state-owned banks and banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and different regions of the PRC.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
31 December 2025					
Trade and other payables	**4,674,115**	**–**	**–**	**4,674,115**	**4,674,115**
Interest-bearing bank and other borrowings	**1,030,546**	**206,377**	**18,940**	**1,255,863**	**1,200,687**
Unsecured note	**1,259,056**	**–**	**–**	**1,259,056**	**1,221,910**
Lease liabilities	**19,558**	**42,111**	**12,908**	**74,577**	**71,121**
Total	**6,983,275**	**248,488**	**31,848**	**7,263,611**	**7,167,833**

	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
31 December 2024					
Trade and other payables	4,723,695	–	–	4,723,695	4,723,695
Interest-bearing bank and other borrowings	2,157,662	625,655	40,896	2,824,213	2,697,314
Unsecured note	36,480	1,209,995	–	1,246,475	1,220,687
Lease liabilities	22,643	54,371	20,797	97,811	97,637
Total	6,940,480	1,890,021	61,693	8,892,194	8,739,333

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value		Fair value hierarchy	Valuation techniques(s) and key input(s)	Sensitivity of fair value of the input(s)
	2025	2024			
Financial assets at FVTOCI					
Debt instrument at FVTOCI	**1,108,164**	1,469,238	Level 3	Discounted cash flow at a discount rate that reflects the issuer's current discount rate at the end of the reporting period 3% (2024:3%)	1% (2024: 1%) increase/decrease in the discount rate would result in decrease/increase in the fair value by RMB99,000 (2024: RMB138,000).

There were no transfers between Level 1,2,3 during both current and prior years.

The Group performing valuation for the financial instruments, which are categorised into Level 3 of the fair value hierarchy. A analysis of changes in fair value measurement is prepared at each interim and annual reporting date.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2025 **RMB'000**	2024 RMB'000
Opening balance	**1,469,238**	886,777
Addition	**–**	588,059
Settlements	**(367,002)**	–
Change in fair value recognised in other comprehensive income	**5,928**	(5,598)
Closing balance	**1,108,164**	1,469,238

Except as disclosed below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Unsecured notes

	2025 HK$'000	2024 HK$'000
Carrying amount	**1,221,910**	1,220,687
Fair value under level 2 fair value hierarchy	**1,222,965**	1,221,741

The fair values of the financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the Company.

40. RELATED PARTY TRANSACTIONS

Key management remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company and certain of the highest paid employees as disclosed in notes 12 and 13, is as follows:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	**9,809**	9,857
Post-employments benefits	**483**	476
Total compensation paid to key management personnel	**10,292**	10,333

Other related party transactions

Name of related party	Relationship
CNPGC	Ultimate controlling party
CNPGC's subsidiaries other than the Group	Fellow subsidiaries of the Group
Ping An Bank	Fellow subsidiary of a substantial shareholder

40. RELATED PARTY TRANSACTIONS (CONTINUED)

Other related party transactions (continued)

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions:

		2025 RMB'000	2024 RMB'000
(i)	Sales of finished goods to CNPGC's subsidiaries other than the Group	**1,171,354**	1,298,907
(ii)	Purchase of raw materials from CNPGC's subsidiaries other than the Group	**90,447**	119,267
(iii)	Other purchase from CNPGC's subsidiaries other than the Group	**12,225**	16,839
(iv)	Rental income from CNPGC's subsidiaries other than the Group	**344**	3,218
(v)	Interest income from CNPGC's subsidiaries other than the Group	**2,705**	2,144
(vi)	Interest income from Ping An Bank	**–**	19
(vii)	Interest expense to CNPGC's subsidiaries other than the Group	**8,027**	226
(viii)	Interest expense to Ping An Bank	**–**	7

40. RELATED PARTY TRANSACTIONS (CONTINUED)

Other related party transactions (continued)

Particulars of significant balances between the Group and the related parties are as follows:

		2025 RMB'000	2024 RMB'000
(i)	Trade and other receivable balances due from CNPGC's subsidiaries other than the Group as included in trade and other receivables balances set out in note 23	**700,136**	634,715
(ii)	Trade and other payable balances due to CNPGC's subsidiaries other than the Group as included in trade and other payables balances set out in note 28	**31,090**	60,437
(iii)	Time deposits and bank deposits placed in CNPGC's subsidiaries other than the Group as included in bank balances and cash set out in note 27	**–**	582,125
(iv)	Borrowings due to CNPGC's subsidiaries other than the Group as interest-bearing bank and other borrowings set out in note 32	**390,763**	400,000
(v)	Bank deposits placed in Ping An Bank as included in bank balances and cash set out in note 27	**–**	2,963

Borrowings in related party balance (iv) represented short-term loans borrowed from Sinopharm Group Finance Co., Ltd. at rates 2.11%-3.00% per annum (2024: 2.15%), which have repayment terms within 1 year.

The above related party transactions (i), (ii), (iii) and related party balances (iii) constitute connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed "Continuing Connected transactions" of the section headed "Report of the Directors" of the annual report.

40. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions/balances with other state-controlled entities

The Group itself is part of a large group of companies under CNPGC, which is controlled by the government of the PRC. Apart from the transactions with the parent company and its subsidiaries which have been disclosed in other notes to the consolidated financial statements, the Group also conducts businesses with entities directly or indirectly owned or controlled, jointly controlled or significantly influenced by the PRC government ("state-controlled entities") in the ordinary course of business. The directors of the Company consider those entities other than the CNPGC group are independent third parties as far as the Group's business transactions with them are concerned. In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counterparty is a state-controlled entity or not. The Group is of the opinion that it has provided, in the best of its knowledge, adequate and appropriate disclosure of related party transactions in the consolidated financial statements.

The Group has bank balances deposited in and entered into various transactions, including sales, purchases, borrowings and other operating expenses, with other state-controlled entities during the current year in which the directors of the Company are of the opinion that it is impracticable to ascertain the identity of the controlling parties of these counterparties and accordingly whether the counterparties are state-controlled entities.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000	Interest-bearing bank and other borrowings RMB'000	Unsecured notes RMB'000	Dividend payable RMB'000	Dividend payable to non-controlling interests RMB'000	Total RMB'000
At 1 January 2024	98,462	3,034,020	2,027,652	1,438	63,766	5,225,338
Financing cash flows	(30,524)	(459,831)	(850,172)	–	(52,212)	(1,392,739)
Net foreign exchange gain	–	–	–	32	–	32
Dividend recognised	–	–	–	–	16,321	16,321
New leases entered	55,787	–	–	–		55,787
Interest expense	6,247	123,125	43,207	–		172,579
Disposal of right-of-use assets	(32,335)	–	–	–		(32,335)
At 31 December 2024 and 1 January 2025	97,637	2,697,314	1,220,687	1,470	27,875	4,044,983
Financing cash flows	(28,045)	(1,539,602)	(37,703)	(396,450)	(36,521)	(2,038,321)
Net foreign exchange gain	–	–	1,223	(1,054)	–	169
Dividend recognised	–	–	–	397,482	54,904	452,386
New leases entered	40,543	–	–	–	–	40,543
Interest expense	4,298	42,975	37,703	–	–	84,976
Disposal of right-of-use assets	(43,312)	–	–	–	–	(43,312)
At 31 December 2025	71,121	1,200,687	1,221,910	1,448	46,258	2,541,424

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) General information of subsidiaries

Details of subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital		Equity interest attributable to the Group		Principal activities
		2025	2024	**2025**	2024	
Directly held the Company						
Jiangyin Yifang Pharmaceutical Co., Ltd.	The PRC	**RMB84,555,556**	RMB84,555,556	**87.3%**	87.3%	Manufacture of TCM Products
Jiangyin Tianjiang Enterprise Co., Ltd.	The PRC	**RMB3,005,467,800**	RMB3,005,467,800	**100%**	100%	Manufacture and management of TCM Products
Indirectly held the Company						
Jiangyin Tianjiang Pharmaceutical Co., Ltd.#	The PRC	**RMB310,000,000**	RMB310,000,000	**87.3%**	87.3%	Development, manufacture and sale of TCM granules
Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd.#	The PRC	**USD6,460,000**	USD6,460,000	**98.3%**	98.3%	Development, manufacture and sale of Chinese pharmaceutical products
Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd.#	The PRC	**USD7,526,100**	USD7,526,100	**98%**	98%	Development, manufacture and sale of Chinese pharmaceutical products
Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd.*	The PRC	**USD172,640,000**	USD172,640,000	**100%**	100%	Development, manufacture and sale of pharmaceutical products and investment holding
Sinopharm Group Luya (Shandong) Pharmaceutical Co., Ltd.#	The PRC	**RMB24,529,300**	RMB24,529,300	**100%**	100%	Manufacture and sale of pharmaceutical products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital 2025	Issued and fully paid capital/registered capital 2024	Equity interest attributable to the Group 2025	Equity interest attributable to the Group 2024	Principal activities
Indirectly held the Company (continued)						
Sinopharm Group Feng Liao Xing (Foshan) Medicinal Material & Slices Co., Ltd.^	The PRC	**RMB1,543,800,000**	RMB1,543,800,000	**100%**	100%	Manufacture and sale of TCM decoction products
Feng Liao Xing (Zhongshan) Pharmaceutical Co., Ltd.^	The PRC	**RMB26,000,000**	RMB26,000,000	**100%**	100%	Retail of Pharmaceuticals and decoction Pharmaceutical
Foshan Winteam Pharmaceutical Sales Co., Ltd.^	The PRC	**RMB260,000,000**	RMB260,000,000	**100%**	100%	Trading of pharmaceutical products
Sinopharm Group Feng Liao Xing Traditional Chinese Medicine Health Industry Co., Ltd.^	The PRC	**RMB119,917,100**	RMB119,917,100	**100%**	100%	Investment of the TCM health industry
Guizhou Tongjitang Pharmacy Chain Co., Ltd.^	The PRC	**RMB5,000,000**	RMB5,000,000	**60%**	60%	Retail of pharmaceuticals
Sinopharm Wuzhai Tianjiang Pharmaceutical Co., Ltd.^	The PRC	**RMB30,000,000**	RMB30,000,000	**87.3%**	87.3%	Manufacture and sale of TCM decoction products
Jilin Baiqi Pharmaceutical Co., Ltd.^	The PRC	**RMB180,450,000**	RMB180,450,000	**65%**	65%	Development, manufacture, and sale of TCM products
Shanghai Tongjitang Pharmaceutical Co., Ltd.^	The PRC	**RMB80,000,000**	RMB80,000,000	**100%**	100%	Manufacture and sale of TCM decoction products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital		Equity interest attributable to the Group		Principal activities
		2025	2024	**2025**	2024	
Indirectly held the Company (continued)						
Guizhou Tongjitang Herbal Co., Ltd.^	The PRC	**RMB60,000,000**	RMB60,000,000	**100%**	100%	Manufacture and sale of TCM decoction products
Shandong Zhongping Pharmaceutical Co., Ltd.^	The PRC	**RMB300,000,000**	RMB300,000,000	**44.5%**	44.5%	Manufacture of TCM Products
Shanxi Guoxin Tianjiang Pharmaceutical Co., Ltd.^~	The PRC	**RMB102,040,800**	RMB102,040,800	**44.5%**	44.5%	Development, manufacture, and sale of TCM products
Lixian Dahuang Technology and Science Co., Ltd. ^	The PRC	**RMB94,613,000**	RMB94,613,000	**78.1%**	74.2%	Development, manufacture, and sale of TCM decoction products
Xihebanxia Technology and Science Co., Ltd.^~	The PRC	**RMB99,870,000**	RMB99,870,000	**44.5%**	44.5%	Development, manufacture, and sale of TCM decoction products
Jiangxi Yifang Tianjiang Pharmaceutical Co., Ltd.^	The PRC	**RMB250,000,000**	RMB250,000,000	**87.3%**	87.3%	Development, manufacture and sale of TCM
Jiangxi Fanglian Pharmaceutical Co., Ltd.^	The PRC	**RMB5,000,000**	RMB5,000,000	**87.3%**	87.3%	Sale of TCM products
Heilongjiang Sinopharm Tianjiang Pharmaceutical Co., Ltd.^	The PRC	**RMB200,000,000**	RMB200,000,000	**87.3%**	87.3%	Manufacture and sale of TCM
Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd.^	The PRC	**RMB39,000,000**	RMB39,000,000	**100%**	100%	Development, manufacture, marketing and sale of medicine products
Sinopharm Pulante (Qinghai) Pharmaceutical Co., Ltd.^	The PRC	**RMB87,520,000**	RMB87,520,000	**100%**	100%	Development, manufacture, marketing and sale of medicine products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital		Equity interest attributable to the Group		Principal activities
		2025	2024	**2025**	2024	
Indirectly held the Company (continued)						
Guangdong Yifang Pharmaceutical Co., Ltd.^	The PRC	**RMB364,491,680**	RMB364,491,680	**87.3%**	87.3%	Development, manufacture, and sale of TCM granules
Longxi Yifang Pharmaceutical Co., Ltd.^	The PRC	**RMB100,000,000**	RMB100,000,000	**87.3%**	87.3%	Manufacture and sale of TCM products
Longxiyifang Pharmaceutical Company Limited^	The PRC	**RMB50,000,000**	RMB50,000,000	**87.3%**	87.3%	Sale of TCM products
Anhui Tianxiang Pharmaceutical Co., Ltd.^	The PRC	**RMB110,000,000**	RMB110,000,000	**87.3%**	87.3%	Manufacture and sale of TCM products
Jiangyin Tianjiang Chinese Medical Clinics Co., Ltd.^~	The PRC	**RMB11,500,000**	RMB11,500,000	**44.5%**	44.5%	Retail of pharmaceuticals and provision of TCM consultation services
Chongqing Tianjiang Yifang Pharmaceutical Co., Ltd.^	The PRC	**RMB190,000,000**	RMB190,000,000	**87.3%**	87.3%	Development, manufacture and sale of TCM products
Yunnan Tianjiang Yifang Pharmaceutical Co., Ltd.^	The PRC	**RMB200,000,000**	RMB200,000,000	**52.4%**	52.4%	Development, manufacture and sale of TCM products
Sinopharm Tianxiong Pharmaceutical Co., Ltd.^	The PRC	**RMB150,500,000**	RMB150,500,000	**82.7%**	82.7%	Manufacture and sale of TCM products
Shandong Yifang Pharmaceutical Co., Ltd.^	The PRC	**RMB300,000,000**	RMB300,000,000	**87.3%**	87.3%	Development, manufacture and sale of TCM products
Zhejiang Yifang Pharmaceutical Co., Ltd.^	The PRC	**RMB100,000,000**	RMB100,000,000	**87.3%**	87.3%	Development, manufacture and sale of TCM products
Shaanxi Yifang Pingkang Pharmaceutical Co., Ltd.^	The PRC	**RMB390,000,000**	RMB390,000,000	**87.3%**	87.3%	Development, manufacture and sale of TCM products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital		Equity interest attributable to the Group		Principal activities
		2025	2024	**2025**	2024	
Indirectly held the Company (continued)						
Shaanxi Jitaining Pharmaceutical Co., Ltd.^	The PRC	**RMB5,000,000**	RMB2,000,000	**87.3%**	87.3%	Sale of TCM products
Hunan Yifang Tianjiang Pharmaceutical Co., Ltd.^	The PRC	**RMB330,000,000**	RMB200,000,000	**82.9%**	82.5%	Development, manufacture and sale of TCM products
Changde Yifan Pharmaceutical Co., Ltd.^	The PRC	**RMB20,000,000**	RMB20,000,000	**82.9%**	79.4%	Sale of TCM products
Sichuan Tianhao Pharmaceutical Co., Ltd.^	The PRC	**RMB10,000,000**	RMB10,000,000	**82.7%**	82.7%	Manufacture and sale of TCM products
Guangxi Yifang Tianjiang Pharmaceutical Co., Ltd.^	The PRC	**RMB200,000,000**	RMB200,000,000	**44.5%**	44.5%	Development, manufacture and sale of TCM
Sinopharm Group Beijing Huamiao Pharmaceutical Co., Ltd.^	The PRC	**RMB244,383,898**	RMB244,383,898	**100%**	100%	Manufacture and sale of TCM decoction products
Heilongjiang Sinopharm Medical Material Co., Ltd.^	The PRC	**RMB30,000,000**	RMB30,000,000	**100%**	100%	Sale of medical herbs
Sichuan Jiangyou Zhongbafuzi Technology Development Co., Ltd.^	The PRC	**RMB54,200,000**	RMB54,200,000	**100%**	100%	Manufacture and sale of TCM decoction products
Anhui Fengliaoxing TCM Decoction Pieces Co., Ltd.^	The PRC	**RMB28,595,300**	RMB28,595,300	**51%**	51%	Manufacture and sale of TCM decoction products
Taizhou Tianjiang Pharmaceutical Co., Ltd.^~	The PRC	**RMB70,000,000**	RMB70,000,000	**87.3%**	87.3%	Manufacture and sale of TCM products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (continued)

Name of subsidiary	Place of establishment and operation	Issued and fully paid capital/registered capital 2025	Issued and fully paid capital/registered capital 2024	Equity interest attributable to the Group 2025	Equity interest attributable to the Group 2024	Principal activities
Indirectly held the Company (continued)						
Sichuan Sinopharm Tianjiang Pharmaceutical Co., Ltd.^~	The PRC	**RMB233,061,200**	RMB233,061,200	**53.22%**	53.22%	Development, manufacture and sale of TCM
Fujian Tianjiang Pharmaceutical Co., Ltd.^~	The PRC	**RMB136,500,000**	RMB136,500,000	**44.5%**	44.5%	Development, manufacture and sale of TCM
Heilongjiang Sinopharm Shuanglanxing Pharmaceutical Co., Ltd. ^~	The PRC	**RMB89,981,200**	RMB89,981,200	**44.5%**	44.5%	Development, manufacture and sale of TCM
Guangdong Jiuan Pharmaceutical Marketing Service Co., Ltd.^	The PRC	**RMB100,000,000**	RMB100,000,000	**100%**	100%	Marketing, advertising and consulting of TCM
Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd.*	The PRC	**RMB249,759,458**	RMB249,759,458	**100%**	100%	Development, manufacture, marketing and sale of TCM products
Sinopharm Group Zhonglian Pharmaceutical Co., Ltd.^~	The PRC	**RMB622,280,661**	RMB622,280,661	**44.5%**	44.5%	Development, manufacture and sale of TCM
Foshan Nanhai Golden Footwear Co., Ltd. ^	The PRC	**RMB207,697,944**	RMB207,697,944	**100%**	100%	Property leasing
Gansu Longzhong Pharmaceutical Co., Ltd.^	The PRC	**RMB50,000,000**	RMB50,000,000	**44.5%**	44.5%	Manufacture and sale of TCM decoction products
Beijing Xiaochengcong Traditional Chinese Medicine Clinic Co., Ltd.	The PRC	**RMB20,000,000**	RMB20,000,000	**–**	75%	TCM Healthcare Solutions

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(a) General information of subsidiaries (continued)

* These companies were established in the PRC in the form of wholly-Foreign-owned enterprises.

These companies were established in the PRC in the form of Sino-foreign equity joint ventures.

^ These companies were established in the PRC in the form of domestic enterprises.

~ 51% directly or indirectly controlled by Jiangyin Tianjiang which is a 87.3% owned subsidiary of the Group.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(b) Details of a non- wholly- owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly- owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interest and voting rights held non-controlling interests	Profit allocated to non-controlling interests	Accumulated non-controlling interests
		2025	2025 RMB'000	2025 RMB'000
Jiangyin Tianjiang Group (note)	The PRC	**12.70%**	**(68,551)**	**1,059,970**
Jiangyin Yifang Group (note)	The PRC	**12.70%**	**(24,399)**	**1,304,988**
Individually immaterial subsidiaries with non-controlling interests			**(23,069)**	**193,276**
Total			**(116,019)**	**2,558,234**

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interest and voting rights held non-controlling interests	Profit allocated to non-controlling interests	Accumulated non-controlling interests
		2024	2024 RMB'000	2024 RMB'000
Jiangyin Tianjiang Group (note)	The PRC	12.70%	(54,297)	1,128,065
Jiangyin Yifang Group (note)	The PRC	12.70%	8,325	1,375,106
Individually immaterial subsidiaries with non-controlling interests			12,676	226,079
Total			(33,296)	2,729,250

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(b) Details of a non- wholly- owned subsidiary that has material non-controlling interests (continued)

Note: The amounts have been adjusted for inter group elimination which primarily represent the goodwill and other intangible assets arising from the acquisition of the Jiangyin Tianjiang Group.

Summarised consolidated financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below.

The following table lists out the information relating to Jiangyin Tianjiang Group and Jiangyin Yifang Group, the only sub-group of the Group which has material non-controlling interest as at 31 December 2025.

2025

	Jiangyin Tianjiang Group RMB'000	Jiangyin Yifang Group RMB'000
Current assets	**5,140,554**	**7,505,386**
Non-current assets	**4,204,487**	**4,950,654**
Current liabilities	**(2,818,434)**	**(3,018,503)**
Non-current liabilities	**(691,107)**	**(871,888)**
Net equity (Note)	**5,835,500**	**8,565,649**
Equity attributable to owners of Jiangyin Tianjiang Group/Jiangyin Yifang Group	**5,470,252**	**8,316,908**
Non-controlling interests of Jiangyin Tianjiang Group/Jiangyin Yifang Group	**365,248**	**248,741**

Note: The net equity of Jiangyin Tianjiang Group and Jiangyin Yifang Group includes fair value adjustments on properties, intangible assets and related deferred taxation arising from a business combination amounting to RMB1,305,664,000 and RMB1,714,550,000 respectively.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(b) Details of a non- wholly- owned subsidiary that has material non-controlling interests (continued)

2025 (continued)

	Jiangyin Tianjiang Group RMB'000	Jiangyin Yifang Group RMB'000
Revenue	**3,531,373**	**5,228,746**
Expenses	**(3,715,372)**	**(5,295,034)**
Loss and total comprehensive income for the year (Note)	**(183,999)**	**(66,288)**
Total comprehensive income attributable to owners of Jiangyin Tianjiang Group/Jiangyin Yifang Group	**(132,243)**	**(47,983)**
Total comprehensive income attributable to the non-controlling interests of Jiangyin Tianjiang Group/Jiangyin Yifang Group	**(51,756)**	**(18,305)**
Total comprehensive income for the year	**(183,999)**	**(66,288)**
Dividends declared to non-controlling interests	**–**	**–**
Net cash inflow from operating activities	**585,284**	**1,065,103**
Net cash (outflow)/inflow from investing activities	**(381,185)**	**46,774**
Net cash outflow from financing activities	**(497,322)**	**(1,418,407)**
Net cash outflow	**(293,233)**	**(306,530)**

Note: The loss for the year of Jiangyin Tianjiang Group and Jiangyin Yifang Group includes adjustments for depreciation of properties and amortisation of intangible assets recognised upon the business combination amounting to RMB112,287,000 and RMB161,788,000 respectively.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(b) Details of a non- wholly- owned subsidiary that has material non-controlling interests (continued)

2024

	Jiangyin Tianjiang Group RMB'000	Jiangyin Yifang Group RMB'000
Current assets	5,466,659	8,420,566
Non-current assets	4,552,780	5,350,617
Current liabilities	(3,234,476)	(3,483,654)
Non-current liabilities	(765,043)	(1,295,599)
Net equity (Note)	6,019,920	8,991,930
Equity attributable to owners of Jiangyin Tianjiang Group/Jiangyin Yifang Group	5,603,499	8,724,884
Non-controlling interests of Jiangyin Tianjiang Group/Jiangyin Yifang Group	416,421	267,046

Note: The net equity of Jiangyin Tianjiang Group and Jiangyin Yifang Group includes fair value adjustments on properties, intangible assets and related deferred taxation arising from a business combination amounting to RMB1,418,371,000 and RMB1,876,339,000 respectively.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

(b) Details of a non- wholly- owned subsidiary that has material non-controlling interests (continued)

2024 (continued)

	Jiangyin Tianjiang Group RMB'000	Jiangyin Yifang Group RMB'000
Revenue	4,150,178	5,835,971
Expenses	(4,339,945)	(5,581,718)
(Loss)/profit and total comprehensive income for the year (Note)	(189,767)	254,253
Total comprehensive income attributable to owners of Jiangyin Tianjiang Group/Jiangyin Yifang Group	(155,177)	281,704
Total comprehensive expense attributable to the non-controlling interests of Jiangyin Tianjiang Group/Jiangyin Yifang Group	(34,590)	(27,451)
Total comprehensive income for the year	(189,767)	254,253
Dividends declared to non-controlling interests	14	–
Net cash inflow from operating activities	837,991	1,769,114
Net cash outflow from investing activities	(235,250)	(989,678)
Net cash (outflow)/inflow from financing activities	(672,411)	(1,097,911)
Net cash outflow	(69,670)	(318,475)

Note: The (loss)/profit for the year of Jiangyin Tianjiang Group and Jiangyin Yifang Group includes adjustments for depreciation of properties and amortisation of intangible assets recognised upon the business combination amounting to RMB108,580,000 and RMB155,528,000 respectively.

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2025 **RMB'000**	2024 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**13,584,986**	13,584,986
Total non-current assets	**13,584,986**	13,584,986
CURRENT ASSETS		
Other receivables	**307**	123
Amounts due from subsidiaries (note a)	**1,621,276**	1,730,505
Bank balances and cash	**5,398**	7,011
Total current assets	**1,626,981**	1,737,639
CURRENT LIABILITIES		
Trade and other payables	**6,151**	6,557
Amounts due to subsidiaries (note b)	**297,879**	298,412
Unsecured notes	**1,221,910**	22,388
Total current liabilities	**1,525,940**	327,357
NET CURRENT ASSETS	**101,041**	1,410,282
TOTAL ASSETS LESS CURRENT LIABILITIES	**13,686,027**	14,995,268
NON-CURRENT LIABILITIES		
Unsecured notes	**–**	1,198,299
Deferred tax liabilities	**14,725**	6,969
Total non-current liabilities	**14,725**	1,205,268
NET ASSETS	**13,671,302**	13,790,000
CAPITAL AND RESERVES		
Share capital	**11,982,474**	11,982,474
Reserves (note c)	**1,688,828**	1,807,526
TOTAL EQUITY	**13,671,302**	13,790,000

Approved and authorised for issue by the board of directors on 20 March 2026 and are signed on its behalf by:

YANG Jun
EXECUTIVE DIRECTOR

LI Hongjian
EXECUTIVE DIRECTOR

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Note a: Amounts due to subsidiaries represent short-term operating receivables which are unsecured, interest bearing from 2.40% to 3.20% per annum (2024: 2.40% to 3.20%) and repayable in the following year and dividends receivable which are unsecured and repayable on demand.

Note b: The amounts are unsecured, interest-free and repayable on demand.

Note c: Movements in the Company's reserves.

	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2024	813,199	984,915	1,798,114
Profit and total comprehensive income for the year	–	9,412	9,412
Final 2023 dividend declared	–	–	–
At 31 December 2024	813,199	994,327	1,807,526
Profit and total comprehensive income for the year	–	278,784	278,784
Final 2024 dividend declared	–	(397,482)	(397,482)
At 31 December 2025	813,199	875,629	1,688,828

All of the Company's retained profits is available for distribution to equity shareholders.

44. MAJOR NON-CASH TRANSACTIONS

During the current year, bills received by the Group from its customers with an aggregate amount of RMB81,756,000 (2024: RMB119,987,000) were endorsed for the settlement of payables for acquisition of property, plant and equipment.

During the current year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB40,543,000 (2024: RMB55,787,000) and RMB40,543,000 (2024: RMB55,787,000), respectively, in respect of lease arrangements for land and buildings, machinery and equipment.

45. CONTINGENT LIABILITIES

During the year, the Group endorsed certain bills receivable for the settlement of trade and other payables. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivable, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because all endorsed and discounted bills receivable are issued and guaranteed by the reputable PRC banks. As a result, the relevant assets and liabilities were not recognized on the consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivable at the end of the reporting period are as follows:

	2025 **RMB'000**	2024 RMB'000
Outstanding endorsed and discounted bills receivable with recourse	**131,279**	148,768

The outstanding endorsed and discounted bills receivable are aged within 180 days at the end of the reporting period. The directors of the Company consider that the carrying amounts of the endorsed and discounted bills receivable approximate their fair values.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 20 March 2026.