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

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

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2026

The board (the "Board") of directors (the "Directors") of China Traditional Chinese Medicine Holdings Co. Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2026 (the "Reporting Period", the "Period") as follows:

**RESULTS HIGHLIGHTS**

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2026** | 2025 | Change |
| | ***RMB'000*** | *RMB'000* | |
| **Revenue** | | | |
| Concentrated Traditional Chinese Medicines ("TCM") granules | **1,932,888** | 2,990,750 | -35.4% |
| TCM finished drugs | **1,663,021** | 2,308,809 | -28.0% |
| TCM decoction pieces | **1,559,603** | 1,596,128 | -2.3% |
| Chinese medicinal herbs integration business | **189,582** | 445,584 | -57.5% |
| TCM great health | **93,404** | 122,112 | -23.5% |
| **Total** | **5,438,498** | 7,463,383 | -27.1% |
| **Gross profit** | **2,580,844** | 3,634,593 | -29.0% |
| **Loss for the period** | **(834,695)** | (141,760) | -488.8% |
| **Loss attributable to owners of the Company** | **(776,297)** | (107,918) | -619.3% |
| **Basic and diluted loss per share (RMB cents)** | **(15.42)** | (2.14) | -620.6% |

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

*For the six months ended 30 June 2026*

| | Notes | **2026 (Unaudited) *RMB'000*** | 2025 (Unaudited) *RMB'000* |
|---|---|---|---|
| REVENUE | *4* | **5,438,498** | 7,463,383 |
| Cost of sales | | **(2,857,654)** | (3,828,790) |
| Gross profit | | **2,580,844** | 3,634,593 |
| Other income | *5* | **75,410** | 91,052 |
| Other gains and losses | *6* | **(613,382)** | (262,394) |
| Impairment losses under expected credit loss model, net of reversal | *15* | **(139,185)** | (185,875) |
| Selling and distribution expenses | | **(1,890,051)** | (2,556,399) |
| Administrative expenses | | **(552,082)** | (500,543) |
| Research and development expenses | | **(187,513)** | (256,123) |
| Operating losses | | **(725,959)** | (35,689) |
| Finance costs | *7* | **(33,911)** | (47,203) |
| Share of results of associates | | **(57)** | (47) |
| LOSS BEFORE TAX | *8* | **(759,927)** | (82,939) |
| Income tax expense | *9* | **(74,768)** | (58,821) |
| LOSS FOR THE PERIOD | | **(834,695)** | (141,760) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| *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 | | **1,811** | 6,463 |
| Reversal of impairment loss recognised for debt instruments at fair value through other comprehensive income included in profit or loss | | **(266)** | (724) |
| Income tax relating to items that may be reclassified to profit or loss | | **(148)** | (904) |

| | Notes | **2026** **(Unaudited)** ***RMB'000*** | 2025 (Unaudited) *RMB'000* |
|---|---|---|---|
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | | **1,397** | 4,835 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | **(833,298)** | (136,925) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | **(776,297)** | (107,918) |
| Non-controlling interests | | **(58,398)** | (33,842) |
| | | **(834,695)** | (141,760) |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | **(774,907)** | (103,248) |
| Non-controlling interests | | **(58,391)** | (33,677) |
| | | **(833,298)** | (136,925) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| – Basic and diluted (RMB cents) | *11* | **(15.42)** | (2.14) |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*AS AT 30 JUNE 2026*

| | Notes | 30 June 2026 (Unaudited) RMB'000 | 31 December 2025 (Audited) RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **5,851,416** | 6,123,376 |
| Right-of-use assets | | **1,045,583** | 1,064,320 |
| Investment properties | | **152,508** | 156,387 |
| Goodwill | *12* | **1,885,914** | 2,531,159 |
| Other intangible assets | *12* | **4,305,141** | 4,491,572 |
| Investments in associates | | **10,666** | 10,724 |
| Deposits and prepayments | | **18,984** | 12,779 |
| Deferred tax assets | | **266,816** | 248,807 |
| Total non-current assets | | **13,537,028** | 14,639,124 |
| **CURRENT ASSETS** | | | |
| Inventories | *13* | **3,748,947** | 3,710,941 |
| Trade and other receivables | *14* | **8,017,385** | 8,844,453 |
| Debt instruments at fair value through other comprehensive income ("FVTOCI") | | **898,301** | 1,108,164 |
| Pledged bank deposits | | **74,923** | 102,670 |
| Bank balances and cash | | **3,592,568** | 3,942,077 |
| Total current assets | | **16,332,124** | 17,708,305 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *16* | **4,843,049** | 5,327,339 |
| Lease liabilities | | **20,754** | 18,652 |
| Contract liabilities | | **187,296** | 136,186 |
| Interest-bearing bank and other borrowings | | **849,832** | 992,939 |
| Unsecured notes | | **–** | 1,221,910 |
| Tax liabilities | | **15,560** | 36,559 |
| Total current liabilities | | **5,916,491** | 7,733,585 |
| **NET CURRENT ASSETS** | | **10,415,633** | 9,974,720 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **23,952,661** | 24,613,844 |

| | 30 June 2026 (Unaudited) *RMB'000* | 31 December 2025 (Audited) *RMB'000* |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Deferred government grants | **379,095** | 385,799 |
| Deferred tax liabilities | **908,801** | 939,862 |
| Interest-bearing bank and other borrowings | **424,140** | 207,748 |
| Lease liabilities | **45,957** | 52,469 |
| Total non-current liabilities | **1,757,993** | 1,585,878 |
| **Net assets** | **22,194,668** | 23,027,966 |
| **EQUITY** | | |
| **Equity attributable to owners of the Company** | | |
| Share capital | **11,982,474** | 11,982,474 |
| Reserves | **7,712,351** | 8,487,258 |
| | **19,694,825** | 20,469,732 |
| Non-controlling interests | **2,499,843** | 2,558,234 |
| **Total equity** | **22,194,668** | 23,027,966 |

Approved and authorised for issue by the Board of directors on 28 August 2026.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the six months ended 30 June 2026*

### 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2026 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2025.

The financial information relating to the year ended 31 December 2025 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2025 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditor has reported on the financial statements for the year ended 31 December 2025. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

The functional currency of the Company is "Renminbi" ("RMB"), which is the same as the presentation currency of the interim condensed consolidated financial statements of the Company.

### 2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2025, except for the adoption of the following revised HKFRS Accounting Standards for the first time for the current period's financial information.

| | |
|---|---|
| Amendments to HKFRS 9 and HKFRS 7 | Classification and Measurement of Financial Instruments |
| Amendments to HKFRS 9 and HKFRS 7 | Contracts Referencing Nature-dependent Electricity |
| Annual Improvements to HKFRS Accounting Standards – Volume 11 | Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 |

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 interim condensed consolidated financial statements.

## 3. 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, prescription with concentrated TCM granules, TCM decoction pieces and TCM healthcare product (the "TCM Healthcare Solutions"), through its offline medical institutions under "Tian Jiang" brand. Majority of the revenue of Tian Jiang segment is derived from the sales of CTCMG.

iii. Tong Ji Tang segment mainly engages in the manufacture and sales of CTCMG, TCM decoction pieces and TCM finished drugs under "Tong Ji Tang" brand. The Tong Ji Tang segment also engages in the manufacture and sales of a wide range of healthcare products in great health industry.

iv. Medi-World segment mainly engages in the manufacture and sales of TCM finished drugs under various brands, including but not limited to "Medi-World", "De Zhong" and "Feng Liao Xing"; and provision of a variety of TCM Healthcare Solutions through its offline medical institutions under "Feng Liao Xing" brand.

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

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

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

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

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

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

| | Six months ended 30 June 2026 | | | | | |
|---|---|---|---|---|---|---|
| | **Yi Fang** *RMB'000* (Unaudited) | **Tian Jiang** *RMB'000* (Unaudited) | **Tong Ji Tang** *RMB'000* (Unaudited) | **Medi-World** *RMB'000* (Unaudited) | **Elimination** *RMB'000* (Unaudited) | **Total** *RMB'000* (Unaudited) |
| **Segment revenue** *(note 4)* | | | | | | |
| External customers | 1,456,376 | 1,146,428 | 823,434 | 2,012,260 | – | 5,438,498 |
| Intersegment sales | 115,827 | 78,645 | 225,888 | 581,486 | (1,001,846) | – |
| Total segment revenue | 1,572,203 | 1,225,073 | 1,049,322 | 2,593,746 | (1,001,846) | 5,438,498 |
| **Segment results** | (914,202) | (190,963) | 136,303 | 137,376 | – | (831,486) |
| Reconciliation: | | | | | | |
| **Other unallocated head office and corporate expenses** | | | | | | (3,209) |
| **Loss for the period** | | | | | | (834,695) |
| **Other segment information:** | | | | | | |
| Interest income | 328 | 386 | 131 | 13,106 | – | 13,951 |
| Finance costs | (1,983) | (12,074) | 3,574 | (23,428) | – | (33,911) |
| Share of results of associates | – | (18) | – | (39) | – | (57) |
| Depreciation and amortisation | (227,560) | (175,770) | (58,983) | (110,572) | – | (572,885) |
| Reversal of/(write-down) of inventories | (11,926) | 1,575 | (6,268) | (10,964) | – | (27,583) |
| Impairment loss recognised in respect of goodwill | (645,245) | – | – | – | – | (645,245) |
| Impairment losses under the expected credit loss model, net of reversal | (90,973) | (33,982) | (5,706) | (8,524) | – | (139,185) |

| | Six months ended 30 June 2026 | | | | |
|---|---|---|---|---|---|
| | **Yi Fang** | **Tian Jiang** | **Tong Ji Tang** | **Medi-World** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** |
| **As at 30 June 2026 (Unaudited)** | | | | | |
| **Segment assets** | **10,922,853** | **9,447,589** | **5,694,729** | **8,421,871** | **34,487,042** |
| Elimination of intersegment receivables | | | | | **(4,893,846)** |
| Deferred tax assets | | | | | **266,816** |
| Corporate and other unallocated assets | | | | | **9,140** |
| Total assets | | | | | **29,869,152** |
| **Segment liabilities** | **2,505,161** | **2,050,020** | **793,727** | **6,292,060** | **11,640,968** |
| Elimination of intersegment payables | | | | | **(4,893,846)** |
| Tax liabilities | | | | | **15,560** |
| Deferred tax liabilities | | | | | **908,801** |
| Corporate and other unallocated liabilities | | | | | **3,001** |
| Total liabilities | | | | | **7,674,484** |

| | Six months ended 30 June 2025 | | | | | |
|---|---|---|---|---|---|---|
| | Yi Fang | Tian Jiang | Tong Ji Tang | Medi-World | Elimination | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Segment revenue** ***(note 4)*** | | | | | | |
| External customers | 2,450,040 | 1,598,484 | 1,081,458 | 2,333,401 | – | 7,463,383 |
| Intersegment sales | 124,500 | 164,885 | 288,543 | 875,937 | (1,453,865) | – |
| Total segment revenue | 2,574,540 | 1,763,369 | 1,370,001 | 3,209,338 | (1,453,865) | 7,463,383 |
| **Segment results** | (38,194) | (325,352) | 116,043 | 112,128 | – | (135,375) |
| Reconciliation: | | | | | | |
| **Other unallocated head office and corporate expenses** | | | | | | (6,385) |
| **Loss for the period** | | | | | | (141,760) |
| **Other segment information:** | | | | | | |
| Interest income | 17,872 | 7,488 | 5,580 | 15,122 | (28,162) | 17,900 |
| Finance costs | (16,244) | (23,000) | (160) | (35,961) | 28,162 | (47,203) |
| Share of results of associates | – | (3) | – | (44) | – | (47) |
| Depreciation and amortisation | (245,861) | (185,623) | (55,523) | (90,226) | – | (577,233) |
| Write-down of inventories | (776) | (17,907) | (7,369) | (2,765) | – | (28,817) |
| Impairment loss recognised in respect of goodwill | – | (242,461) | – | – | – | (242,461) |
| Impairment losses under the expected credit loss model, net of reversal | (89,558) | (62,264) | (19,162) | (14,891) | – | (185,875) |

| | Year ended 31 December 2025 | | | | |
|---|---|---|---|---|---|
| | Yi Fang | Tian Jiang | Tong Ji Tang | Medi-World | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **As at 31 December 2025** ***(Audited)*** | | | | | |
| **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 |

**(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 Mainland China, 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 periods.

## 4. REVENUE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Types of goods or services** | | |
| Concentrated TCM granules | **1,932,888** | 2,990,750 |
| TCM finished drugs | **1,663,021** | 2,308,809 |
| TCM decoction pieces | **1,559,603** | 1,596,128 |
| Chinese medicinal herbs integration business | **189,582** | 445,584 |
| TCM great health services | **93,404** | 122,112 |
| Total | **5,438,498** | 7,463,383 |

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Geographical markets** | | |
| Chinese Mainland | **5,411,576** | 7,407,775 |
| Hong Kong, China | **11,740** | 25,755 |
| Overseas and others | **15,182** | 29,853 |
| Total | **5,438,498** | 7,463,383 |
| **Timing of revenue recognition** | | |
| **At point in time** | **5,438,498** | 7,463,383 |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Revenue from contracts with customers | | |
| External customers | **5,438,498** | 7,463,383 |
| Intersegment sales | **1,001,846** | 1,453,865 |
| Subtotal | **6,440,344** | 8,917,248 |
| Intersegment adjustments and eliminations | **(1,001,846)** | (1,453,865) |
| Total | **5,438,498** | 7,463,383 |

## 5. OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Government grants | | |
| Unconditional subsidies *(note (i))* | **9,838** | 36,857 |
| Conditional subsidies *(note (ii))* | **45,070** | 31,493 |
| Interest income on bank deposits | **13,951** | 17,900 |
| Rental income | **6,551** | 4,802 |
| Total other income | **75,410** | 91,052 |

*Notes:*

(i) The amount represents subsidy income received from various government authorities as incentives to the Group to recognise their contribution to the local economy.

(ii) Including government grants and subsidies have been received to compensate for the Group's research and development expenditures, which relate to future costs to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants are recognised in profit or loss when related costs are subsequently incurred and the Group receives government's acknowledgement of compliance. Other government grants have been received to compensate for the construction of the production line. The subsidies are recognised in profit or loss over the useful lives of the relevant assets.

## 6. OTHER GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Impairment loss recognised in respect of goodwill *(note 12)* | **(645,245)** | (242,461) |
| Penalty fees *(note (i))* | **(1,193)** | (17,523) |
| Donation | **(1,050)** | (1,510) |
| Loss on disposal of property, plant and equipment | **(1,227)** | (3,301) |
| Net exchange loss | **(2,432)** | (136) |
| Others *(note (ii))* | **37,765** | 2,537 |
| Total | **(613,382)** | (262,394) |

*Notes:*

(i) Penalty fees mainly represented the penalty fees in relation to the under provision in income taxes in prior periods as disclosed in note 9 Income Tax Expense.

(ii) Others mainly represented compensation from the builder, amounting to approximately RMB35,000,000.

## 7. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest on bank borrowings | **14,921** | 24,153 |
| Interest on lease liabilities | **1,676** | 2,208 |
| Effective interest expense on unsecured notes | **14,570** | 18,689 |
| Factoring of trade receivables and discounting of bills | **2,744** | 2,153 |
| Total borrowing costs | **33,911** | 47,203 |

## 8. LOSS BEFORE TAX

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

| | | Six months ended 30 June | |
|---|---|---|---|
| | *Notes* | **2026** | 2025 |
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | | **2,857,654** | 3,828,790 |
| Included: Write-down of inventories to net realisable value* | | **27,583** | 28,817 |
| Depreciation | | | |
| – property, plant and equipment | | **335,244** | 347,071 |
| – investment properties | | **6,090** | 3,734 |
| – right-of-use assets | | **44,257** | 30,731 |
| Amortisation of other intangible assets | *12* | **187,294** | 195,697 |
| Total depreciation and amortisation | | **572,885** | 577,233 |
| Research and development costs | | **187,513** | 256,123 |
| Impairment loss recognised in respect of goodwill | *6 & 12* | **645,245** | 242,461 |
| Foreign exchange loss, net | *6* | **2,432** | 136 |
| Loss on disposal of property, plant and equipment | *6* | **1,227** | 3,301 |
| Impairment losses recognised/(reversed) in respect of | | | |
| – trade receivables | *15* | **136,393** | 189,717 |
| – other receivables | *15* | **3,058** | (3,118) |
| – debt instruments at FVTOCI | *15* | **(266)** | (724) |

* The write-down of inventories to net realisable value is included in "Cost of sales" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

## 9. INCOME TAX EXPENSE

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

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 periods. 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.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Current** | | |
| PRC EIT | **42,191** | 75,776 |
| Under-provision in prior periods *(note)* | **81,832** | 37,367 |
| **Deferred** | **(49,255)** | (54,322) |
| **Total tax charge for the period** | **74,768** | 58,821 |

*Note:*

During the six months ended 30 June 2026, 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.

## 10. DIVIDENDS

No dividend was proposed for the six months ended 30 June 2026 (six months ended 30 June 2025: nil).

## 11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company of approximately RMB776,297,000 (six months ended 30 June 2025: loss for the period attributable to ordinary equity holders of the Company of approximately RMB107,918,000), and the weighted average number of ordinary shares of 5,035,801,000 (30 June 2025: 5,035,801,000) in issue during the period.

The calculations of basic and diluted loss per share are based on:

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Loss** | | |
| Loss for the period attributable to the owners of the Company | **(776,297)** | (107,918) |

| | Number of shares<br>Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| **Shares** | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share (in thousand) | **5,035,801** | 5,035,801 |

No diluted loss per share for both periods was presented as there were no dilutive potential ordinary shares in issue during both current and prior periods.

## 12. GOODWILL AND OTHER INTANGIBLE ASSETS

| | **Goodwill** | **Intangible assets** |
|---|---|---|
| | ***RMB'000*** | ***RMB'000*** |
| Cost and carrying amount: | | |
| At 1 January 2026 (audited) | **2,531,159** | **4,491,572** |
| Additions | **–** | **63** |
| Transfer from construction in progress | **–** | **800** |
| Amortisation for the period | **–** | **(187,294)** |
| Impairment loss *(note)* | **(645,245)** | **–** |
| At 30 June 2026 (unaudited) | **1,885,914** | **4,305,141** |

*Note:*

In addition to goodwill and trademarks (part of intangible assets) above, 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 Cash generating units ("CGUs") for the purpose of impairment assessment.

During the six months ended 30 June 2026, the management of the Group has recognised an impairment loss of approximately RMB645,245,000 in relation to goodwill allocated to the CGU of Jiangyin Yifang, primarily due to industry policies adjustment and market environment changes to the concentrated TCM granules business. As a result, a provision for goodwill impairment was made in CGU of Jiangyin Yifang. The impairment loss has been included in profit or loss in the other gains and losses line item.

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

| | **Average growth rate for five-year period** | | **Growth rate beyond the fifth year** | | **Pre-tax discount rates** | |
|---|---|---|---|---|---|---|
| | **30 June 2026** | 31 December 2025 | **30 June 2026** | 31 December 2025 | **30 June 2026** | 31 December 2025 |
| Jiangyin Yifang | **7.65%** | 2.98% | **2.30%** | 2.30% | **9.48%** | 9.55% |

During the six months ended 30 June 2025, the management of the Group has recognised an impairment loss of approximately RMB242,461,000 in relation to goodwill allocated to the CGU of Jiangyin Tianjiang, primarily due to its underperformance of the concentrated TCM granules business. As a result, a provision for goodwill impairment was made in CGU of Jiangyin Tianjiang. The impairment loss has been included in profit or loss in the other gains and losses line item.

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

| | **Average growth rate for five-year period** | | **Growth rate beyond the fifth year** | | **Pre-tax discount rates** | |
|---|---|---|---|---|---|---|
| | **30 June 2025** | 31 December 2024 | **30 June 2025** | 31 December 2024 | **30 June 2025** | 31 December 2024 |
| Jiangyin Tianjiang | **2.65%** | 8.32% | **2.30%** | 2.30% | **9.75%** | 10.09% |

In the opinion of the Directors, no additional impairment loss of other CGUs was recognised during the six months ended 30 June 2026 and 2025.

The recoverable amount of the CGU is determined based on value-in-use calculation. The recoverable amount of the CGU as at 30 June 2026 has been arrived at based on the value-in-use calculation carried out on 30 June 2026 by independent qualified professional valuer. The key assumptions used in the value-in-use calculation are those regarding the discount rate, growth rate, 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 rate applied is able to reflect the current market assessments of the time value of money and the risks specific to the CGU.

For the purpose of impairment testing, goodwill and other intangible assets with indefinite useful lives have been allocated to the respective CGU. The Group determined the value-in-use by preparing cash flow projections of the CGU 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 calculation relate to the estimation of cash flow projection 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 CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the above CGU that contain goodwill and other intangible assets with indefinite useful lives to exceed its recoverable amount.

## 13. INVENTORIES

| | **30 June 2026** | 31 December 2025 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Raw materials | **931,827** | 882,402 |
| Work in progress | **1,183,162** | 1,106,803 |
| Finished goods | **1,633,958** | 1,721,736 |
| Total | **3,748,947** | 3,710,941 |

As at 30 June 2026, there was a provision for inventories write-down with the amount of approximately RMB272,660,000 (31 December 2025: RMB248,793,000).

## 14. TRADE AND OTHER RECEIVABLES

| | **30 June 2026** *RMB'000* **(Unaudited)** | 31 December 2025 *RMB'000* (Audited) |
|---|---|---|
| Trade receivables | **8,157,137** | 8,781,421 |
| Less: allowance for credit losses | **(539,049)** | (402,772) |
| | **7,618,088** | 8,378,649 |
| Deposits and prepayments | **128,245** | 131,474 |
| Advance tax payments | **137,328** | 159,630 |
| Other receivables | **199,944** | 237,862 |
| Less: allowance for credit losses | **(66,220)** | (63,162) |
| | **399,297** | 465,804 |
| Total | **8,017,385** | 8,844,453 |

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

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date is as follows:

| | **30 June 2026** *RMB'000* **(Unaudited)** | 31 December 2025 *RMB'000* (Audited) |
|---|---|---|
| 0 to 90 days | **2,836,010** | 4,421,725 |
| 91 to 180 days | **1,902,166** | 2,001,677 |
| 181 to 365 days | **2,416,265** | 1,658,121 |
| Over 365 days | **1,002,696** | 699,898 |
| Total | **8,157,137** | 8,781,421 |

## 15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Impairment losses recognised/(reversed) in respect of | | |
| – trade receivables | **136,393** | 189,717 |
| – other receivables | **3,058** | (3,118) |
| – debt instruments at FVTOCI | **(266)** | (724) |
| Total | **139,185** | 185,875 |

The basis of the determination of the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2026 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2025.

## 16. TRADE AND OTHER PAYABLES

| | **30 June 2026** | 31 December 2025 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables | **1,289,414** | 1,436,045 |
| Bills payables | **725,079** | 771,158 |
| Deposits received from distributors | **980,429** | 977,931 |
| Salaries and welfare payables | **343,498** | 458,199 |
| Other tax payables | **104,022** | 195,025 |
| Accrual of operating expenses | **743,096** | 979,657 |
| Dividend payables | **47,651** | 47,706 |
| 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 | **164,100** | 33,970 |
| Refund liabilities | **31,171** | 58,674 |
| Other payables *(note)* | **411,039** | 365,424 |
| Total | **4,843,049** | 5,327,339 |

*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.

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

| | **30 June 2026** | 31 December 2025 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| 0 to 90 days | **1,327,700** | 1,430,162 |
| 91 to 180 days | **360,426** | 403,288 |
| 181 to 365 days | **240,934** | 312,347 |
| Over 365 days | **85,433** | 61,406 |
| Total | **2,014,493** | 2,207,203 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

During the Reporting Period, the Group achieved revenue of approximately RMB5,438,498,000, representing a year-on-year decrease of 27.1%, which was mainly due to the decline in terminal demand and the decrease in sales volume during the Period for concentrated TCM granules business, as affected by industry policy adjustments and changes in the market environment.

**Analyzed by business segment:**

Revenue from Chinese medicinal herbs integration business was approximately RMB189,582,000, representing a year-on-year decrease of 57.5%, accounting for 3.5% of the total revenue;

Revenue from TCM decoction pieces business was approximately RMB1,559,603,000, representing a year-on-year decrease of 2.3%, accounting for 28.7% of the total revenue;

Revenue from concentrated TCM granules business was approximately RMB1,932,888,000, representing a year-on-year decrease of 35.4%, accounting for 35.5% of the total revenue;

Revenue from TCM finished drugs business was approximately RMB1,663,021,000, representing a year-on-year decrease of 28.0%, accounting for 30.6% of the total revenue;

Revenue from TCM great health business was approximately RMB93,404,000, representing a year-on-year decrease of 23.5%, accounting for 1.7% of the total revenue.

During the Reporting Period, the Group's gross profit was approximately RMB2,580,844,000, representing a year-on-year decrease of 29.0%. The gross profit margin was 47.5%, representing a decrease of 1.2 percentage points compared with the same period last year, which was mainly due to the decrease in the unit selling prices of certain products, leading to a decline in the gross profit margin.

## BUSINESS REVIEW

### *I. Focus on Core Businesses and Strengthen the Foundation of Operation and Development*

*(I) Chinese medicinal herbs integration business*

In recent years, prices of Chinese medicinal herbs have experienced significant fluctuations due to multiple factors such as climate and supply-demand relationships. TCM manufacturers have generally faced dual pressures from "upstream fluctuations in the prices of Chinese medicinal herbs and downstream pressure on drug prices". To better integrate resources, the Group's Chinese medicinal herbs integration business segment has shifted away from its previous development model of independent development and pursuit of scale pattern. The Group has proactively scaled down inefficient businesses while strengthening the coordination of Chinese medicinal herbs resources and risk management.

In terms of procurement management, the Group continued to advance the standardisation, normalisation and compliance of its procurement system. The Group significantly enhanced its cost control capabilities by increasing the proportion of centralised procurement, optimising the supplier structure and deepening the base direct-supply model. During the Reporting Period, the Group designated 25 varieties of Chinese medicinal herbs for direct supply from bases and completed strategic reserves for certain varieties.

In terms of resource layout, the Group strictly adhered to the policy requirements of the Good Agricultural Practice ("GAP") for Chinese medicinal herbs. As of the end of the Reporting Period, the Group has built 193 production bases for Chinese medicinal herbs in 20 provinces (regions and municipalities) across the country, covering 107 varieties with a total area of over 536,900 mu. Among these, 94 varieties have been coded for traceability, representing a coding rate of 88%. A cumulative total of 33 varieties have passed GAP compliance inspections. Additionally, it has established seed and seedling breeding bases with an area of 3,585 mu, covering 13 key varieties.

*(II) TCM decoction pieces*

In 2026, the first nationwide centralised procurement of TCM decoction pieces, spearheaded by the Health Care Security Administration of Shandong Province, was fully implemented. The second round of national alliance centralised procurement was officially launched in May 2026, adding 41 new varieties on top of the 45 included in the first round. The Group actively responded to this initiative, with a total of 10 subsidiaries, 41 varieties and 82 specifications successfully selected, covering all 31 provinces (regions and municipalities) across the country. Although the price reductions from centralised procurement exerted certain pressure on short-term performance, the Group leveraged its scale advantages and cost management and control efforts to achieve significant year-on-year growth in the sales of medical decoction pieces, partially offsetting the impact of declining prices.

The operational model of the Group's "Share of TCM • Intelligent Distribution Centres" was iteratively upgraded. As of the end of the Reporting Period, 12 distribution centres in cities such as Foshan and Jiangmen completed the launch of information systems, establishing a fully digitalised workflow from prescription issuance to final delivery. Integrating the Group's proprietary AI analytics capabilities, the system enables intelligent prescription recognition, dispensing verification and decoction control. During the Reporting Period, the Group's 53 national distribution centres completed a cumulative total of 3.907 million prescriptions for decoction and delivery, with a production of 30.545 million doses, representing a year-on-year increase of 8.5% and 10.8%, respectively, driving a dual improvement in both operational capacity and service quality.

### *(III) Concentrated TCM granules*

During the Reporting Period, the concentrated TCM granules industry entered a phase of profound transformation driven by policy guidance and market adjustments. On the one hand, the phased implementation of the new round of inter-provincial alliance centralised procurement, coupled with intensified medical insurance cost control, placed temporary pressure on the overall scale of the industry; on the other hand, the top-level design became increasingly refined: the Guideline for Pricing of Medical Service Items Under the Pharmaceutical Category (《藥學類醫療服務價格項目立項指南》) clarified that dispensing fees may be charged following the implementation of the zero-markup policy, while the Certain Opinions on Improving the Drug Price Formation Mechanism (《關於健全藥品價格形成機制的若干意見》) formally ended the long-standing markup sales model.

In response to the industry changes, the Group took proactive measures to break through challenges and accelerate the transformation of its marketing model towards high quality. Firstly, it strengthened the construction of its direct sales system by establishing a specialised self-operated team and a tiered service provider management and control system, while strictly adhering to compliance standards. Secondly, it conducted high-quality clinical research to enhance clinicians' recognition of the value of concentrated TCM granules products, driving industry competition back to its clinical essence.

### *(IV) TCM finished drugs*

In the first half of 2026, the TCM finished drugs industry continued its deep adjustment trend. Demand in the hospital market experienced a slight decline due to medical insurance cost control and regulations on rational drug use, while the out-of-hospital market faced dual challenges from online traffic diversion and policy adjustments.

In terms of prescription drugs business, the Group adhered to a clinical value-oriented approach and continued to optimise its market layout. During the Reporting Period, 856 unit-times of secondary and above medical terminals were developed. A total of 12 guidelines, consensuses and textbooks have been approved for access, covering core products such as Xianling Gubao Capsules (仙靈骨葆膠囊) and Yu Ping Feng Granules (玉屏風顆粒), significantly enhancing recognition of their clinical values. Meanwhile, the Group conducted 29 evidence-based studies on products such as Huashi Baidu Granules (化濕敗毒顆粒) and Jinye Baidu Granules (金葉敗毒顆粒), providing robust evidence to support academic promotion.

In terms of OTC business, the Group actively deepened its "branded e-commerce" layout, with an increasingly refined operational system for core e-commerce platforms and year-on-year growth in new retail business. In terms of offline channel expansion, it added 276 unit-times of "10+200" chain pharmacy outlets, achieving a shelf availability rate of over 80% for three varieties, including Biyankang Tablets (鼻炎康片). The Group also deepened strategic collaboration with Sinopharm Group Guoda Drugstore, launching targeted promotional campaigns for products such as Yaoshen Paste (腰腎膏) and Chongcao Qingfei Capsules (蟲草清肺膠囊), continuously unlocking internal synergies.

*(V) TCM great health*

On the product front, the Group anchored its strategy in authentic medicinal herbs and medicine and food homology, actively advancing research and development ("R&D") efforts into new categories such as personal care products, herbal pastes and dietary therapies to cultivate new growth points.

On the service front, the TCM medical institutions optimised the diagnosis and treatment service systems to address emerging demands, including specialised health care, chronic disease conditioning and posture correction. During the Reporting Period, the Group recorded a total of 107,000 outpatient visits, with steady increases in the average transaction value and repurchase rates.

## *II. Enhance Governance and Operations and Drive Technological Innovation*

*(I) Deepen technological innovation and solidify growth foundations*

During the Reporting Period, the Group adhered to a dual-driven approach of R&D innovation and standardised construction, achieving multiple breakthroughs.

In terms of innovative drugs, R&D of Category 1.1 TCM new drugs continued to advance. Information of "Xingpi Jieyu Tablets" (Yushuda Tablets) which was developed by Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. ("Tongjitang Pharmaceutical"), a subsidiary of the Group, was submitted, entering into the technical evaluation phase of Center for Drug Evaluation.

R&D of classic formulas yielded substantial results. Two Category 3.1 new drugs, namely Taohe Chengqi Granules (桃核承氣顆粒) developed by Guangdong Yifang Pharmaceutical Co., Ltd. ("Guangdong Yifang") and Shaoyao Gancao Tang Granules (芍藥甘草湯顆粒) developed by Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd., were approved for marketing. The core product Trionycis Bolus (鱉甲煎丸) from Sinopharm Group Zhonglian Pharmaceutical Co., Ltd. was successfully selected for a national science and technology major project, under which it collaborates with top institutions such as Shuguang Hospital Affiliated to Shanghai University of Traditional Chinese Medicine and Naval Medical University to deeply explore the efficacy mechanism of the product in the "inflammation-to-cancer transition" of hepatitis B.

The Group maintained its leadership in standard-setting for concentrated TCM granules. During the Reporting Period, the Chinese Pharmacopoeia Commission released 23 new national drug standards for concentrated TCM granules, of which the Group led the drafting of 13 standards, accounting for 57%. As of 21 July 2026, the Group participated in drafting 238 out of the 410 national standards, accounting for 58%.

*(II) Deepen digital and intelligence integration, drive core business upgrades*

During the Reporting Period, the Group leveraged industrial digitalisation and business digitalisation and intelligence as core driving forces to accelerate the establishment of a new development pattern characterised by data empowerment, manufacturing upgrades and enhanced management efficiency.

In terms of industrial digitalisation, leveraging data elements across the entire industry chain, the Group completed data compliance governance and asset confirmation. It launched the first industry-specific data product, the "Traditional Chinese Medicines Full Industry Chain Quality Traceability Dataset" (中藥全產業鏈質量追溯數據集), which was listed on the Canton Data Exchange. This milestone marks the Group's transition from data resources to data assets. Utilizing a "data + visual" dual-evidence chain, this dataset has helped 33 Chinese medicinal herb varieties pass GAP compliance inspections, setting a benchmark for the marketisation of industry data elements.

In terms of business digitalisation and intelligence, the Group adopted a "tailored strategy for each plant and tiered development" (一廠一策、分級培育) approach for smart factory development. Subsidiaries including Guangdong Yifang, Jiangyin Tianjiang, Tongjitang Pharmaceutical and Shanghai Tongjitang Pharmaceutical Co., Ltd. made continuous progress in the digitalisation and intelligence of the entire production process, achieving multiple breakthroughs in areas such as MES system optimisation and data middle platform construction. As of the end of the Reporting Period, three subsidiaries had been recognised as "Advanced Smart Factories" through official evaluations, signifying a new level of intelligent manufacturing capabilities.

*(III) Cultivate a strong talent ecosystem, stimulate organisational vitality*

The Group will continue to strengthen its cadre and talent pipelines. During the Reporting Period, it launched the "brigadier scheme", an elite young-cadre training class to purposefully select and groom core talent; it continued to improve market-oriented operating mechanisms and a contract-based management system, establishing a clear orientation of "rigorous assessment, strict constraints, and results focus" to effectively implement contract-based management for mid-level managers at headquarters.

The personnel-efficiency reforms delivered notable results. As of the end of the Reporting Period, employees with bachelor's degrees and above accounted for 47.3% of the workforce, representing an increase of approximately 5.3 percentage points as compared with the same period in 2025; the percentage of research personnel increased by approximately 0.2 percentage point from the same period in 2025 to 10.1%.

*(IV) Uphold safety and environmental protection, fortify the foundation of quality*

The Group strictly implemented production safety responsibilities while ensuring stable and orderly production operations through system improvements, clarified accountability, intensified inspections, strengthened drills and other multifaceted measures. During the Reporting Period, the Group organised an aggregate of 713 specialised trainings on topics such as machinery, fire prevention, and hazardous chemicals, covering 37,539 participants. At the same time, the proportion of green energy applications continued to increase. As of the end of the Reporting Period, the cumulative installed capacity of photovoltaic power generation reached 20.68 MW. During the Reporting Period, photovoltaic power generation reached 8.0041 million kWh, equivalent to a reduction of 4,247 tons of carbon dioxide emissions; and 14.4463 million kWh of green electricity were procured.

In terms of quality management, by establishing a unified quality management system, conducting routine internal audits, and deepening hidden-danger investigations, the Group achieved precise control of quality risks. During the Reporting Period, the Group completed internal quality-system audits at a total of seven subsidiaries, routine supervisory inspections at 16 subsidiaries, and specialised inspections of Chinese medicinal materials at two subsidiaries, continuously fortifying the baseline for quality compliance.

## *IV. Policy Update*

During the Reporting Period, a series of policies and regulations governing the TCM industry were implemented. The Group promptly adjusted its operating strategies to keep pace with the evolving landscape. In terms of national strategy, both the 2026 National Health Conference and the "Government Work Report" (《政府工作報告》) emphasized "equal emphasis on traditional Chinese and Western medicine". The "Implementation Plan for High-Quality Development of the TCM Industry" (《中藥工業高質量發展實施方案》) and the "15th Five-Year Plan" outline have laid out a clear blueprint for long-term industry development, validating the Group's foresight in its full-industry-chain layout and intelligent manufacturing upgrades. In terms of quality supervision, the newly revised "Regulations for Implementing the Drug Administration Law" (《藥品管理法實施條例》) and the "Regulations for the Administration of TCM Decoction Pieces in Hospitals" (《醫院中藥飲片管理規範》) have reinforced enterprises' primary responsibility. Leveraging its traceability system and self-production capabilities, the Group has continued to strengthen its foundation of compliance. In terms of medical reform and market, the dynamic adjustment of the essential medicines list and the full implementation of the "zero markup" policy for concentrated TCM granules have driven industry competition back toward its core focus on clinical value, accelerating the transformation of the Group's marketing model toward academic and professional standards. In terms of compliance and risk control, in the face of stringent measures such as judicial interpretations on anti-commercial bribery, the registration management of pharmaceutical representatives, and the five-year special campaign on medical insurance funds, the Group has continuously strengthened its compliance system construction to ensure lawful and compliant operations, thereby safeguarding the Company's steady and sustainable development.

1. *2026 National Health Conference held from 5 to 6 January 2026*

Keywords: healthy China, deepening healthcare reform, affordability, transparency, and quality improvement

The conference comprehensively deployed the key tasks for public health for the year, explicitly requiring that the unique strengths of TCM be fully leveraged in areas such as treatment, rehabilitation, prevention and innovation. It also called for the precise implementation of the project to strengthen the foundation of medical and health care and the inclusion of training for key "Western physicians learning TCM" (西學中) personnel in the annual list of practical initiatives. The Group will seize the opportunities of the "Western physicians learning TCM" policy, focusing on selecting core medical institutions with large-scale training programmes to deepen the clinical penetration and application of its products. At the same time, the Group will establish a training system for integrated Chinese-Western medical diagnosis and treatment that covers Western medicine physicians, thereby fostering clinical drug use habits.

2. *The "Regulations for Implementing the Drug Administration Law of the People's Republic of China" (《中華人民共和國藥品管理法實施條例》) effective on 27 January 2026*

Keywords: full-process management and control, self-production of TCM decoction pieces and concentrated TCM granules, traceability system

The regulations solidify quality responsibilities throughout the entire lifecycle of TCM into administrative rules and establish specific, mandatory requirements for TCM decoction pieces and concentrated TCM granules, serving as a foundational administrative regulation for the production and operation of TCM. At the same time, the regulations optimise the ecosystem for pharmaceutical innovation, incentivizing innovations that possess genuine clinical value. The Group's compliant layout of full-industry-chain, self-production and quality traceability systems closely aligns with regulatory requirements, and the Group will continue to focus on product innovation driven by clinical value, thereby strengthening the resilience of industrial chain and product advantages.

3. *The "Implementation Plan for High-Quality Development of the TCM Industry (2026-2030)" (《中藥工業高質量發展實施方案(2026-2030年)》) issued on 5 February 2026*

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

The plan serves as a guiding document for the development of the TCM industry over the next five years. The plan's emphasis on directions such as "full industry chain collaboration" further confirms the Group's forward-looking and strategic value in its layout of GAP bases, origin processing and quality traceability systems. The Group's existing intelligent manufacturing upgrades and R&D platform construction align perfectly with the "deployment of smart factories, green factories and innovation centres" of the plan. The plan explicitly encourages leader guidance, providing solid policy support for the Group to integrate industry resources and promote the intensive development.

4. *The new version of "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: equal emphasis on traditional Chinese and Western medicine, expansion of the essential drugs, evidence-based evidences, priority for primary healthcare

   The measures optimise the dynamic adjustment mechanism for the list, shorten the update cycle, and focus on the selection criteria on TCM dominant diseases, pediatric, gynecological, and chronic disease medications. At the same time, the measures strengthen the evidence requirements for essential drug varieties in terms of evidence-based medicine and pharmacoeconomics, and establish mandatory assessment criteria for the standardised drug instructions and clinical re-evaluation. Dynamic adjustments to the list imply that there will be at least one redistribution of product market share every three years, which means a reshaping of the market landscape. The Group will closely monitor trends in these adjustments, optimise market access strategies, and simultaneously strengthen price maintenance management for proprietary varieties and deepen channel development after winning bids to seize structural opportunities.

5. *The "Guideline for Pricing of Medical Service Items Under the Pharmaceutical Category (Trial)" (《藥學類醫療服務價格項目立項指南(試行)》) issued on 11 February 2026*

   Keywords: pharmaceutical service pricing, zero markup for concentrated TCM granules, dispensing fees for concentrated TCM granules

   The guideline reforms prescription charging models by formally implementing a zero-markup policy for concentrated TCM granules while concurrently establishing standardised charging items for on-site processing, decoction services and dispensing fees, through which pharmacists' professional labour value is recognised separately. Having systematically analysed the cost composition under the zero-margin policy, the Group is actively participating in consultations on price-forming mechanisms, and will contribute constructive proposals for sustainable industry development while supporting the rediscovery of value for pharmaceutical services.

6. *The "2026 Government Work Report" (《2026年政府工作報告》) delivered on 5 March 2026*

   Keywords: TCM inheritance and innovation, integration of traditional Chinese and Western medicine, procurement optimisation

   As China's top-level policy document for annual macroeconomic and livelihood planning, the report lists "promoting TCM inheritance and innovation and facilitating the integration of traditional Chinese and Western medicine" as a key task for the year, anchoring TCM's long-term and stable development at the national strategic level and effectively reducing industry uncertainty. The Group will continue to follow the guidance of the report, accelerating downstream penetration of its medical terminal network and broadening clinical application in integrative Chinese and Western medicine scenarios.

7. *The "15th Five-Year Plan for Economic and Social Development of the People's Republic of China" (《中華人民共和國國民經濟和社會發展第十五個五年規劃綱要》) issued on 12 March 2026*

   Keywords: Healthy China, TCM inheritance and innovation, TCM revitalisation and development

   As the master plan for the "15th Five-Year" period, it systematically deploys tasks for TCM revitalisation, covering mid- to long-term tasks such as service quality improvement, resource conservation, medical insurance reform, and cultural exchange, embedding TCM development into the national strategic agenda. It sets out stable policy expectations for the Group's long-term development.

8. *The "Interpretation on Several Issues Concerning the Application of Law in Handling Criminal Cases of Corruption and Bribery (II)" (《關於辦理貪污賄賂刑事案件適用法律若干問題的解釋(二)》) issued on 10 April 2026*

   Keywords: intensified penalties for medical sector bribery, piercing accountability (穿透追責), lowered thresholds for criminalising bribery by individuals and organisations

   This judicial interpretation identifies the medical sector as a key area for strict anti-bribery enforcement, substantially lowering thresholds for recognising commercial bribery in the sector and building a full-chain, piercing accountability mechanism covering pharmaceutical enterprises, medical representatives and staff from medical institutions. This signals a new normal of law-based compliance supervision for the sector. The Group will continue to strengthen and refine its compliance and internal control systems, leveraging high-standard compliance capabilities to seize the window of opportunity presented by the sector's move toward standardised regulation.

9. *The "Certain Opinions on Improving the Drug Price Formation Mechanism" (《關於健全藥品價格形成機制的若干意見》) issued on 14 April 2026*

   Keywords: optimised drug price formation mechanism, zero markup for concentrated TCM granules

   These opinions have established a full-lifecycle and category-based drug price governance system, formally specifying the implementation of the zero-markup policy for concentrated TCM granules. Following the policy implementation, procurement by medical institutions will shift from "price-driven" selection to "product strength", placing greater emphasis on quality, efficacy and evidence. This will effectively reduce patient cost burdens and improve the accessability of concentrated granules. The Group will use this as a catalyst to transform its marketing toward academic value, intensify efforts to generate clinical evidence, and build differentiated competitive advantages.

10. *The "Regulations for the Administration of TCM Decoction Pieces in Hospitals" (2026 Edition) (《醫院中藥飲片管理規範(2026版)》) effective on 16 April 2026*

Keywords: full-process quality management and control, clarified rules for outsourced decoction, rational clinical use

The new regulations cover full process review of procurement, storage, dispensing, decoction and prescription. Notably, the regulations expressly permit medical institutions with insufficient capacity to outsource decoction services to qualified organisations, and require the entrusted parties to maintain a full process traceability system. This removes institutional barriers for compliant outsourcing of decoction services and is expected to relieve in-hospital capacity constraints. Leveraging its sound quality control and traceability systems, the Group will capture expanded market opportunities in outsourced decoction services and drive growth in its decoction pieces business at point of care.

11. *The "Management Measures for Medical Representatives" (《醫藥代表管理辦法》) effective on 7 May 2026*

Keywords: filing management, compliant promotion, full-chain regulation

The measures restructure the regulatory framework for medical representatives, strictly prohibiting representatives from undertaking business activities such as sales tasks, prescription compilation or payment collection, thereby strongly driving industry marketing transformation. This direction highly aligns with the Group's long-standing evidence-based academic promotion pathway. We will continue building specialised professional promotion teams, strengthening full-process compliance control, and preserving our academic marketing moat.

12. *The "Prescription Drug Online Retail Compliance Guide" (《處方藥網絡零售合規指南》) issued on 25 May 2026*

Keywords: prescription review management and control, full-process operating standards, platform entity responsibility

The guide sets unified standards for online and offline prescription drug compliant operations while clarifying entity responsibilities between retail enterprises and third-party platforms. As market entry thresholds rise and order is restored, compliant operation becomes a core competitive edge. The Group will strictly comply with the guide, faithfully perform its responsibilities as an operating entity, and leverage its robust compliance systems and product edge to actively expand into the Internet healthcare market.

*13. The "15th Five-Year Plan for TCM Revitalisation and Development" (《中醫藥振興發展「十五五」規劃》) effective on 16 July 2026*

Keywords: full-industry collaboration, digital and intelligence empowerment, coordinated development of medical services, medical insurance and pharmaceuticals, modernisation of TCM

As the guiding policy document for coordinated development of TCM services, industry and culture during the "15th Five-Year" period (2026-2030), this plan is China's second five-year special plan for TCM and marks a new phase of fully-accelerated, systematic advancement in TCM revitalisation and development. Taking an integrated approach across key domains such as medical services, research, talent, industry, culture and open development, the plan sets out key tasks across ten areas.

The Group will seize this policy opportunity, comprehensively align with the plan's priorities, with a view to converting policy benefits into concrete outcomes in its development:

Task 1 – Improving high-quality TCM service systems

The Group will closely seize opportunities to optimise the layout of its TCM service resources and, leverage TCM medical systems at all levels to advance terminal deployment and specialty co-development. Priority will be given to supporting key planned areas such as pediatrics, geriatric medicine and behavioural sleep disorders: in pediatrics, we will tackle standardisation of formula-granule varieties and dosage forms to address category gaps; in geriatrics and sleep medicine, we will deepen academic engagement at the clinical end to assist the relevant departments in strengthening their capabilities. At the same time, we will deepen our presence in the primary market by participating in county-level specialty construction, optimising terminal operations of TCM medical institutions, and continuously improving primary TCM service networks.

Task 2 – Enhancing full-life-cycle health service capabilities of TCM

The Group will leverage its strengths in specialist deployments, deepen specialist alliances, and integrate these efforts with its quality-control systems. On the clinical level, we will use academic alliances to promote the standardisation of TCM rehabilitation protocols, establish joint nursing-clinic treatment models, and broaden the application scope of concentrated TCM granules. On the service level, we will continue to develop the "Share of TCM · Intelligent Distribution Centres", seize cross-regional dispensing opportunities arising from medical-institution formulation policies, and establish an integrated decoction-and-pharmacy service system for TCM decoction pieces.

Task 3 – Promoting high-quality development of integrative Chinese and Western medicine

The Group will further expand engagement with comprehensive tertiary hospitals, specialty hospitals and maternal-child health institutions to broaden clinical application of its products in integrative Chinese and Western medicine scenarios. Adhering to the training and political guideline of "Western physicians learning TCM", we will build an integrative diagnostic and treatment training system for institutions with strong training capacity that covers Western medicine physicians, cultivate clinical prescribing habits, and enhance clinical recognition of our products.

Task 4 – Building a high-quality TCM talent cadre

The Group will keep pursuing an approach that places equal emphasis on attracting and cultivating talent, expand its reserve of professional management talent, deepen industry-education integration to develop interdisciplinary research talent, continuously optimise the composition of talent cadre, and consolidate a robust long-term talent foundation.

Task 5 – Promoting TCM inheritance and innovation

The Group will coordinate product R&D planning with the development of its research capabilities. On the product side, we will advance in stages the introduction and commercialisation of renowned clinicians' validated prescriptions and in-hospital formulations, implement classic prescriptions, and carry out secondary development of core proprietary TCM products to strengthen the product pipeline. On the platform side, we will actively participate in the construction of the National TCM Inheritance and Innovation Centres (國家中醫藥傳承創新中心) and National TCM key laboratories (國家中醫藥局重點實驗室) while enhancing our independent innovation capacity.

Task 6 – Promoting modernised TCM industry and health services

The Group will continue to advance a full-industry-chain, high-quality development strategy. On the upstream resources side, we will intensify cultivation of premium germplasm, develop endangered medicinal materials, and build GAP production bases and primary processing centres at source, combined with an end-to-end quality-traceability system, as well as digital and intelligence technologies, these measures will strengthen upstream quality control. On the industrial manufacturing side, we will pursue capacity consolidation and intelligent manufacturing upgrades to realise economies of scale and reinforce our leadership in setting standards. On the downstream consumption and service side, we will concentrate on TCM-related health service models, build a comprehensive great health product matrix, optimise channel layout, upgrade services at TCM medical institutions, and cultivate new growth drivers.

Task 7 – Fostering TCM cultural prosperity

The Group will leverage its portfolio of long-established brands' intangible cultural-heritage craftsmanship and industrial-heritage assets to deepen the cultural connotations of TCM across living inheritance of intangible cultural heritage, themed exhibition-hall development, and integration of culture and tourism. We will promote a deep fusion of cultural value and industrial development to strengthen the soft power of our brands.

Task 8 – Promoting the open development of TCM

The Group will proactively coordinate its international expansion around three strategic directions, namely integrating into the "Belt and Road" initiative, securing overseas product market access, and advancing cooperation within the Greater Bay Area. We will steadily advance overseas registration and commercialisation of core product lines, deepen collaborative links with industry, academia, research and medical institutions in Hong Kong and Macau, and engage with international high-level exchange platforms, in a concerted effort to build quality TCM enterprises of distinctive "going-out" capabilities.

Task 9 – Accelerating digital and intelligence empowerment and standardisation of TCM

The Group will closely align with planning guidance on "TCM industrial internet and AI-assisted diagnosis and treatment", coordinate the implementation of AI-based scenarios, conversion of data assets into value, and the expansion of intelligent pharmaceutical services. We will continue to strengthen the digital capability system and consolidate our leadership role in formulating national standards for concentrated TCM granules.

Task 10 – Deepening reform and governance in the TCM field

The Group will closely follow policy directives on the coordinated development of medical services, medical insurance and pharmaceuticals, and align its business strategy with the core priorities of improving the review and approval system that integrates TCM theory, empirical human use, and clinical trials, advancing medical-insurance payment reform, and enhancing clinical value. At the same time, we will strengthen the rule of law and supervisory oversight, continuously refine our compliance management system to adapt to the new normal of "piercing-style regulation" (穿透式監管), and safeguard its steady and long-term development.

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

Challenges and opportunities will coexist in the second half of 2026, the Group will proactively adapt to the new ecosystem in sector-wide development, build on advantages from its existing assets and resources, address shortcomings and create a pattern of reform driven, innovation led, stable growth to achieve a strong start to the "15th Five Year" period.

*(1) Deepen reform to reshape business development models*

In terms of TCM decoction pieces, the Group will focus on the four priorities of "collaboration, quality improvement, volume expansion and brand", strengthen market footprint, category setting and marketing-system coordination, secure participation and ensure smooth delivery in the second-round national centralised procurement for TCM decoction pieces; enhance comprehensive pharmacy service capabilities and further maintain its leading position in the field of TCM decoction pieces.

In terms of concentrated TCM granules, the Group will coordinate responses to policy reforms, focus on adjusting marketing strategies and building its self-operated team, strive to secure market share, deepen academic promotion and implement new marketing policies.

In terms of TCM finished drugs, the Group will strengthen the establishment of its multi-tier academic promotion system and expert network, reinforce evidence chains, raise brand influence; optimise the operation of multicenter marketing platforms, enhance refined management; increase investment in out-of-hospital markets, and maximise the likelihood of meeting annual targets.

*(2) Drive quality improvement, ensure implementation of special governance initiatives*

Firstly, specify details and implement actions to secure delivery of special initiatives. By strengthening designated management and control on accounts receivable and actively overdue receivables from dormant customers; coordinating and advancing loss-making governance, decisively closing and transforming enterprises with no turnaround prospects; strictly controlling gearing ratio, relying on business collaboration and coordinated management, the Group will implement "piercing-style management and control" (穿透式管控) on highly indebted enterprises and provide targeted assistance in specified areas.

Secondly, optimise management and raise overall management and control effectiveness. To further advance personnel efficiency reform, improve operational efficiency by integrating cross-functional roles and streamlining redundant entities; optimise supply chain by increasing centralised procurement to capture scale effects, strengthen upstream resource control and strategic reserves to mitigate raw material cost volatility. Thoroughly implement measures to increase efficiency and reduce cost, optimise capacity allocation for the concentrated TCM granules segment; focus on increasing production-line utilisation among leading enterprises and promote the relocation of cleaning and slicing processes closer to producing areas for the TCM decoction pieces segment; concentrate on priority varieties and deepen variable cost lean management for the TCM finished drugs segment. At the same time, unify quality standards, optimise internal standards for TCM materials and decoction pieces, and advance the transition towards a standardised and integrated quality management system.

Thirdly, strengthen concrete control to solidify the foundation for high-quality development. Optimise the "strategy + operation" governance model and accelerate the construction of an analysis platform for operational data to materially improve data-driven decision-making quality. Improve the internal control system and enhance compliance oversight and dynamic monitoring of operational risks. Uphold safety as the baseline, consolidating the foundations of safe production and quality assurance, with particular emphasis on seasonal risk prevention and the remediation of hidden hazards. Forge supervisory synergy by improving cross-departmental information sharing, joint inspections, and remediation-tracking mechanisms, ultimately creating an efficient management closed loop.

*(3) Incubate and cultivate innovation-driven momentum*

To enrich the TCM finished drugs product pipeline, the Group will concentrate on breakthrough R&D for innovative Chinese medicine products, closely monitor the progress of the Phase III clinical trial for "Hei Guteng Tendon-stretching, Bone-penetrating Spray" (黑骨藤伸筋透骨噴霧劑), while intensifying secondary development of TCM finished drugs, and proactively pursue new-indication studies for three varieties and conduct post-marketing re-evaluations for major products.

Advance comprehensive digital and intelligent upgrades, roll out a smart TCM information platform on the industry side, establish procurement management and market-analysis systems on the business side and iteratively upgrade the marketing system, accelerate deployment of an operational data platform on the control side to consolidate and reuse data-analysis capabilities, proactively embracing the new wave of technological development.

**Conclusion**

Looking ahead to the second half of the year, the Group will seize the strategic opportunity presented by the revitalisation and development of TCM, and fully acknowledge the urgency of converting growth drivers and transforming our business model. Guided by a clear strategic direction, a refreshed development philosophy, and pragmatic operational measures, we will continuously strengthen our development resilience, comprehensively enhance core competitiveness, and strive to create long-term, stable investment returns to our shareholders.

## BUSINESS ANALYSIS

During the Reporting Period, the Group's revenue was approximately RMB5,438,498,000, representing a decrease of 27.1% from approximately RMB7,463,383,000 for the same period last year. Revenue and cost of sales of each business segment are as follows:

| | Six months ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | **2026** | 2025 | | **2026** | 2025 | |
| | **Revenue** | Revenue | | **Cost of sales** | Cost of sales | |
| **Business segments** | ***RMB'000*** | *RMB'000* | Change | ***RMB'000*** | *RMB'000* | Change |
| Chinese medicinal herbs integration business | **189,582** | 445,584 | -57.5% | **180,520** | 402,050 | -55.1% |
| TCM decoction pieces | **1,559,603** | 1,596,128 | -2.3% | **1,171,156** | 1,219,630 | -4.0% |
| Concentrated TCM granules | **1,932,888** | 2,990,750 | -35.4% | **844,799** | 1,329,265 | -36.4% |
| TCM finished drugs | **1,663,021** | 2,308,809 | -28.0% | **599,383** | 793,301 | -24.4% |
| TCM great health | **93,404** | 122,112 | -23.5% | **61,796** | 84,544 | -26.9% |
| Total | **5,438,498** | 7,463,383 | -27.1% | **2,857,654** | 3,828,790 | -25.4% |

### *1. Chinese medicinal herbs integration business*

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2026** | 2025 | |
| | ***RMB'000*** | *RMB'000* | Change |
| Revenue | **189,582** | 445,584 | -57.5% |
| Cost of sales | **180,520** | 402,050 | -55.1% |
| Gross profit | **9,062** | 43,534 | -79.2% |
| Gross profit margin | **4.8%** | 9.8% | -5.0pp |

During the Reporting Period, the revenue of the Chinese medicinal herbs integration business segment was approximately RMB189,582,000, representing a decrease of 57.5% compared with the revenue of approximately RMB445,584,000 for the same period last year and accounting for 3.5% of the total revenue, which was mainly due to: (1) focusing to the development of local varieties and advantageous varieties, and gradually cutting high-risk businesses; and (2) the 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 for the Period was 4.8%, representing a decrease of 5.0 percentage points compared with 9.8% for the same period last year, which was mainly attributed to the decrease in the market prices of some Chinese medicinal herbs, leading to a decrease in the gross profit margin.

### 2. *TCM decoction pieces*

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2026** | 2025 | |
| | ***RMB'000*** | *RMB'000* | Change |
| Revenue | **1,559,603** | 1,596,128 | -2.3% |
| Cost of sales | **1,171,156** | 1,219,630 | -4.0% |
| Gross profit | **388,447** | 376,498 | 3.2% |
| Gross profit margin | **24.9%** | 23.6% | 1.3pp |

During the Reporting Period, the revenue of the TCM decoction pieces business segment was approximately RMB1,559,603,000, representing a decrease of 2.3% compared with the revenue of approximately RMB1,596,128,000 for the same period last year and accounting for 28.7% of the total revenue. During the Period, we actively optimised the business structure and focused on the medical terminal markets. Despite the year-on-year growth in sales volume, the revenue underwent a slight drop as a result of the increase in the proportion of volume-based procurement business.

The gross profit margin for the Period was 24.9%, representing an increase of 1.3 percentage points compared with 23.6% for the same period last year, which was mainly due to the downward fluctuation in the market prices of raw material costs.

### 3. *Concentrated TCM granules*

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2026** | 2025 | |
| | ***RMB'000*** | *RMB'000* | Change |
| Revenue | **1,932,888** | 2,990,750 | -35.4% |
| Cost of sales | **844,799** | 1,329,265 | -36.4% |
| Gross profit | **1,088,089** | 1,661,485 | -34.5% |
| Gross profit margin | **56.3%** | 55.6% | 0.7pp |

During the Reporting Period, the revenue of the concentrated TCM granules business segment was approximately RMB1,932,888,000, representing a decrease of 35.4% compared with the revenue of approximately RMB2,990,750,000 for the same period last year and accounting for 35.5% of the total revenue, which was mainly due to the impact of adjustments to industry policies and changes in market conditions, leading to weaker terminal demand and a decline in sales volume for the Period.

The gross profit margin for the Period was 56.3%, representing an increase of 0.7 percentage point compared with 55.6% for the same period last year, which was mainly due to the downward fluctuation in the market prices of raw material costs.

### *4. TCM finished drugs*

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2026** | 2025 | |
| | ***RMB'000*** | *RMB'000* | Change |
| Revenue | **1,663,021** | 2,308,809 | -28.0% |
| Cost of sales | **599,383** | 793,301 | -24.4% |
| Gross profit | **1,063,638** | 1,515,508 | -29.8% |
| Gross profit margin | **64.0%** | 65.6% | -1.6pp |

During the Reporting Period, the revenue of the TCM finished drugs business segment was approximately RMB1,663,021,000, representing a decrease of 28.0% compared with the revenue of approximately RMB2,308,809,000 for the same period last year and accounting for 30.6% of the total revenue, which was mainly due to the continuous deepening of medical reform and medical insurance cost control that led to generally weak terminal demand. Coupled with the Company's initiative to optimise its marketing model and product pricing strategy, revenue recorded a year-on-year decrease.

The gross profit margin for the Period was 64.0%, representing a decrease of 1.6 percentage points compared with 65.6% for the same period last year, which was mainly attributed to the Company's moderate reduction in selling prices of certain products in active response to changes in market environment, resulting in a pullback in gross profit margin.

### *5. TCM great health*

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2026** | 2025 | |
| | ***RMB'000*** | *RMB'000* | Change |
| Revenue | **93,404** | 122,112 | -23.5% |
| Cost of sales | **61,796** | 84,544 | -26.9% |
| Gross profit | **31,608** | 37,568 | -15.9% |
| Gross profit margin | **33.8%** | 30.8% | 3.0pp |

During the Reporting Period, the revenue of TCM great health business segment was approximately RMB93,404,000, representing a decrease of 23.5% compared with the revenue of approximately RMB122,112,000 for the same period last year and accounting for 1.7% of the total revenue, which was mainly attributed to the exit from homogeneous product categories, resulting in a year-over-year decline in revenue.

The gross profit margin for the Period was 33.8%, representing an increase of 3.0 percentage points compared with 30.8% for the same period last year, which was mainly attributed to the optimisation of sales structure.

## FINANCIAL REVIEW

### Other income

For the six months ended 30 June 2026, the Group's other income was approximately RMB75,410,000, representing a decrease of 17.2% from approximately RMB91,052,000 for the same period last year, which was mainly due to the government grants received by the Group amounted to approximately RMB54,908,000 during the Reporting Period, representing a decrease of 19.7% from approximately RMB68,350,000 for the same period last year. At the same time, the interest income received for the Period was approximately RMB13,951,000, representing a decrease of 22.1% from approximately RMB17,900,000 for the same period last year.

### Other gains and losses

For the six months ended 30 June 2026, the Group's other losses were approximately RMB613,382,000 (six months ended 30 June 2025: other losses of approximately RMB262,394,000). The movements in other gains and losses were primarily because: (1) the impairment recognised in respect of goodwill was approximately RMB645,245,000 for the Period, representing an increase of approximately RMB402,784,000 compared with the goodwill impairment of approximately RMB242,461,000 for the same period of last year; and (2) the foreign exchange losses for the Period were approximately RMB2,432,000, representing an increase of approximately RMB2,296,000 compared with the foreign exchange losses of approximately RMB136,000 for the same period last year.

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

As at 30 June 2026, the balance of trade receivables of the Group for more than one year increased by approximately RMB302,798,000 compared with the beginning of the year. According to the Group's credit impairment loss provision policy, the provision for credit impairment loss for the Period was approximately RMB139,185,000, representing a decrease of approximately RMB46,690,000 compared with approximately RMB185,875,000 for the same period last year.

### Selling and distribution costs

For the six months ended 30 June 2026, the Group's selling and distribution costs were approximately RMB1,890,051,000 (six months ended 30 June 2025: approximately RMB2,556,399,000). Selling and distribution costs decreased by 26.1% 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 six months ended 30 June 2026, the Group's administrative expenses were approximately RMB552,082,000 (six months ended 30 June 2025: approximately RMB500,543,000), representing an increase of approximately 10.3% as compared with the same period last year, which was mainly due to: (1) the transfer of certain expenses to this account as a result of factors such as the relocation and suspension of operations at some enterprises; and (2) the expiration of concentrated TCM granules, resulting in an increase in inventory scrapping.

**Research and development expenses**

For the six months ended 30 June 2026, the Group's research and development expenses amounted to approximately RMB187,513,000, representing a decrease of 26.8% from approximately RMB256,123,000 for the same period last year. During the Reporting Period, research and development expenses were mainly used to: (1) improve future returns, focusing on research and development of innovative drugs as well as classical formulae; (2) improve quality standards, focusing on standards for concentrated TCM granules; and (3) improve future efficiency, focusing on research for adaptability research for the production of TCM products.

**Finance costs**

For the six months ended 30 June 2026, the Group's finance costs were approximately RMB33,911,000 (six months ended 30 June 2025: approximately RMB47,203,000), representing a year-on-year decrease, 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 2.76% (six months ended 30 June 2025: 2.7%). The Group will continue to closely monitor the changes in interest rate, adjust its borrowing and fundraising mechanism as appropriate, and refinance or enter into new agreements for existing bank loans, when favourable opportunities for bargaining arose.

**Share of results of associates**

For the six months ended 30 June 2026, the Group recorded share of results in associates of approximately RMB57,000, and recorded share of results of approximately RMB47,000 in the same period last year. During the Period, it was mainly attributed to the recognition of investment losses regarding the Group's investment in certain associates.

**Profit for the Period**

For the six months ended 30 June 2026, the Group's profit for the Period was approximately RMB-834,695,000, representing a decrease of 488.8% as compared with approximately RMB-141,760,000 for the same period last year. The revenue declined significantly year-on-year, and the profit for the period decreased accordingly. The net profit margin (defined as profit divided by revenue for the period) was -15.3%, representing a decrease of 13.4 percentage points from -1.9% for the same period last year, which was mainly attributed to: (1) the decline in sales revenue and profitability of the concentrated TCM granules business segment as affected by industry policy adjustments and changes in the market environment, which further led to the impairment of goodwill; (2) the declines in scale of sales and profitability of the concentrated TCM granules business segment and the Chinese medicinal herbs production and trading business segment; and (3) the increase in impairment of assets, impairment of credits and additional tax payments made by certain subsidiaries during the Period, which also contributed to the loss.

**Earnings per share**

For the six months ended 30 June 2026, basic earnings per share were approximately RMB-15.42 cents, representing a decrease of 620.6% from basic earnings per share of approximately RMB-2.14 cents for the same period last year. The decrease in basic earnings per share was because profit attributable to equity holders of the Company during the Reporting Period decreased by 619.3% to approximately RMB-776,297,000 (six months ended 30 June 2025: approximately RMB-107,918,000).

**Liquidity and financial resources**

As at 30 June 2026, the Group's current assets amounted to approximately RMB16,332,124,000 (31 December 2025: approximately RMB17,708,305,000), which included cash, cash equivalents and bank deposits of approximately RMB3,667,491,000 (31 December 2025: approximately RMB4,044,747,000), of which the pledged bank deposits amounted to approximately RMB74,923,000 (31 December 2025: approximately RMB102,670,000), mainly for bills payable security. Trade and other receivables amounted to approximately RMB8,017,385,000 (31 December 2025: approximately RMB8,844,453,000). Current liabilities amounted to approximately RMB5,916,491,000 (31 December 2025: approximately RMB7,733,585,000). Net current assets aggregated to approximately RMB10,415,633,000 (31 December 2025: approximately RMB9,974,720,000). The Group's current ratio was 2.8 (31 December 2025: 2.3). The gearing ratio (defined as bank and other loans and bonds payable divided by equity attributable to equity holders of the Company) decreased from 11.8% as at 31 December 2025 to 6.5%. The decrease in gearing ratio was mainly due to the repayment of bonds payable.

**Bank and other borrowings and pledge of assets**

As at 30 June 2026, the balance of bank and other borrowings of the Group was approximately RMB1,273,972,000 (31 December 2025: approximately RMB1,200,687,000), of which approximately RMB299,124,000 was secured borrowings (31 December 2025: approximately RMB293,851,000). Out of the balance of bank and other borrowings, approximately RMB849,832,000 and approximately RMB424,140,000 were repayable within one year and over one year, respectively (31 December 2025: approximately RMB992,939,000 and approximately RMB207,748,000, respectively).

As at 30 June 2026, the Group's bank deposits of approximately RMB74,923,000, land use rights with carrying value of approximately RMB143,865,000, investment property and property, plant and equipment with carrying value of approximately RMB653,173,000 and bills receivable with carrying values of approximately RMB64,667,000 were pledged to secure certain borrowings and bill financing of the Group (31 December 2025: bank deposits of approximately RMB102,670,000, land use rights of approximately RMB84,028,000, investment property and property, plant and equipment of approximately RMB637,955,000 and bills receivable of approximately RMB50,440,000 were pledged).

**Capital sources**

For the six months ended 30 June 2026, no major financing activity has been carried out by the Group. As at 30 June 2026, the Group had an unutilised bank credit facility of approximately RMB10,538,228,000, and had completed the registration of RMB2,000,000,000 in medium-term notes and RMB3,000,000,000 in ultra-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 six months ended 30 June 2026, the Group's fixed asset and intangible asset investment expense was approximately RMB72,219,000, compared with approximately RMB179,508,000 for the same period last year. During the Reporting Period, the capital expenditure was mainly used for the upgrade and replacement of production equipment for TCM granules and decoction pieces, as well as for investments in expanding production capacity for TCM finished drugs.

**Financing capacity**

As at 30 June 2026, capital commitments which the Group has entered into but were outstanding and not provided for in the financial statements were approximately RMB47,427,000 (31 December 2025: approximately RMB80,655,000). Such capital commitments were mainly used for the construction 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 30 June 2026 (30 June 2025: 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 30 June 2026, the Group had no Hong Kong Dollar bank borrowings and did not enter into any forward foreign exchange contracts. In future, the Group will continue to regularly review its net foreign exchange exposure and take appropriate and timely measures to mitigate the impact of exchange rate fluctuations.

**Employees and remuneration policies**

As at 30 June 2026, the Group had a total of 13,755 (30 June 2025: 15,583) employees, including the Directors, of which 4,510 were sales staff, 4,619 were manufacturing staff, and 4,626 were engaged in research and development, 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 RMB1,171,458,000 (six months ended 30 June 2025: approximately RMB1,113,036,000).

## INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance. The Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2026.

## MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

During the six months ended 30 June 2026, 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 30 June 2026, the Company did not hold any treasury shares.

## REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated financial results of the Group for the six months ended 30 June 2026, including the accounting principles, treatments and practices adopted by the Group. The Audit Committee has no disagreement with the accounting principles, treatments and practices adopted by the Group.

## PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website (www.china-tcm.com.cn) and the HKExnews website of the Stock Exchange (www.hkexnews.hk). The Company's 2026 interim report containing all information required under the Listing Rules will be sent to the shareholders of the Company and will be published on the Company's website (www.china-tcm.com.cn) and the HKExnews website of the Stock Exchange (www.hkexnews.hk).

By Order of the Board
**China Traditional Chinese Medicine Holdings Co. Limited**
**GUO Jinhong**
*Chairman*

Hong Kong, 28 August 2026

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