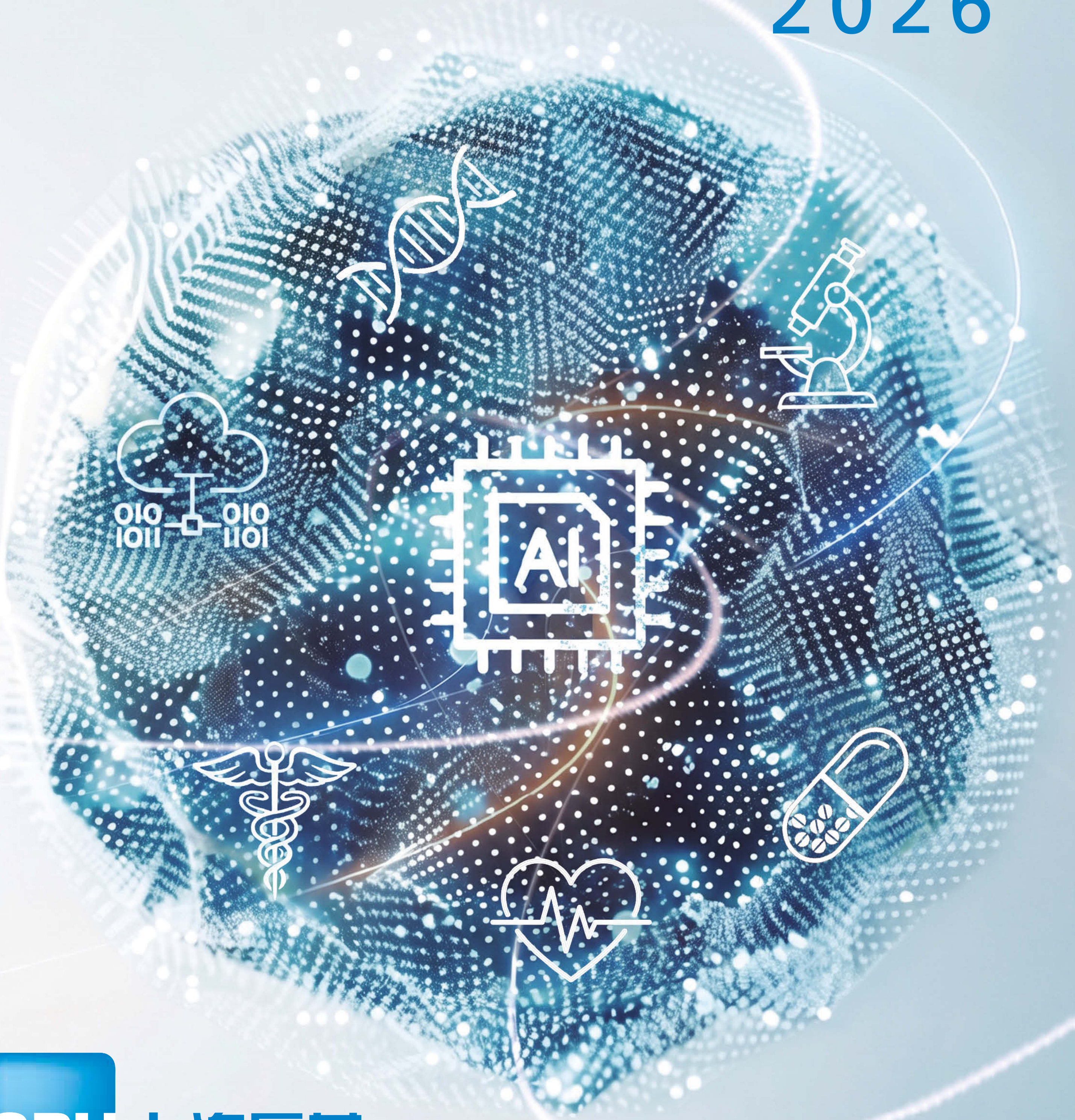
* For identification purpose only

Interim Report 2026



SPH 上海医药 SHANGHAI PHARMA

Shanghai Pharmaceuticals Holding Co., Ltd.*

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

(Stock Code of H Share: 02607) *(Stock Code of A Share: 601607)*

Important Notice

1. The board of directors, the directors and senior management of the Company hereby warrant that the information contained in this interim report is true, accurate and complete and contains no false representations, misleading statements or material omissions and assume joint and several legal liabilities therefor.

2. All directors of the Company attended the meeting of the board of directors.

3. This interim report is unaudited.

4. Yang Qiuhua, the person in charge of the Company, Shen Bo, the principal in charge of accounting, and Zhou Yadong, head of the Accounting Department (Chief Financial Officer), hereby declare that they warrant the truthfulness, accuracy and completeness of the financial report contained in this interim report.

5. The plan for profit distribution or conversion of capital reserve fund into share capital for the Reporting Period considered by the board of directors

   The profit distribution plan for the half year of 2026: the Company's consolidated net profit attributable to shareholders of the listed company for the half year of 2026 was RMB3,504,447,475.63 (unaudited). The Company proposes to distribute cash dividend of RMB1.00 (tax inclusive) per 10 shares to all shareholders based on 3,708,361,809 shares of the total share capital as of 30 June 2026. Total proposed cash dividend of RMB370,836,180.90 (tax inclusive) shall be distributed, accounting for 10.58% of consolidated net profit attributable to shareholders of the listed company for the half year of 2026. During the Reporting Period, there is no conversion of capital reserve into share capital of the Company.

   If the total share capital of the Company changes during the period up to the record date regarding execution of the profit distribution, the Company intends to maintain distribution amount per share unchanged based on the total share capital on the record date regarding execution of profit distribution and the total profit distribution amount will be adjusted accordingly.

6. Risk statements regarding the forward-looking statements

   √Applicable ☐Not applicable

   The forward-looking statements, such as future plans and development strategies, contained in this report do not constitute any substantive commitment by the Company to the investors. Investors are advised to be aware of the investment risks involved.

7. Is there any appropriation of funds by the controlling shareholders and their connected parties that is unrelated to operation

   No

8. Is there any instance of providing external guarantee that is in breach of the established decision making procedure

   No

9. Is there an existence of more than half of the directors being unable to warrant the truthfulness, accuracy and completeness of the content of this interim report

   No

10. Significant Risks

    During the Reporting Period, there are no significant risks that have substantive significant effect on production and operation of the Company. The Company has already explained all the risks that the Company might face in the operation and management and corresponding measures in this report. Please refer to the "Potential Risk Factors" set out in the Management Discussion and Analysis, Chapter 3.

Contents

Catalogue of Documents Available for Inspection	The financial statements signed and sealed by the legal representative, the principal in charge of accounting and head of accounting department The original documents of the Company and the original draft announcements disclosed in the designated newspapers of CSRC during the Reporting Period

Chapter 1 Definitions

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

Definitions of Common Terms	
"the Group", "Group", "the Company", "Company" or "Shanghai Pharmaceuticals"	Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability (shares of which are listed on the Shanghai Stock Exchange with stock code 601607, and on the Main Board of the Hong Kong Stock Exchange with stock code 02607) or Shanghai Pharmaceuticals Holding Co., Ltd. and its subsidiaries, where applicable
"Articles of Association" or "Articles"	the articles of association of Shanghai Pharmaceuticals (as amended from time to time)
"the Reporting Period", "Reporting Period" or "Period"	the 6-month period from 1 January 2026 to 30 June 2026
"YOY"	year-on-year
"PRC", "China" or "State"	the People's Republic of China; unless the context otherwise requires, references to the PRC or China in this report do not include Hong Kong, Macau or Taiwan
"Shares"	shares of Shanghai Pharmaceuticals with a nominal value of RMB1.00 each, comprising both A Shares and H Shares
"A Shares"	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"H Shares"	overseas shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"US$"	US dollars, the lawful currency of the United States of America
"AUD"	Australian dollars, the lawful currency of Australia
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Shanghai Listing Rules"	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"SFO"	the Securities and Futures Ordinance, Chapter 571, the Laws of Hong Kong, as amended from time to time
"NHSA"	National Healthcare Security Administration of the People's Republic of China (中華人民共和國國家醫療保障局)

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"SIIC"	Shanghai Industrial Investment (Holdings) Co., Ltd. (上海實業(集團)有限公司)
"Shanghai Shangshi"	Shanghai Shangshi (Group) Co., Ltd. (上海上實(集團)有限公司)
"Golden Bell"	Golden Bell International Holdings Limited (金鐘國際控股有限公司)
"Shanghai Pharmaceutical (Group)"	Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司)
"Yunnan Baiyao"	Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司)
"Finance Company"	Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司)
"SIIC Dongtan"	Shanghai Industrial Dongtan Investment and Development (Group) Co., Ltd. (上海實業東灘投資開發(集團)有限公司)
"NMPA"	National Medical Products Administration of the People's Republic of China (中華人民共和國國家藥品監督管理局)
"CDE"	Center For Drug Evaluation of NMPA (中華人民共和國國家藥品監督管理局藥品審評中心)
"WHO"	World Health Organization
"FDA"	Food and Drug Administration of the United States
"Fudan-Zhangjiang"	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司)
"Shanghai Frontier"	Shanghai Biomedical Frontier Industry Innovation Center
"SPH Youpin"	Shanghai SPH Youpin Technology Co., Ltd. (上海上藥優品科技有限公司)
"SPH Dragon & Tiger"	Shanghai SPH Dragon & Tiger Pharmaceutical Sales Co., Ltd. (上海上藥龍虎醫藥銷售有限公司)

Chapter 2 Basic Corporate Information and Major Financial Indicators

I. CORPORATE INFORMATION

Name of the Company in Chinese	上海醫藥集團股份有限公司
Chinese abbreviation of the name of the Company	上海醫藥
Name of the Company in English	Shanghai Pharmaceuticals Holding Co., Ltd.
English abbreviation of the name of the Company	Shanghai Pharma
Legal representative of the Company	Yang Qiuhua

II. CONTACT PERSON AND CONTACT DETAILS

	Secretary of the board of directors	Securities Affairs Representative
Name	Zhong Tao	Liu Yongtao, Sun Shiyi
Contact address	Shanghai Pharmaceutical Building, No. 200 Taicang Road, Shanghai, China	Shanghai Pharmaceutical Building, No. 200 Taicang Road, Shanghai, China
Telephone	+8621-63730908	+8621-63730908
Facsimile	+8621-63289333	+8621-63289333
E-mail	boardoffice@sphchina.com	boardoffice@sphchina.com

III. CHANGES IN BASIC CORPORATE INFORMATION

Registered address of the Company	No. 92 Zhangjiang Road, Pilot Free Trade Zone, China (Shanghai)
Historical changes in the registered address of the Company	Nil
Office address of the Company	Shanghai Pharmaceutical Building, No. 200 Taicang Road, Shanghai, China
Postal code for office address of the Company	200020
Website of the Company	http://www.sphchina.com
E-mail	pharm@sphchina.com
Search index for changes during the Reporting Period	Not involved

IV. INFORMATION DISCLOSURE AND PLACE WHERE INFORMATION IS AVAILABLE FOR INSPECTION

Newspapers designated by the Company for disclosure of information	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Websites for publishing interim reports	http://www.sse.com.cn http://www.hkexnews.hk
Places where the Company's interim report is available for inspections	Office of the Board of Directors of the Company, Shanghai Stock Exchange
Search index for changes during the Reporting Period	Not involved

V. STOCK INFORMATION OF THE COMPANY

Type of stock	Stock exchange on which shares are listed	Stock abbreviation	Stock code	Prior to the change of stock code
A Shares	Shanghai Stock Exchange	上海醫藥	601607	600849
H Shares	Hong Kong Stock Exchange	SH PHARMA	02607	Not Applicable

VI. OTHER RELEVANT INFORMATION

☐Applicable ✓Not applicable

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Major Accounting Data

Unit: Yuan Currency: RMB

Major accounting data	Reporting Period (January to June)	Corresponding period of last year	Increase/decrease of the Reporting Period compared to the corresponding period of last year (%)
Operating revenue	147,469,729,395.20	141,592,782,502.79	4.15
Total profit	5,631,382,957.72	6,820,820,702.73	-17.44
Net profit attributable to equity holders of the listed company	3,504,447,475.63	4,458,864,876.61	-21.40
Net profit after deduction of non-recurring profit or loss attributable to equity holders of the listed company	2,477,230,508.87	2,099,764,932.53	17.98
Net cash flows from operating activities	4,449,509,248.10	989,256,988.89	349.78

	As at the end of the Reporting Period	As at the end of last year	Increase/decrease as at the end of the Reporting Period compared to the end of last year (%)
Net assets attributable to equity holders of the listed company	78,347,955,897.37	75,891,327,824.17	3.24
Total assets	240,769,418,449.23	233,148,766,767.21	3.27

(II) Major Financial Indicators

Major financial indicators	Reporting Period (January to June)	Corresponding period of last year	Increase/decrease of the Reporting Period compared to the corresponding period of last year (%)
Basic earnings per share (RMB per share)	0.95	1.20	-20.83
Diluted earnings per share (RMB per share)	0.95	1.20	-20.83
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	0.67	0.57	17.54
Weighted average return on net assets (%)	4.51	6.03	Decreased by 1.52 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	3.19	2.84	Increased by 0.35 percentage point

Note on major accounting data and financial indicators of the Company

☐Applicable ✓Not applicable

VIII. DISCREPANCIES IN ACCOUNTING DATA UNDER THE DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

☐Applicable ✓Not applicable

IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

✓Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	Amount
Profit or loss on disposal of non-current assets, including write-off of provision for asset impairment	1,041,798,844.96
Government grants recognised in profit or loss for the current period excluding those closely related to the Company's ordinary operations and granted under the national policies according to established standards, and which have a continuing impact on the profit or loss of the Company	168,304,870.06
Except for the effective hedging activities related to the Company's ordinary operations, profit or loss arising from changes in fair value of financial assets and financial liabilities held by non-financial enterprises and profit or loss from disposal of financial assets and financial liabilities	-87,738,048.42
Reversal of provisions on impairment for receivables assessed for impairment on an individual basis	24,353,703.46
Other non-operating income and expenses other than the aforesaid items	-8,380,156.17
Less: Effect on income tax	-61,022,477.78
Effect on minority interests (after tax)	-50,099,769.35
Total	1,027,216,966.76

Explanation on the reasons for the Company's identification of items not listed under the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No. 1 – Non-recurring Profit or Losses as non-recurring profit or loss items with significant amount, and the identification of non-recurring profit or loss items listed in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No. 1 – Non-recurring Profit or Losses as recurring profit or loss items.

☐Applicable ✓Not applicable

X. COMPANIES THAT HAVE EQUITY INCENTIVE OR EMPLOYEE SHARE SCHEMES MAY CHOOSE TO DISCLOSE THE NET PROFIT AFTER DEDUCTING THE IMPACT OF SHARE-BASED PAYMENTS

☐Applicable ✓Not applicable

XI. OTHERS

☐Applicable ✓Not applicable

Chapter 3 Management Discussion and Analysis

I. INTRODUCTION OF INDUSTRY SITUATION AND THE MAIN BUSINESSES OF THE COMPANY FOR THE REPORTING PERIOD

(I) Main business and operating mode

The Company's main business covers both pharmaceutical manufacturing and pharmaceutical service. During the Reporting Period, the Company continued to accelerate innovation and transformation, deepened intensive development, achieved the steady improvement of business quality, profitability, operation efficiency and industry status, and created value for people's health constantly.

1. *Pharmaceutical manufacturing*

The Company adheres to the orientation of satisfying clinical needs and continuously provides patients and consumers with high-quality drugs, medical devices and big health products by constructing an industrial system with advantages in drug R&D, clinical research, drug pilot production, industrialization manufacturing and marketing and promotion. In order to respond to the national "Healthy China 2030" strategy actively and the call for accelerating innovation of the biomedical industry, the Company has continuously optimized its product structure by developing product strategy, increasing investment in innovation, implementing open innovation modes, utilizing combination of industry and finance, and focusing on international development, enriching its product system of innovative drugs and improved new drugs with differentiated advantages to promote the sustained and healthy development of the Company's pharmaceutical manufacturing.

2. *Pharmaceutical service*

Pharmaceutical service is the core force to ensure the efficient and stable supply of medical materials and drugs. With business channels and retail networks covering 25 provincial-level administrative regions in the PRC, the Company, as the second largest pharmaceutical commercial enterprise and the largest service provider of imported drugs, vaccines and medical devices in China, continuously provides efficient, convenient and reliable services to medical institutions, retailers, partners and patients at all levels. The Company has established strategic partnerships with major pharmaceutical manufacturers at home and abroad. With its strong supply chain service network to provide integrated pharmaceutical supply chain solutions, the Company has become the preferred partner for domestic pharmaceutical distribution and innovative product launch. In addition, the Company actively promotes the upgrade of the supply chain of drugs, medical devices and big health products, and continues to explore and innovate models for the supply and payment of medical and health products by means of information technology.

(II) Industry situation

China has taken the biopharmaceutical as an emerging pillar industry. Such industry is an important industry related to the national economy and people's livelihood and national security, and it is an important support for building a healthy China. At present, the pharmaceutical industry in China is at a critical stage of industrial restructuring and innovation capability enhancement. In the medium and long term, with the accelerated construction of a multi-level medical security system and industrial ecology and under the influence of multiple factors such as national policies, economic development, population aging and biopharmaceutical technology development, the pharmaceutical industry will continuously achieve high-quality development.

Explanations on new major non-principal business of the Company during the Reporting Period
☐Applicable ✓Not applicable

II. DISCUSSION AND ANALYSIS ON OPERATIONS

(I) Details of Results

The year 2026 marks the opening year of the "15th Five-Year" Plan. Shanghai Pharmaceuticals fully implemented the deployment requirements of the "Year of United Efforts", focused on serving national strategies and the development of Shanghai's leading biomedical industry, and made every effort to achieve its business objectives and key tasks. The Company was selected again into the Fortune Global 500 and the "Pharm Exec" 2026 Top 50 Global Pharmaceuticals, ranking 411th and 39th respectively.

During the Reporting Period, the operating income of the Company amounted to RMB147.470 billion (the currency is RMB, the same below), representing a year-on-year increase of 4.15%, of which, the sales revenue from pharmaceutical manufacturing amounted to RMB13.186 billion, representing a year-on-year increase of 8.44%, and the sales revenue from pharmaceutical service amounted to RMB134.283 billion, representing a year-on-year increase of 3.75%.

During the Reporting Period, the Company recorded the net profit attributable to shareholders of the listed company of RMB3.504 billion, representing a year-on-year decrease of 21.40%, mainly due to the fact that net profit attributable to the owner of parent company after deduction of one-off special profit or loss amounted to RMB2.828 billion as a result of the fluctuation of one-off special profit or loss, representing a year-on-year increase of 1.65%. Among them, the pharmaceutical manufacturing contributed profits of RMB1.343 billion, representing a year-on-year increase of 1.51%; pharmaceutical service contributed profits of RMB1.794 billion, which remained unchanged year-on-year; the major shareholding enterprises contributed profits of RMB78 million; net profit after deduction of non-recurring profit or loss attributable to shareholders of the listed company amounted to RMB2.477 billion, representing a year-on-year increase of 17.98%.

During the Reporting Period, the operating net cash inflow of the Company amounted to RMB4.450 billion, continuously maintaining a high-quality development.

(II) Operating Highlights

- ***Took steady and solid steps in R&D and innovation***

  During the Reporting Period, the Company's R&D investment reached RMB1.053 billion, accounting for 7.98% of the sales revenue from pharmaceutical manufacturing. The R&D expenditure amounted to RMB971 million.

  1. Steadily promoted the pipeline of new drug research and development

     As of the end of the Reporting Period, the Company had a total of 61 new drug pipelines that had either been accepted for clinical trial applications or entered subsequent clinical trial stages, including 49 innovative drug pipelines. Among which:

     BCD-085 Project: BCD-085 is an innovative recombinant humanized anti-interleukin-17 (IL-17) monoclonal antibody. Specifically, for the ankylosing spondylitis indication, following the submission and acceptance of the New Drug Application (NDA), it is currently in the core stage of technical evaluation by the Center for Drug Evaluation (CDE) of the National Medical Products Administration, and successfully underwent the on-site inspection for drug registration clinical trial during the Reporting Period. The key results of phase III clinical trial have been selected for poster presentation at the APLAR 2026 Annual Congress. For the plaque psoriasis indication, the database lock of the phase III clinical trial and the finalization of the clinical study report were completed during the Reporting Period.

     Shenqi Sherong Pill: Shenqi Sherong Pill is a new drug of class 1.1 of traditional Chinese medicine, which is clinically intended to be used to treat mild and moderate cervical spondylotic myelopathy (the syndrome of qi deficiency, blood stasis and kidney depletion). Cervical spondylotic myelopathy accounts for approximately 10% to 15% of all cervical spondylosis cases, and it imposes the most severe adverse impacts on patients; surgical treatment is required when the condition progresses to moderate to severe stages. Currently, there is a lack of effective drugs on the market to control the progression of cervical spondylotic myelopathy and promote functional recovery in patients. This project is dedicated to reducing local inflammation, improving spinal cord ischemia or blood stasis, and alleviating further damage to the spinal cord, thereby helping to fill the gap in Chinese patent medicine treatments for cervical spondylotic myelopathy. As of the end of the Reporting Period, the project has completed the statistical analysis of phase III clinical trial data, and on this basis, initiated the drafting of the clinical study report.

     B001 Project/B007 Project: B001 (intravenous injection) and B007 (subcutaneous injection) were independently developed by Shanghai Pharmaceuticals. They are highly humanized, globally innovative anti-CD20 antibody drugs. B007 injection is expected to address clinical pain points associated with traditional intravenous CD20 monoclonal antibodies, such as lengthy administration times, low patient satisfaction and difficulties in nursing care. As of the end of the Reporting Period, the phase II clinical trial for the myasthenia gravis indication of B007 had completed the release of all subjects and finalized the clinical study report.

In addition, the phase III clinical trials of the Company's new drug of class 1.1 of traditional Chinese medicine **SRD4610 (Huoling Shengji Granules, used to treat amyotrophic lateral sclerosis, ALS)** and new drug of class 1 of chemical drug **SHPL-49 injection (clinically intended to treat acute ischemic stroke, AIS)** were both steadily advanced during the Reporting Period, with enrollment progress meeting expectations. Among them, the phase II clinical study results of SRD4610 for the treatment of ALS have been officially published in Neurotherapeutics, an internationally renowned journal (the official journal of the American Society for Experimental Neurotherapeutics, IF=7.4, Category 1 in Pharmacology of Chinese Academy of Sciences). The study results demonstrated that after 48 weeks of treatment, SRD4610 was significantly superior to standard therapy in slowing the decline of ALS functions, with a favorable safety profile.

In addition to new drug R&D, in terms of **generic drug R&D**, during the Reporting Period, the Company had a total of 6 preparation products approved for production, and 5 varieties (6 specifications) approved for passing the consistency evaluation of quality and efficacy.

2. Continued to deepen the R&D innovation system

(1) Top-level planning set the reform direction

During the Reporting Period, Shanghai Pharmaceuticals formulated the work plan for deepening innovation reform and supporting documents including the reform plan for the R&D innovation system and the innovative drug development plan. The Company defined the medium- and long-term development path and product portfolio for innovative drugs, defined the optimization direction of the "four-tier innovation system" (decision-making, origination, execution, and translation), clarified the positioning and coordination mechanisms of various innovation entities, and established the innovation PMO workflow, so as to accelerate innovation-driven transformation and development and consolidate the foundation for high-quality development.

(2) Innovation ecosystem achieved functional iteration

During the Reporting Period, Shanghai Frontier focused on building a "wall-less" R&D innovation and incubation-transformation platform, officially launched the "INNO Agile" agile venture capital model, and established a platform of "scientist PI + incubation manager + frontier team" featuring tripartite collaboration, clearly defined responsibilities, and asset-light pre-verification, bridging the transformation channel from academic concepts to industrial-grade data. It deepened cooperation with universities and research institutes such as Shanghai Jiao Tong University School of Medicine and Fudan University, promoted the collection and selection of the third batch of 18 projects, signed cooperation verification agreements for key proof-of-concept projects and launched research. It steadily promoted the implementation and operation of exclusive laboratory projects with two major multinational pharmaceutical companies, Lilly and Bayer, with the benchmark model for cooperation with multinational pharmaceutical companies gradually taking shape.

- ***Deeply advanced the foundation consolidation and quality enhancement of the pharmaceutical manufacturing***

  1. Deepened quality improvement and efficiency enhancement in manufacturing

     The Company persisted in normalized lean management, conducted systematic review, analysis, and dynamic supervision of the entire product production process through methods such as VSM value stream analysis to deeply explore the potential for cost reduction, quality improvement, and efficiency enhancement across the entire production chain, focused on pain points in production operations and core performance indicators, and took the lead in implementing various lean project breakthroughs. During the Reporting Period, the Company continued to focus on multiple areas such as energy consumption cost reduction, technical and economic indicator improvement, and production process optimization, and established 20 lean Black Belt projects and key improvement projects, and 111 Green Belt projects.

  2. Expanded the range of products in the essential drug list continuously

     In the course of update of the national essential drug list, the Company had a total of 17 varieties newly included in the list. As of now, the Company has a total of 486 varieties selected in the national essential drug list. The rich reserve of essential drug products is one of the Company's core competitive advantages, which helps improve product accessibility across medical institutions at all levels, continuously solidify its distribution network within hospitals, fully capitalize on development opportunities arising from growing demand in primary healthcare and public medical institutions, and drive steady growth in sales of related products.

3. Made remarkable achievements in evidence-based research of traditional Chinese medicine

During the Reporting Period, the Company continued to adhere to evidence-based medical research on large varieties of traditional Chinese medicine and made the following progress:

Shexiang Baoxin Pill: During the Reporting Period, four new articles were published, focusing on its clinical efficacy of the product in therapeutic areas such as diabetes and myocardial infarction. Among them, "Exploring the Mechanism of Shexiang Baoxin Pill in the Treatment of Ischemic Stroke: A Study Integrating Network Pharmacology, Machine Learning, Molecular Docking, and Molecular Dynamics Simulation" was published in the SCI journal BioMed Research International. The study demonstrated that Shexiang Baoxin Pill can intervene in ischemic stroke through a multi-component, multi-target, multi-pathway mechanism, with related potential targets significantly enriched in inflammation and immune regulation pathways.

Danning Tablet: During the Reporting Period, a review article titled "Research Progress on the Role of Nitric Oxide in Slow Transit Constipation and Traditional Chinese Medicine Intervention" was published in the core science and technology journal Central South Pharmacy. The study demonstrated that Danning Tablet can improve the clinical symptoms of elderly patients with slow transit constipation by regulating intestinal microbiota, serological indicators, and gastrointestinal hormones.

Weifuchun: The RCT clinical study of Weifuchun Capsules has entered the data collation and summary stage. As of the end of the Reporting Period, the multi-center, randomized, double-blind, double-dummy, parallel-controlled post-marketing clinical trial on the efficacy and safety of Weifuchun Capsules in the treatment of chronic atrophic gastritis has been completed, and the clinical study report has been finalized.

GBE50: During the Reporting Period, the national multi-center clinical and pharmacological research project on the prevention and treatment of vascular cognitive impairment with GBE50 was advanced in an orderly manner. The pharmacological research article published in the Journal of Ethnopharmacology (2025 IF=6.8) demonstrated that GBE50 ameliorates vascular calcification by inhibiting NF-KB and NLRP3 inflammasome, providing a scientific basis for the clinical application of GBE50 preparations in improving cardiovascular and cerebrovascular diseases.

Yangxinshi Tablet: During the Reporting Period, the Company continued to advance the evidence-based medical research on Yangxinshi Tablet in the treatment of myocardial infarction, chronic coronary artery disease, and other indications, and published an SCI article in Chinese Journal of Natural Medicines titled "Yangxinshi Tablet protects against post-myocardial infarction heart failure with reduced ejection fraction by improving energy metabolism through inhibition of FOXO1/PDK4 signaling". The study showed that Yangxinshi Tablet can improve cardiac function, exercise tolerance, and hemodynamic indexes in rats with a post-myocardial infarction heart failure with reduced ejection fraction (post MI HFrEF) model, and alleviate myocardial inflammatory infiltration and collagen deposition.

4. Accelerated cultivation of the "Second Growth Curve"

During the Reporting Period, the Company adhered to the principle of "pharmaceuticals as the foundation, big health as the wing", focused on health consumption and specialized ophthalmology, and continuously expanded the "Second Growth Curve". Among which:

SPH Youpin relied on the dual-core tracks of Bifico non-pharmaceutical products and OTC drugs, focusing on product iteration and building an integrated online-offline operation platform. In terms of business model cultivation, it focused on establishing presence in mainstream e-commerce channels and carried out strategic cooperation with platforms such as Tencent Health. As of the end of the Reporting Period, SPH Youpin has initially established an agile e-commerce response mechanism covering product portfolio, supply chain system, channel development, digital infrastructure, and cooperation ecosystem, consolidating the foundation for its business development.

SPH Micro-ecological reshaped the consumer health track with pharmaceutical-grade barriers. Focusing on three high-growth tracks of probiotics for infants and children, essential nutrients, and anti-aging products for women, it translated clinically validated strain capabilities into differentiated competitiveness in the consumer health sector, maintaining its leadership in these segments.

SPH Dragon & Tiger focused on three product lines including pharmaceuticals, daily chemicals, and overseas markets and was committed to product iteration and establishing an integrated online-offline growth path. During the Reporting Period, it launched several new non-pharmaceutical products and implemented a differentiated packaging strategy for overseas markets; simultaneously, through online and offline marketing and promotion, it continued to revitalize its time-honored brand. In addition, Dragon & Tiger Qingliang You Regular, Dragon & Tiger Qingliang You Ultra and Dragon & Tiger Fengyou Jing Oil of the Company have recently been officially granted the natural and health product licence by Natural and Non-prescription Health Products Directorate of Health Canada, achieving a crucial breakthrough in market access in North American market and laying the qualification foundation for the international expansion of the time-honored brand.

The **ophthalmology segment** achieved a key leap from strategic planning to substantive operation. During the Reporting Period, the Company used sodium hyaluronate to penetrate the primary care market for dry eye syndrome and re-entered the myopia prevention and control field with "only sodium hyaluronate-containing" Raceanisodamine Eye Drops (Trade name: Xinliuding®), fully leveraging its differentiated competitive advantages. While gradually expanding the market, the Company also made appearances at industry conferences such as the China Import and Export Fair, PHARMCHINA, and the "BrightChina 2026" Myopia Prevention and Control Conference, reshaping brand influence.

- ***Comprehensively drove transformation and efficiency enhancement of the pharmaceutical service***

  Facing the complex and volatile external environment, Shanghai Pharmaceuticals' pharmaceutical service segment has always adhered to the core philosophy of innovation as the principle, service as the honor, and hard work as the foundation, closely followed the three main lines of marketing, innovative drugs, and digitalization, persisted in innovation-driven transformation and upgrading, accelerated the digital intelligence transformation of the pharmaceutical service business, accelerated the construction of a digital comprehensive pharmaceutical service system, and striven to transform into an international world-class health service enterprise. During the Reporting Period, all innovative businesses maintained good growth.

1. CSO business

   The Company provides partners with high-quality and reliable commercialization solutions, promoting the integrated and coordinated development of CSO businesses in pharmaceuticals, vaccines, medical aesthetics and other areas. During the Reporting Period, the number of cooperative products in the Company's contract sales organization (CSO) business continued to increase, and the service system construction was continuously enhanced.

2. Import under general agency

   During the Reporting Period, the Company built an integrated and professional global supply chain comprehensive service system, added 16 product specifications under general import agency, and achieved sales revenue of over RMB20 billion, representing a year-on-year increase of over 15%.

3. Innovative drugs business

   The Company focused on the full life-cycle service system for innovative drugs and strengthened full-chain capability building. During the Reporting Period, the innovative drug business of the pharmaceutical service segment achieved sales revenue of over RMB33 billion, representing a year-on-year increase of over 29%.

4. Devices and big health business

Through continuously deepening SPD services, the Company upgraded from a "material supplier" to a "medical safety partner". During the Reporting Period, the devices and big health business achieved sales revenue of over RMB24 billion, representing a year-on-year increase of over 6%. The Company fully participated in the implementation of the Global Innovative Medical Device Exhibition and Training Center in Shanghai, pooling efforts to create a new ecosystem for the innovative development of medical devices.

5. New retail business

The Company gradually implemented the "SPH New Retail Integration Strategy". During the Reporting Period, the Company phased the integrated consolidation of specialty pharmacies to further unlock the value of Shanghai Pharmaceuticals' specialty pharmacy segment.

6. Collaboration of pharmaceutical manufacturing and pharmaceutical service to create a new landscape

Leveraged the integrated and coordinated advantages of the two segments of industrial production and commercial distribution, the Company deepened the linkage of pharmaceutical manufacturing and pharmaceutical service, and fully released the combined momentum of the entire industrial chain. During the Reporting Period, the Company officially implemented CSO strategic cooperation in four high-quality industrial varieties such as Xinliuding®, and explored and built overseas expansion system for innovative drugs and devices, aiming to create a new benchmark for the coordinated development of pharmaceutical manufacturing and pharmaceutical service.

Significant changes in the Company's operations during the Reporting Period and matters that had or expected to have significant influence in the future on the Company's operations during the Reporting Period

☐Applicable ✓Not applicable

III. CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

✓Applicable ☐Not applicable

1. Integrated advantages of the industrial chain

Shanghai Pharmaceuticals is a leading integrated industrial group in China's pharmaceutical industry and commerce industry. Its businesses cover pharmaceutical manufacturing, distribution and retail, which enable the Company to create synergistic effects in major links of the value chain of the pharmaceutical industry, and have unique comprehensive advantages of the industrial chain and sustainable development momentum. The Company is able to integrate resources to break through the industry development bottlenecks, continuously provide quality product, service and solution for patients, medical institutions and partners, constantly create synergetic value for its shareholders and the society and lower the risks and uncertainties of individual fields.

2. Innovation transformation advantages

The Company has established an open-source innovation system of "independence + collaboration + integration" and proactively deepened its strategic cooperation with universities, research institutes, medical institutions and innovative enterprises. The Company carried out strategic cooperation with colleges and universities, jointly established a "national key laboratory for innovative immunotherapy", collaborated on key technology research, discovered and incubated more original new drugs, new technologies and new therapies and promoted the transformation and transfer of technological innovative achievements of colleges and universities to industrialization. Relying on the Shanghai Biomedical Frontier Industry Innovation Center, integrating resource elements of "industries, universities, research institutes, hospitals and capital" and through in-depth cooperation with scientific research institutes, medical institutions and translational medicine centers, the Company accelerates the introduction of outstanding projects at home and abroad. In addition, it undertakes joint development, technical support, auxiliary tests and equity investment, and provides first-class experimental sites, equipment and operation services to expedite the incubation and transformation of innovation projects.

3. Green intelligent manufacturing advantages

Guided by the basic principles of quality first, cost optimization, green development and intelligent manufacturing and driven by system capabilities, the Company aims to achieve operational excellence and intelligent manufacturing, consistently promoting the transformation and upgrade of the entire value chain in industrial manufacturing. The Company coordinately establishes technical research institutes for "APIs, anti-infection, biochemistry, preparations", creating distinctive technology platforms. Leveraging the construction of "green factory" as the key driver, the Company focuses on cost reduction and quality improvement and strengthens the resilience of its supply chain, driving the transformation and upgrade of pharmaceutical manufacturing towards the "high-end, intelligent and green" direction.

4. Service innovation advantages

Based on a national terminal network and by offering innovative pharmaceutical supply chain services and extended medical services, the Company has strong industrial competitiveness in new business areas, such as drug import distribution, vaccine marketing and supply chains, drug marketing services, medical health insurance, high-end consumables, and in-hospital logistics services for pharmaceutical products. The Company continuously explores new models and fields with partners, providing lifecycle services for innovative drugs at different stages. This includes package solutions for pre-marketing services, integrated supply chains, integrated marketing and innovative payment, enhancing the accessibility and affordability of innovative products.

5. Brand culture advantages

Building on a fine culture steeped in history, the Company upholds the fundamental principles of safety, reliability and innovation, and adheres to the main brand-driven development strategy. It owns a group of established brands with long history and rich connotation, which create effective synergy with the main brand, "Shanghai Pharmaceuticals".

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD

(I) Analysis of principal business

1. *Analysis on changes in relevant items of financial statements*

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the same period of last year	Change (%)
Operating income	147,469,729,395.20	141,592,782,502.79	4.15
Operating cost	131,209,436,636.44	126,660,060,598.69	3.59
Selling expenses	6,538,197,377.23	6,164,987,968.04	6.05
Administration expenses	2,739,550,557.74	2,662,454,335.70	2.90
Finance costs	694,508,600.01	749,774,716.63	-7.37
R&D expenditure	970,861,155.68	958,949,406.87	1.24
Asset impairment loss	28,045,168.32	410,078,463.89	-93.16
Credit impairment loss	507,826,641.26	423,970,881.72	19.78
Other income	313,509,813.34	313,695,950.14	-0.06
Investment income	827,279,350.09	3,257,333,100.37	-74.60
Gains arising from changes in fair value	1,951,396.44	75,751,833.73	-97.42
Gains on disposal of assets	179,699,818.59	39,986,393.32	349.40
Non-operating income	36,939,069.19	21,837,269.63	69.16
Non-operating expenses	45,319,225.36	34,636,191.45	30.84
Net cash flow generated from operating activities	4,449,509,248.10	989,256,988.89	349.78
Net cash flow generated from investing activities	393,596,393.28	-1,240,265,624.86	131.73
Net cash flow generated from financing activities	-948,390,046.60	3,753,377,137.76	-125.27

Reasons for changes in operating income: Increase in sales income during the Reporting Period
Reasons for changes in operating cost: Increase in sales income during the Reporting Period
Reasons for changes in selling expenses: Increase in selling expenses during the Reporting Period
Reasons for changes in administration expenses: Increase in operation and administration expense during the Reporting Period
Reasons for changes in finance costs: Decrease in interest expense during the Reporting Period
Reasons for changes in R&D expenditure: Increase in investment in R&D during the Reporting Period
Reasons for changes in asset impairment losses: Decrease in provisions for assets impairment during the Reporting Period
Reasons for changes in credit impairment loss: Increase in provision for bad debts of receivables during the Reporting Period
Reasons for changes in other income: Decrease in government grants received during the Reporting Period
Reasons for changes in investment income: Decrease in investment gains arising from disposal of equity interest during the Reporting Period
Reasons for changes in gains arising from changes in fair value: Decrease in fair value of financial assets measured at fair value during the Reporting Period
Reasons for changes in gains on disposal of assets: Increase in gains from disposal of fixed assets and intangible assets during the Reporting Period
Reasons for changes in non-operating income: Increase in compensation received during the Reporting Period
Reasons for changes in non-operating expenses: Increase in non-operating expenses during the Reporting Period
Reasons for changes in net cash flow generated from operating activities: Increase in cash relating to operating activities received during the Reporting Period
Reasons for changes in net cash flow generated from investing activities: Decrease in cash paid for investment in financial assets held for trading during the Reporting Period
Reasons for changes in net cash flow generated from financing activities: Decrease in cash receipts from borrowings during the Reporting Period

2. *Detailed Explanations on Significant Changes in the Business Type, the Composition of Profits or the Source of Profits of the Company during the Period*

☐Applicable ✓Not applicable

(II) Explanations on Significant Changes in Profit Resulting from Non-principal Business

☐Applicable ✓Not applicable

(III) Analysis on Assets and Liabilities

✓Applicable ☐Not applicable

1. *Assets and Liabilities*

Unit: Yuan Currency: RMB

Items	Current Ending Amount	Percentage of Ending Amount to Total Assets (%)	Last Ending Amount	Percentage of Last Ending Amount to Total Assets (%)	Change Ratio of Current Ending Amount to Last Ending Amount (%)	Description
Derivative financial assets	7,530,453.55	0.003	721,010.06	0.0003	944.43	Increase in fair value of forward foreign exchange contracts held during the Reporting Period
Derivative financial liabilities	18,954,922.41	0.008	13,294,428.53	0.006	42.58	Increase in fair value of foreign currency swap contracts liabilities held during the Reporting Period
Investments in other equity instruments	20,954,561.79	0.009	32,683,905.48	0.01	-35.89	Decrease in fair value of financial assets at fair value through other comprehensive income held during the Reporting Period
Non-current liabilities due within one year	1,703,541,380.83	0.71	2,809,599,313.10	1.21	-39.37	Decrease in long-term borrowings due within one year during the Reporting Period

Other information

Nil

2. *Overseas assets*

✓Applicable ☐Not applicable

(1) Asset size

Among which, overseas assets amounted to 47.91 (Unit: '00 million Currency: RMB), the proportion to the total assets is 1.99%.

(2) Explanation on high proportion of overseas assets

☐Applicable ✓Not applicable

Other information

Nil

3. *Major assets restriction as at the end of the Reporting Period*

✓Applicable ☐Not applicable

As at 30 June 2026, the balance of the Group's other monetary funds was RMB4,289 million, among which, RMB1,845 million was the margin deposit for security for applying to the bank for issuing bank acceptance bills, RMB35 million was the margin deposit for security for applying to the bank for issuing letters of credit, RMB1,755 million was the Group's time deposits with banks due over three months, and other restricted monetary funds amounted to RMB654 million.

As at 30 June 2026, houses, buildings, machinery and equipment with a book value of RMB1,445 million (original price: RMB1,569 million) and land use rights of 429,900 square meters (book value: RMB523 million, original price: RMB586 million,) were used as collateral for RMB135 million of short-term borrowings, RMB1,319 million of long-term borrowings, and RMB27 million of long-term borrowings due within one year.

As at 30 June 2026, the bank pledged borrowings of RMB530 million were short-term borrowings obtained by discounting commercial acceptance bills of RMB9 million, the short-term borrowings obtained by discounting bank acceptance bills of RMB90 million and the short-term borrowings obtained by using the accounts receivable with book value of RMB636 million as collaterals.

As at 30 June 2026, guaranteed borrowings of RMB10 million were mainly guaranteed by the minority shareholders of subsidiaries of the Group.

As at 30 June 2026, the Group pledged the accounts receivable with the book value of RMB132 million to the bank as collateral for borrowings of RMB81 million and long-term borrowings due within one year of RMB52 million.

4. *Other information*

☐Applicable ✓Not applicable

(IV) Analysis on Investment Conditions

1. *Overall Analysis on External Equity Investments*

✓Applicable ☐Not applicable

Unit: 0'000 Yuan Currency: RMB

Amount of Investments during the Reporting Period	59,549.92
Increase or Decrease in Amount of Investment	-103,506.48
Amount of Investment in the Same Period over Prior Year	163,056.40
Percentage of Increase/decrease in Amount of Investments (%)	-63.48

(1) Significant Equity Investments

☐Applicable ✓Not applicable

(2) Significant Non-equity Investments

☐Applicable ✓Not applicable

(3) Financial Assets Measured at Fair Value

✓Applicable ☐Not applicable

Unit: 0'000 Yuan Currency: RMB

Category of Assets	Opening Amount	Profit or Loss Arising from the Changes in Fair Values during the Period	Accumulated Changes in Fair Value Included in Equity	Impairment Provision for the Period	Purchase Amount for the Current Period	Sales/ Redemption Amount for the Current Period	Other Changes	Closing Amount
Share	3,684.15	-47.02	-6,689.73	–	–	–	–	2,464.20
Others (Other non-current financial assets — equity in unlisted companies)	154,115.31	-9,643.60	–	–	–	–	57.23	144,414.48
Others (Financial assets held for trading)	1,036,093.89	9,356.12	–	–	381,390.00	485,151.94	–	941,688.07
Total	1,193,893.35	-334.50	-6,689.73	–	381,390.00	485,151.94	57.23	1,088,566.75

Investment in Securities
✓Applicable ☐Not applicable

Unit: 0'000 Yuan Currency: RMB

Types of Securities	Stock code	Short name	Initial Investment Cost	Sources of capital	Opening Carrying Amount	Profit or Loss Arising from the Changes in Fair Values during the Period	Accumulated Changes in Fair Value Included in Equity	Purchase Amount for the Current Period	Sales Amount for the Current Period	Investment Gains or Losses for the Current Period	Closing Carrying Amount	Accounting Items
Shares	601328	BANK OF COMMUNICATIONS	137.30	Self-owned funds	415.76	-47.02	/	–	–	30.71	368.74	Other non-current financial assets
Shares	00455(HK)	Tianda Pharma	8,785.19	Self-owned funds	3,268.39	/	-6,689.73	–	–	/	2,095.46	Investments in other equity instruments
Total	/	/	8,922.49	/	3,684.15	-47.02	-6,689.73			30.71	2,464.20	/

Explanation on Securities Investment
✓Applicable ☐Not applicable

For details of other financial assets measured at fair value, please refer to Note (12) to the Financial Statements.

Investment in Private Funds
☐Applicable ✓Not applicable

Investment in Derivatives
✓Applicable ☐Not applicable

① Investment in Derivatives for Hedging Purposes during the Reporting Period

✓Applicable ☐Not applicable

Unit: 0'000 Yuan Currency: RMB

Category of Investment in Derivatives	Initial Investment Amount	Opening Carrying Amount	Profit or Loss Arising from the Changes in Fair Values during the Period	Accumulated Changes in Fair Value Included in Equity	Purchase Amount for the Reporting Period	Sales Amount for the Reporting Period	Closing Carrying Amount	Percentage of Closing Carrying Amount to Net Assets of the Company as at the End of the Reporting Period (%)
Forward contract	101,643.69	43,210.76	811.21	99.37	58,432.93	-35,920.79	66,633.48	0.72%
Swap deposits	9,174.70	–	129.88	–	9,174.70	-9,304.58	–	–
Swap borrowings	-53,062.29	–	-411.45	–	-53,062.29	–	-53,473.74	-0.58%
Total	57,756.10	43,210.76	529.64	99.37	14,545.34	-45,225.37	13,159.74	0.14%
Explanation as to whether there has been a material change in the accounting policy and specific accounting and auditing principles for the hedging business during the Reporting Period as compared to last reporting period	The calculation was conducted in accordance with the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments", "Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement" and other relevant provisions. There were no significant changes in accounting policies.							
Explanation of actual profit or loss during the Reporting Period	The actual profit for the period was RMB5.2964 million.							
Explanation of hedging effectiveness	The transactions of the Company's foreign exchange derivatives were conducted around its actual foreign exchange revenue and expenditure business, adopting the principle of exchange rate neutrality and relying on specific business operations to prevent the adverse impact of large exchange rate fluctuations on the Company and avoid foreign exchange market risks.							
Source of funds for investment in derivatives	Self-owned funds							

Category of Investment in Derivatives	Initial Investment Amount	Opening Carrying Amount	Profit or Loss Arising from the Changes in Fair Values during the Period	Accumulated Changes in Fair Value Included in Equity	Purchase Amount for the Reporting Period	Sales Amount for the Reporting Period	Closing Carrying Amount	Percentage of Closing Carrying Amount to Net Assets of the Company as at the End of the Reporting Period (%)
Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	The Company conducted foreign exchange hedging business based on the prudent principle, and did not conduct foreign exchange transactions for the purpose of speculation. All foreign exchange hedging businesses were based on normal production and operation, and relied on specific business, aiming at avoiding and preventing exchange rate risks. However, there are certain risks in conducting the foreign exchange hedging business, mainly including: 1. Market risk: Unpredictability exists in the changes of domestic and international economic situation, which may lead to significant deviations between exchange rate or interest rate trends and expectations, thus causing the corresponding businesses to face certain price fluctuations and market judgment risks. 2. Transaction default risk: When the counterparty of financial derivatives defaults, it can't pay the Company's hedging profit as agreed, so the Company's actual exchange loss cannot be hedged, which will cause losses to the Company. 3. Customer default risk: The accounts receivable by the customers are overdue, and the loans cannot be recovered within the predicted payback period, which will lead to delayed closing, thus causing losses to the Company. 4. Internal control risk: The financial derivatives business is highly specialized and complicated, and losses may still be caused by imperfect internal control system and improper operation in the process of handling the foreign exchange hedging business. 5. Legal risk: The changes in laws, regulations or administrative rules or the counterparty's violation of relevant laws and regulations may cause the contract to be unable to be performed normally, thus causing losses to the Company. 6. Operational risk: The derivatives trading is highly specialized, and in the course of conducting a specific business, if the operator fails to examine and approve the business according to the prescribed procedures, or the transaction is not accurately and timely conducted, it may result in losses or loss of the transaction opportunity. The risk control plan formulated by the Company: 1. The transaction business of all the financial derivatives of the Company is based on the actual businesses of the Company, relies on the specific business and adopts hedging means, aiming at avoiding and preventing exchange rate risks, and prohibiting the financial derivatives trading business that is purely for profit and has risky speculation. 2. At present, the Company has selected low-risk financial derivatives with simple structure to carry out the above business, and the counterparties are all financial institutions with legal business qualifications, good credit and long-term cooperation with the Company. 3. In order to prevent the financial derivatives business from defaulting, the Company will further strengthen the management of foreign exchange-related accounts receivable to avoid overdue accounts receivable. 4. The Company has established a foreign exchange-related management system, clearly stipulating the transaction examination and approval authority, internal audit process, decision-making procedures, information confidentiality, risk prevention and other matters. The Company will strictly require enterprises and relevant personnel to operate in accordance with the provisions of the above system. 5. The Company will continue to pay attention to the market information of the financial derivatives business, track the changes in the open market price or fair value of derivatives, and timely assess the risk exposure of the financial derivatives trading businesses that have been carried out. The Company will check the actual operations, fund use and profits and losses of financial derivatives transactions regularly or irregularly, and check whether the transactions are conducted according to internal rules and regulations.							

Category of Investment in Derivatives	Initial Investment Amount	Opening Carrying Amount	Profit or Loss Arising from the Changes in Fair Values during the Period	Accumulated Changes in Fair Value Included in Equity	Purchase Amount for the Reporting Period	Sales Amount for the Reporting Period	Closing Carrying Amount	Percentage of Closing Carrying Amount to Net Assets of the Company as at the End of the Reporting Period (%)
Changes in market price or product fair value of derivatives invested during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value	The fair value changes of the Company during the Reporting Period were calculated based on the difference between contract price and the price of the financial institution as at the balance sheet date determined according to the trading data on the public market, so as to determine the profits or losses of derivatives for the period.							
Litigation involved (if applicable)	Not applicable							
Date of announcement regarding the approval of investment in derivatives by the Board (if any)	31 March 2026							
Date of announcement regarding the approval of investment in derivatives at the shareholders' general meeting (if any)	Not applicable							

② Investment in Derivatives for Speculation Purposes during the Reporting Period

☐Applicable ✓Not applicable

Other information

Nil

(V) Disposal of Major Assets and Equities

✓Applicable ☐Not applicable

1. On 4 February 2026, the Company held the 28th meeting of the 8th session of the Board, at which the "Proposal on the Proposed Public Listing and Transfer of 30% Equity Interest in Sino-American Shanghai Squibb Pharmaceuticals Ltd." was considered and approved. The Board agreed that the Company would transfer its 30% equity interest in the shareholding subsidiary, Sino-American Shanghai Squibb Pharmaceuticals Ltd., through a public listing on a property rights exchange. The transfer of the equity interest was completed in April 2026, with a transaction price of RMB1,023.192 million.

2. In order to promote the overall development of the new retail business and further enhance its overall competitiveness, optimize resource allocation of the new retail business, strengthen resource synergy and value realization of the specialty pharmacy segment, and comprehensively improve its retail terminal service capabilities, operational efficiency, market value and core competitiveness, the Company advanced the transfer and integration of specialty pharmacies in batches during the Reporting Period. As of the end of the Reporting Period, the transfer of such specialty pharmacies has not been completed, and there is uncertainty as to whether all of the transactions will be completed. For details, please refer to the announcements of the Company (Lin No. 2026-054 and Lin No. 2026-063).

(VI) Analysis on Companies under Control or in which the Company has Shares

✓Applicable ☐Not applicable

Major subsidiaries and shareholding companies affecting 10% or more of the Company's net profit

✓Applicable ☐Not applicable

Unit: '00 million Yuan Currency: RMB

Company Name	Company Type	Principal Business	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Profit
Shanghai Pharmaceutical Co., Ltd.	Subsidiary	Sales of drugs	50.00	1,009.58	229.61	834.43	19.64	12.52
SPH Sine Pharmaceutical Factory Co., Ltd.	Subsidiary	Production and sales of drugs	11.92	77.20	47.09	21.35	4.37	3.50
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	3.24	26.10	7.05	9.52	1.95	1.51
SPH New Asia Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	10.52	12.99	6.27	3.01	-0.04	-0.04
Shanghai TCM Co., Ltd.	Subsidiary	Production and sales of drugs	16.66	75.17	46.37	29.25	3.67	3.42
Chiatai Qingchunbao Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	1.29	38.45	27.67	6.29	0.23	0.23
SPH Changzhou Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	1.58	57.76	32.60	32.03	1.55	1.29

Company Name	Company Type	Principal Business	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Profit
SPH Zhongxi Sunve Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	5.46	33.67	25.63	3.99	1.51	1.19
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	0.93	24.09	17.32	11.81	1.95	1.73
Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	1.35	18.78	14.97	7.16	2.10	1.81
Xiamen TCM Factory Co., Ltd.	Subsidiary	Production and sales of drugs	2.00	6.57	5.80	2.41	0.13	0.13
Liaoning Herbpex Pharmaceutical (Group) Co., Ltd.	Subsidiary	Production and sales of drugs	1.02	11.76	5.84	2.95	0.37	0.33
Shanghai Zhonghua Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	0.94	5.49	2.77	1.88	0.23	0.22
Shanghai Medical Instruments Co., Ltd.	Subsidiary	Production and sales of medical instruments	3.27	5.58	4.14	1.92	-0.12	-0.13
Shanghai Pharma Sales Co., Ltd.	Subsidiary	Sales of drugs	0.50	13.76	1.06	5.58	0.44	0.44
TECHPOOL Bio-pharma Co., Ltd.	Subsidiary	Production and sales of drugs	1.00	30.93	25.22	9.05	2.68	2.28
SPH Changzhou Kony Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	0.15	3.73	2.79	1.34	0.25	0.21
Shanghai Hutchison Pharmaceuticals Co., Ltd.	Subsidiary	Production and sales of drugs	2.29	54.13	37.33	17.71	5.07	4.17

Acquisition and disposal of subsidiaries during the Reporting Period

☐Applicable ✓Not applicable

Other information

☐Applicable ✓Not applicable

(VII) The Structural Entity Controlled by the Company

☐Applicable ✓Not applicable

V. OTHER DISCLOSURES

(I) Potential risk factors

✓Applicable ☐Not applicable

Under the policy direction of "ensuring basic demands, strengthening innovation and tightening regulation", the competitive landscape of the pharmaceutical market is undergoing accelerated adjustment. The Company will closely monitor policy changes, proactively optimize its market strategies, and promote the launch of key new products as scheduled and value realization.

In terms of the pharmaceutical manufacturing and pharmaceutical service segments, with further implementation of industry regulatory policies such as centralized procurement and price governance, the Company will further optimize its product structure, continue to reduce costs and improve efficiency, enhance management standards, and promote the development of innovative businesses, thereby achieving sustainable and high-quality development of its main business.

In terms of the pharmaceutical research and development, innovative drug research and development projects have long lead time and large investment, the related progress and approval results and time to market are subject to certain uncertainties, and there is a risk that the progress or clinical trial results of the project are not as expected. The Company will vigorously introduce market-oriented innovative talents, and steadily improve its innovation competitiveness by paying close attention to changes in the industry, and optimizing the allocation of innovation resources.

(II) Other disclosures

☐Applicable ✓Not applicable

VI. DISCLOSURES REQUIRED BY THE HONG KONG LISTING RULES

(I) Capital Structure

As at the end of the Reporting Period, the asset-liability ratio (total liabilities/total assets) of Shanghai Pharmaceuticals was 61.46%, representing a decrease of 0.03 percentage point over the beginning of the period. The interest coverage ratio (EBIT/interest expenses) was 8.98 times (same period of 2025: 8.68 times). The gearing ratio (net amount of debts/total capital) of the Company was 22.36%.

During the Reporting Period, Shanghai Pharmaceuticals had a good liquidity and financial resources. As at the end of the Reporting Period, the balance of bank loans of the Company was RMB50.927 billion and the balance of extra short-term financing bill was RMB6.021 billion, of which the balance of loans in US dollar amounted to RMB503 million, the balance of loans in AUD amounted to RMB309 million, the balance of loans and extra short-term financing bill at a fixed interest rate amounted to approximately RMB52.456 billion. The net amount of accounts receivable and notes receivable (including receivables financing) was RMB93.522 billion, representing an increase of 8.92% on a YOY basis. The increase in accounts receivable was mainly due to the expanded operation scale of the Company. The balance of accounts payable and notes payable of the Company was RMB63.585 billion, representing an increase of 3.55% on a YOY basis.

The Group's objective on capital management is to safeguard the Group's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders, and also to maintain an optimal capital structure to lower capital cost. In order to maintain or adjust capital structure, the Group may adjust dividends amount payable to shareholders, return capital to shareholders, issue new shares or dispose of assets to reduce debts.

(II) Exchange Rate Fluctuation Risk and Any Related Hedging

Shanghai Pharmaceuticals conducts its operations mainly in China and makes settlements in RMB for its principal businesses. However, foreign exchange risks still exist in recognized assets and liabilities denominated in foreign currencies and future foreign currency transactions (the main currencies denominating are US dollar, Hong Kong dollar, Australian dollar and New Zealand dollar). The Company is not involved in any related hedging.

(III) Contingent Liabilities

During the Reporting Period, the Company had no major action or arbitration pending to be disclosed.

(IV) Significant Investment

As at 30 June 2026, the Company did not have any significant investment under paragraph 32(4A) of Appendix D2 to the Hong Kong Listing Rules.

(V) Employees, Remuneration Policy and Training Scheme

As of 30 June 2026, Shanghai Pharmaceuticals had a total of 48,640 employees (including 1,715 R&D personnel).

The Company adheres to the payment concept of "Position, Ability, Performance and Market" which improved annual and term performance evaluation system of senior management of the Company and management of the subsidiaries, with upgraded performance-based incentive and restraint mechanism. Based on the characteristics of positions, the Company constructs differentiated remuneration systems for management staff, marketing staff, R&D staff, technical quality management staff and production staff with reasonable docking between the various remuneration systems, so as to effectively motivate the employees and stimulate their creativity, continually improve the Company's business results and enhance the achievement of the Company's strategic goals. The Company carries out market research on remuneration, improving the staff revenue growth and underpinning mechanisms related to the Company's operating performance, so that employees can share the achievements of enterprise development.

The remuneration and compensation package of the employees generally includes salary, allowance and bonus, as well as pension, medical insurance, housing fund, work-related injury insurance and other benefits from the Company. The Company participates in various employee welfare schemes, such as pension, medical insurance, housing fund, maternity and unemployment insurance organized by the provincial and municipal governments in accordance with the relevant regulations of China. Moreover, the Company establishes the enterprise pension system and improves the corporate welfare system, which will enhance the cohesion and competitiveness of the enterprise.

During the Reporting Period, in close alignment with the Group's strategic plan, the Company continued to carry out multi-dimensional training and empowerment programs, and focused on enhancing the capabilities of employees of the Group, updating the knowledge of professional teams and optimizing the operation of digital learning platforms, and strengthened the construction of learning-oriented organizations.

During the Reporting Period, the Company made steady progress in building its training system, and successfully held the third training courses for young and middle-aged cadres. Trainings on functional lines such as research and development, marketing, manufacturing, quality, safety and environmental, investment, legal affairs, information technology and human resources were progressed as planned, providing a solid talent support for the high-quality development of the Group.

(VI) Option Incentive Scheme

On 18 December 2019, the Company's 2019 share option incentive scheme (the "Option Incentive Scheme") was considered and approved by the shareholders of the Company at the 2019 first extraordinary general meeting, the 2019 second H-share class meeting, and the 2019 second A-share class meeting (the "Shareholders' General Meetings") and adopted by the Company. On 19 December 2019 (the "Initial Options Grant Date") pursuant to the authorization at the shareholders' general meeting, the Board approved the grant of 25,680,000 share options to 211 participants. Due to the resignation of employee, the Company considered and approved at the meeting of the Board on 10 February 2020 to adjust the number of the initial participants from 211 to 210 and the number of initial granted options was adjusted from 25,680,000 to 25,600,000 accordingly. On 15 December 2020 ("Reserved Options Grant Date", together with "Initial Options Grant Date" collectively referred to as "Grant Date"), pursuant to the authorization of shareholders, the Board approved the grant of 2,730,000 share options to 28 participants.

Due to the resignation or unfulfillment of performance assessment requirements of some employees, on 5 January 2022, the Board considered and approved to adjust the number of the initial participants from 210 to 190 and the number of initial granted options was adjusted from 25,600,000 to 23,258,120 accordingly; on 9 January 2023, the Board considered and approved to adjust the number of the initial participants from 190 to 182 and the number of initial granted options was adjusted from 23,258,120 to 22,735,520 accordingly and on 9 January 2023, the Board considered and approved to adjust the number of participants of reserved options from 28 to 23 and the number of reserved options was adjusted from 2,730,000 to 2,290,000 accordingly; on 21 December 2023, the Board considered and approved to adjust the number of the initial participants from 182 to 170 and the number of initial granted options was adjusted from 22,735,520 to 22,065,720 accordingly; on 31 December 2024, the Board considered and approved to adjust the number of participants of reserved options from 23 to 20 and the number of reserved options was adjusted from 2,290,000 to 2,191,400 accordingly.

Due to fulfillment of the exercise conditions for the first exercise period, the second exercise period and the third exercise period of the initial granted share options and fulfillment of the exercise conditions for the first exercise period, the second exercise period and the third exercise period of the reserved share options of the Option Incentive Scheme, on 5 January 2022, the Company considered and approved at the Board meeting that 190 participants can exercise 7,667,220 share options during the first exercise period of the initial granted share options; on 9 January 2023, the Company considered and approved at the Board meeting that 182 participants can exercise 7,421,700 share options during the second exercise period of the initial granted share options and 23 participants can exercise 755,700 share options during the first exercise period of reserved share options; on 21 December 2023, the Company considered and approved at the Board meeting that 170 participants can exercise 6,976,800 share options during the third exercise period of the initial granted share options and 23 participants can exercise 755,700 share options during the second exercise period of reserved options; on 31 December 2024, the Company considered and approved at the Board meeting that 20 participants can exercise 680,000 share options during the third exercise period of the reserved share options.

The exercise and share transfer registration in respect of total 3,342,561 shares have completed during the first exercise period for the initial granted share options under the Option Incentive Scheme which has expired on 13 February 2023. On 30 March 2023, the Company considered and approved at the Board meeting that 4,324,659 share options that had expired but not been exercised during the first exercise period for the initial granted options have been cancelled. The exercise and share transfer registration in respect of total 4,972,629 shares have completed during the second exercise period for the initial granted share options under the Option Incentive Scheme which has expired on 13 February 2024. The exercise and share transfer registration in respect of total 269,746 shares have completed during the first exercise period for the reserved share options which has expired on 7 February 2024. On 28 March 2024, the Company considered and approved at the Board meeting that 2,449,071 share options that had expired but not been exercised during the second exercise period for the initial granted options and 485,954 share options that had expired but not been exercised during the first exercise period for the reserved options have been cancelled. The exercise and share transfer registration in respect of total 4,828,870 shares have completed during the third exercise period for the initial granted share options under the Option Incentive Scheme which has expired on 13 February 2025. The exercise and share transfer registration in respect of total 231,885 shares have completed during the second exercise period for the reserved share options which has expired on 7 February 2025. On 27 March 2025, the Company considered and approved at the Board meeting that 2,147,930 share options that had expired but not been exercised during the third exercise period for the initial granted options and 523,815 share options that had expired but not been exercised during the second exercise period for the reserved options have been cancelled. Participants did not exercise shares options during the third exercise period for the reserved options under the Option Incentive Scheme which has expired on 7 February 2026. On 30 March 2026, the Company considered and approved at the Board meeting that 680,000 share options that had expired but not been exercised during the third exercise period for the reserved options have been cancelled. For the six months ended 30 June 2026, no A-share share options were exercised.

In conclusion, as of 30 June 2026, there are no outstanding A-share share options under the Option Incentive Scheme that remain to be granted, vested, or exercised, and the validity period of the Option Incentive Scheme has been expired upon completion of the cancellation of the reserved share options.

1. *PURPOSE OF THE OPTION INCENTIVE SCHEME*

   To further optimize the corporate governance structure of the Company, create long-term incentive and restrictions on the senior management, mid-level management and key technical and business staff and other employee participants of the Company, fully encourage their initiative and creativity, effectively align their interests with the Company's long-term development, prevent the loss of talents, and achieve sustainable development of the Company, as proposed by the Remuneration and Assessment Committee of the Board, Shanghai Pharmaceuticals formulated the Option Incentive Scheme in accordance with relevant laws, administrative regulations and regulatory documents, and the Articles of Association.

2. *DETERMINATION OF AND DISTRIBUTION TO PARTICIPANTS UNDER THE OPTION INCENTIVE SCHEME*

The participants under the Option Incentive Scheme, comprise the senior management, mid-level management and key technical and business staff of the Company. The participants do not include non-executive Directors, independent non-executive Directors, members of the Remuneration and Assessment Committee, Supervisors, and any substantial shareholders or actual controller individually or jointly holding more than 5% of the Shares of the Company and their respective spouse, parents and children. All participants are employed by the Company or its holding subsidiaries and branches, and have entered into labour contracts with and received remuneration from the Company or its holding subsidiaries.

As at 30 June 2026, the distribution of the share options to participants is as follows:

Name	Position(s)	Number of the share options granted (in 10,000 A Shares)	Percentage to total number of the share options granted	Percentage to total share capital of the Company as of the Grant Date
Cho Man Note 1	Executive Director, President (resigned)	48.00	1.979%	0.017%
Shen Bo	Executive Director, President	39.00	1.608%	0.014%
Li Yongzhong	Executive Director, Executive President	39.00	1.608%	0.014%
Zhao Yong Note 2	Employee Representative Director, Vice President	33.00	1.360%	0.012%
Mao Jianyi Note 3	Vice President (resigned)	33.00	1.360%	0.012%
Gu Haoliang Note 4	Vice President (resigned)	33.00	1.360%	0.012%
Zhang Yaohua Note 5	Vice President (resigned)	33.00	1.360%	0.012%
Chen Jinzhu Note 6	Vice President, Secretary to the Board, Joint Company Secretary (resigned)	33.00	1.360%	0.012%
Pan Deqing Note 7	Vice President (resigned)	18.00	0.742%	0.006%
Maimaiti Aili Note 8	Vice President	8.00	0.330%	0.003%
Middle level management and core employees of the Company (160 persons in total after adjustment) under the initial grant		1,889.572	77.898%	0.665%
Middle level management and core employees (20 persons in total) under the reserved options grant		219.14	9.034%	0.077%
Total		2,425.712	100.000%	0.853%

Any discrepancies between the total shown and the breakdowns of the amounts listed in the table are due to rounding.

Note 1: Mr. Cho Man ceased to be the executive director and vice president of the Company from 29 June 2023. For details, please refer to the Company's announcement dated 30 June 2023. As of 30 June 2026, his share options that granted but not exercised during the first exercise period, the second exercise period and the third exercise period for the initial granted options have been cancelled by the Company, and he shall no longer hold any share options.

Note 2: On 11 February 2026, Mr. Zhao Yong was elected as the employee representative Director by the employee representative meeting. For details, please refer to the Company's announcement on Election of Employee Director dated 11 February 2026 (A share announcement Lin No. 2026-013). He served as the vice president upon the grant of share options. For details, please refer to the Company's announcement dated 20 December 2019 (A share announcement Lin No. 2019-097). As of 30 June 2026, his share options that granted but not exercised during the first exercise period, the second exercise period and the third exercise period of the initial granted options have been cancelled by the Company, and he shall no longer hold any share options.

Note 3: Mr. Mao Jianyi ceased to be the vice president of the Company on 25 September 2025. For details, please refer to the Company's announcement dated 26 September 2025. As of 30 June 2026, his share options that granted but not exercised during the first exercise period, the second exercise period and the third exercise period of the initial granted options have been cancelled by the Company, and he shall no longer hold any share options.

Note 4: Mr. Gu Haoliang ceased to be the vice president of the Company from 29 March 2022. For details, please refer to the Company's overseas regulatory announcement dated 30 March 2022 (A share announcement Lin No. 2022-025). His share options that granted but not exercised during the first exercise period and the second exercise period for the initial granted options have been cancelled by the Company. Due to unfulfillment of exercise conditions, his share options granted during the third exercise period for the initial granted options have been cancelled by the Company, for details, please refer to the Company's overseas regulatory announcement dated 22 December 2023 (A share announcement Lin No. 2023-100).

Note 5: Mr. Zhang Yaohua has resigned from all positions including the vice president of the Company since 5 August 2024. For details, please refer to the Company's overseas regulatory announcement dated 6 August 2024 (A share announcement Lin No. 2024-074). As of 30 June 2026, his share options that granted but not exercised during the first exercise period, the second exercise period and the third exercise period for the initial granted options have been cancelled by the Company, and he shall no longer hold any share options.

Note 6: Ms. Chen Jinzhu ceased to be the vice president of the Company from 29 March 2022, and ceased to be the secretary to the Board and joint company secretary of the Company from 29 August 2022. For details, please refer to the Company's overseas regulatory announcement dated 30 March 2022 (A share announcement Lin No. 2022-025) and the Announcement on Proposed Re-election and Election of Directors and Supervisors, etc dated 29 August 2022 (A share announcement Lin No. 2022-066). Her share options that granted but not exercised during the first exercise period and the second exercise period for the initial granted options have been cancelled by the Company. Due to unfulfillment of exercise conditions, her share options granted during the third exercise period for the initial granted options have been cancelled by the Company, for details, please refer to the Company's overseas regulatory announcement dated 22 December 2023 (A share announcement Lin No. 2023-100).

Note 7: Mr. Pan Deqing ceased to be the vice president of the Company on 2 September 2023. For details, please refer to the Company's overseas regulatory announcement dated 2 September 2023 (A share announcement Lin No. 2023-071). His share options that granted but not exercised during the first exercise period and the second exercise period for the initial granted options have been cancelled by the Company. Due to unfulfillment of exercise conditions, his share options granted during the third exercise period for the initial granted options have been cancelled by the Company, for details, please refer to the Company's overseas regulatory announcement dated 22 December 2023 (A share announcement Lin No. 2023-100).

Note 8: Mr. Maimaiti Aili was appointed as the vice president of the Company on 5 November 2024. For details, please refer to the Company's overseas regulatory announcement dated 6 November 2024 (A share announcement Lin No. 2024-100). His share options that granted but not exercised during the first exercise period and the second exercise period for the initial granted options have been exercised by the Company and share options that granted but not exercised during the third exercise period for the initial granted options have been cancelled by the Company. As of 30 June 2026, he shall no longer hold any share options.

3. *NUMBER OF SHARE OPTIONS GRANTED UNDER THE OPTION INCENTIVE SCHEME*

The number of A-share share options granted under the Option Incentive Scheme is 24,257,120, representing not more than 1% of the total number of Shares of the Company in issue as of the date of this report.

4. *MAXIMUM NUMBER OF SHARE OPTIONS GRANTED TO EACH PARTICIPANT UNDER THE OPTION INCENTIVE SCHEME*

The total number of Shares to be granted to the participants under the Option Incentive Scheme which are still in the Validity Period of the Option Incentive Scheme shall not exceed 1% of the Company's total share capital at the time of the approval of the Option Incentive Scheme by the General Meetings (being 18 December 2019) on a cumulative basis.

5. *VESTING PERIOD*

The vesting period shall be the period commencing from the registration date of the grant of share options to the first exercise date. The vesting period for the Option Incentive Scheme shall be 24 months.

6. *EXERCISE PERIOD AND EXERCISE DATE*

The share options granted to the participants can be exercised after the vesting period. The exercise date must be a trading day and shall not fall into the following periods:

(i) the period commencing on 30 days prior to the announcements of periodic reports of the Company, or in the event of postponement in publishing the periodic reports for special reasons, 30 days prior to the original announcement date and end on one day prior to the actual announcement date;

(ii) the period commencing on 10 days prior to the announcements of results forecast and preliminary results of the Company;

(iii) the period commencing on the date of the occurrence of material events that may have significant impacts on price of Shares and derivatives of the Company, or the date of entering into the decision-making process, and end on two business days after such events have been lawfully disclosed; and

(iv) other periods prescribed by the CSRC and the Shanghai Stock Exchange.

During the exercise period, the participants are able to exercise the options according to the following exercising arrangement upon the fulfillment of the exercise conditions under the Option Incentive Scheme. The exercise period of the share options and timetable for each exercise are set out below:

Exercise Period	Time Arrangement	Proportion of Exercisable Share Option to the Number of Share Option Granted
First exercise period	Commencing from the first trading day upon the expiry of 24 months from the Grant Date to the last trading day upon the expiry of 36 months from the Grant Date	33%
Second exercise period	Commencing from the first trading day upon the expiry of 36 months from the Grant Date to the last trading day upon the expiry of 48 months from the Grant Date	33%
Third exercise period	Commencing from the first trading day upon the expiry of 48 months from the Grant Date to the last trading day upon the expiry of 60 months from the Grant Date	34%

The participants shall exercise the share options during the exercise period. If the exercise conditions are not fulfilled, such share options shall not be exercised. If the exercise conditions are fulfilled nevertheless not all of the relevant share options have been exercised during the above period, such share options shall be cancelled by the Company.

7. *EXERCISE PRICE*

The exercise price of the share options under the Option Incentive Scheme is RMB18.41 per A Share for the initial grant, i.e. upon the fulfillment of the exercise conditions, the participants are able to purchase the A Shares issued by the Company to the participants at the price of RMB18.41 per A Share. In cases of capitalization of capital reserves, bonus issue and shares subdivision, rights issue, and share consolidation, exercise price of the share options shall be adjusted accordingly.

The exercise price of the share options for the initial grant under the Option Incentive Scheme shall not be less than the nominal value of the A Shares and shall not be lower than the higher of:

(i) the average trading price of the A Shares on the trading day immediately preceding the date of the announcement in relation to the Option Incentive Scheme, being RMB18.20 per A Share;

(ii) the average trading price of the A Shares for 60 trading days immediately preceding the date of the announcement in relation to the Option Incentive Scheme, being RMB18.41 per A Share.

The share options for the reserved grant shall be approved by the meetings of the Board before each grant, among whom, the directors who are proposed to be participants or directors in relation thereto shall abstain from voting. The exercise price shall be not be less than the nominal value of the A Shares and determined with reference to the higher of:

(i) the average trading price of the A Shares on the trading day immediately preceding the date of the announcement of the Board's resolution of granting the reserved options;

(ii) the average trading price of the A Shares for 20, 60 or 120 trading days immediately preceding the preceding the date of the announcement of the Board's resolution of granting the reserved options.

8. *VALIDITY PERIOD*

(1) Validity period of the Option Incentive Scheme

The Option Incentive Scheme will take effect after it has been considered and approved by the General Meetings, and will expire on the date on which the share options granted under the Option Incentive Scheme have been exercised or cancelled.

(2) Validity period of the share options

The validity period of the share options granted under the Option Incentive Scheme commences from the registration date of the grant, which shall not exceed 60 months.

9. *CHANGES IN OPTIONS GRANTED UNDER THE OPTION INCENTIVE SCHEME*

Details of changes in options granted under the Option Incentive Scheme as of 30 June 2026 are as follows:

Name	Position(s)	Number of options outstanding at the beginning of the Reporting Period (in 10,000 A Shares	Number of options granted during the Reporting Period (in 10,000 A Shares)	Number of exercisable options during the Reporting Period (in 10,000 A Shares)	Number of options Exercised during the Reporting Period (in 10,000 A Shares)	Number of options cancelled during the Reporting Period (in 10,000 A Shares)	Number of options lapsed during the Reporting Period (in 10,000 A Shares)	Number of options outstanding at the end of the Reporting Period (in 10,000 A Shares)	Grant date	Exercise period	Exercise price	The weighted average closing price of A Shares of the Company immediately before the exercise date during the Reporting Period
Shen Bo	Executive Director, President	0	0	0	0	0	0	0	19 December 2019	From 14 February 2022 to 13 February 2025	RMB18.41 per A Share	
Li Yongzhong	Executive Director, Executive President	0	0	0	0	0	0	0				
Zhao Yong	Employee Representative Director, Vice President	0	0	0	0	0	0	0				
Maimaiti Aili	Vice President	0	0	0	0	0	0	0				
Resigned senior executives (6 members)		0	0	0	0	0	0	0				
Middle level management and core employees (160 persons in total) under the initial grant		0	0	0	0	0	0	0				N/A[1]
Middle level management and core employees (20 persons in total) under the reserved options grant		68.0000	0	68.0000	0	-68.0000	0	0	15 December 2020	From 8 February 2023 to 7 February 2026	RMB20.16 per A Share	N/A[1]
Total		68.0000	0	68.0000	0	-68.0000	0	0				

Note: Immediately prior to the Initial Options Grant Date (namely 18 December 2019), the closing price of the Company's A Shares was RMB18.07 per A Share; immediately prior to the Reserved Options Grant Date (namely 14 December 2020), the closing price of the Company's A Shares was RMB19.22 per A Share.

(1) It is not applicable, as there were no A-share share options exercised during the Reporting Period.

According to the Option Incentive Scheme, please refer to the paragraphs above for the Grant Date, validity period, vesting period, exercise period, and exercise price of the above share options.

As of 30 June 2026, there are no outstanding A-share share options under the Option Incentive Scheme that remain to be granted, vested, or exercised. As of the beginning and end of the Reporting Period, there were no options available for grant under the Option Incentive Scheme.

10. *VALUE OF SHARE OPTIONS AND ACCOUNTING POLICIES IN RELATION THERETO*

(1) Value of share options

According to the relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payments and Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments issued by the Ministry of Finance, the Company elected the Black-Scholes model (B-S model) for the calculation of the fair value of shares options. As the valuation of options are subject to a number of assumptions and with regard to the limitation of the B-S model, the Company would like to remind all the shareholders and potential investors of the Company that the estimation of such value is subjective and uncertain.

Initial Grant

The Company estimated the fair value of shares options initially granted using B-S model on 19 December 2019 (Initial Options Grant Date). Particulars are as follows:

The initial options granted by Shanghai Pharmaceuticals on 19 December 2019 were vested in three batches. The fair values per share of the first, second and third batch of vested options are RMB3.21 per A Share, RMB3.53 per A Share, and RMB5.04 per A Share, respectively.

Based on various data on 19 December 2019, the values and descriptions of the parameters of the valuation model are as follows:

(i) Market price of underlying shares: RMB18.08 per A Share (the closing price of the Company's Shares on the Initial Options Grant Date is RMB18.08 per A Share

(ii) Exercise price: RMB18.41 per A Share

(iii) Validity period: 2.5 years, 3.5 years, and 4.5 years (depending on the weighted average exercise period of options vested in each period)

(iv) Volatility rate: 29.14%, 26.86%, and 34.76% (using the Company's volatility rate in the past 2.5 years, 3.5 years, and 4.5 years)

(v) Risk-free interest rates: 2.76%, 2.86%, and 2.96% (using the 2.5-year, 3.5-year, and 4.5-year benchmark deposit interest rate of government bonds)

(vi) Expected dividend yield: 1.72% (using the Company's average dividend yield in the past three years)

Reserved Options Grant

The Company estimated the fair value of reserved options granted using B-S model on 15 December 2020 (Reserved Options Grant Date). Particulars are as follows:

The options granted by Shanghai Pharmaceuticals on 15 December 2020 were vested in three batches. The fair values per share of the first, second and third batch of vested options are RMB3.37 per A Share, RMB3.83 per A Share, and RMB4.06 per A Share, respectively.

Based on various data on 15 December 2020, the values and descriptions of the parameters of the valuation model are as follows:

(i) Market price of underlying shares: RMB19.00 per A Share (the closing price of the Company's Shares on the Reserved Options Grant Date is RMB19.00 per A Share)

(ii) Exercise price: RMB20.16 per A Share

(iii) Validity period: 2.5 years, 3.5 years, and 4.5 years (depending on the weighted average exercise period of options vested in each period)

(iv) Volatility rate: 32.20%, 30.71% and 28.66% (using the Company's volatility rate in the past 2.5 years, 3.5 years, and 4.5 years)

(v) Risk-free interest rates: 2.94%, 3.02%, and 3.09% (using the 2.5-year, 3.5-year, and 4.5-year benchmark deposit interest rate of government bonds)

(vi) Expected dividend yield: 2.03% (using the Company's average dividend yield in the past three years)

(2) Accounting policies in relation to share options

According to the Accounting Standards for Business Enterprises No. 11 – Share-based Payments, the Company will measure and account for the cost of the Company's Option Incentive Scheme as per the following accounting methods:

(i) Grant Date

As share options are not exercisable on the Grant Date, accounting treatment is not required. The Company shall determine the fair value of the share options on the Grant Date.

(ii) Vesting period

On each balance sheet date during the vesting period, the services obtained in the current period shall, based on the best estimate of the number of the exercisable share options, be included in cost of the relevant assets or expenses and the other capital reserves in capital reserves at the fair value of the share options on the Grant Date.

(iii) Exercise period

No adjustment shall be made to the relevant costs or expense, and the total amount of the owner's equities, which have been recognized.

(iv) Exercise date

Share capital and share premium shall be recognized with reference to the actual exercise of the share options, and upon which, the amount recognized as "Capital Reserves – Other capital reserves" during the vesting period shall be transferred to "Capital Reserves – Capital premium".

11. *Shares to be issued due to grant of share options and awards under all share schemes*

During the Reporting Period, there were 680,000 A Shares to be issued under all schemes of the Company, representing 0.024% of the weighted average number of issued A Shares during the Reporting Period.

(VII) Outlook for the Second half of 2026

In the second half of the year, the Company will insist on the general business policy of "strengthening foundation and improving quality to enhance efficiency; advancing innovation and overcoming challenges to promote transformation". Closely following the requirements of the opening year of the "15th Five-Year" Plan and centering on the main line of high-quality development, the Company will focus on "ensuring stable operations, promoting reform, strengthening innovation and fostering new drivers", reinforce its internal foundation and expand external strengths, further consolidate the foundation for the development of pharmaceutical manufacturing and service, advance integration of pharmaceutical manufacturing and service and marketing transformation, accelerate the implementation of the innovation system reform plan, enhance R&D and innovation capabilities, and strengthen operational compliance and risk management. The Company is fully committed to achieving its annual operating targets and key tasks, thereby laying a solid foundation for a successful start of the "15th Five-Year Plan" and the Company's innovation-driven transformation.

I. CHANGES IN DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

✓Applicable ☐not applicable

Name	Position	Change situation	Reason for change	Description of reason for change
GU Zhaoyang	Independent Director	Resignation	Re-election	On 25 June 2026, due to the expiry of the eighth session of the Board of the Company, Mr. GU Zhaoyang and Mr. FOK Manson, having served as the independent directors for two consecutive sessions, ceased to act as the independent directors of the Company.
FOK Manson	Independent Director	Resignation	Re-election	
XUE Yunkui	Independent Director	Election	Re-election	On 25 June 2026, upon election at the Company's 2025 annual general meeting, Mr. XUE Yunkui and Mr. WANG Qian were elected as the independent directors of the ninth session of the Board of the Company.
WANG Qian	Independent Director	Election	Re-election	
ZHAO Yong	Employee Representative Director	Election	Re-election	Mr. ZHAO Yong was appointed as the employee representative director of the eighth session of the Board of the Company upon election at employee representative meeting on 11 February 2026, and appointed as the employee representative director of the ninth session of the Board of the Company upon election at employee representative meeting on 16 June 2026.

Information on changes in Directors and Senior Management of the Company

☐Applicable ✓not applicable

II. PROPOSAL FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE FUND INTO SHARE CAPITAL

Profit Distribution Proposal, Proposal for the Conversion of Capital Reserve Fund into Share Capital for the Half Year

Profit distribution or conversion of capital reserve fund into share capital	Yes
Bonus share for every 10 Shares (shares)	N/A
Dividend for every 10 Shares (Yuan) (tax inclusive)	1.00
Conversion into share capital for every 10 Shares (shares)	N/A

Explanation on proposal for profit distribution or conversion of capital reserve fund into share capital

On 25 June 2026, the Company considered and approved the "Proposal on Interim Dividend Arrangements for 2026" at 2025 annual general meeting. Subject to fulfillment of the corresponding interim dividend conditions and proportions, the Board was approved to authorize to formulate a specific interim dividend plan after comprehensively considering factors such as the profitability, development stage, capital arrangements, future growth requirements and reasonable returns to shareholders of the Company at the shareholders' general meeting. For details, please refer to the announcements of the Company (Lin No. 2026-039 and Lin No. 2026-045).

On 27 August 2026, the fourth meeting of the ninth session of the Board of the Company considered and approved the Profit Distribution Plan for the Half Year of 2026. The profit distribution plan for the half year of 2026: the Company's consolidated net profit attributable to shareholders of the listed company for the half year of 2026 was RMB3,504,447,475.63 (unaudited). The Company proposes to distribute cash dividend of RMB1.00 (tax inclusive) per 10 shares to all shareholders based on 3,708,361,809 shares of the total share capital as of 30 June 2026. Total proposed cash dividend of RMB370,836,180.90 (tax inclusive) shall be distributed, accounting for 10.58% of consolidated net profit attributable to shareholders of the listed company for the half year of 2026. During the Reporting Period, there is no conversion of capital reserve into share capital of the Company.

If the total share capital of the Company changes during the period up to the record date regarding execution of the profit distribution, the Company intends to maintain distribution amount per share unchanged based on the total share capital on the record date regarding execution of profit distribution and the total profit distribution amount will be adjusted accordingly.

III. EQUITY INCENTIVE PLANS, EMPLOYEE SHARE SCHEMES AND OTHER EMPLOYEE INCENTIVE SCHEMES OF THE COMPANY AND THEIR IMPACT

(I) Relevant equity incentive matters disclosed in the interim announcement without subsequent development or changes during implementation

✓Applicable □not applicable

Description	Search Index
In the fourth quarter of 2025, the participants of the third exercise period of reserved share options under the 2019 A-Share Stock Option Incentive Plan of the Company did not exercise the share options.	For details, please refer to the announcement of the Company (Lin No. 2026-001)
The number of share options available for exercise during the third exercise period of reserved shares options was 680,000, with the exercise period commencing from 8 February 2025 and ending on 7 February 2026. During the exercise period, the participants of the third exercise period of reserved share options of the Company did not exercise the share options.	For details, please refer to the announcement of the Company (Lin No. 2026-014)
680,000 share options that had expired but not been exercised during the third exercise period of reserved share options of the Company have been cancelled.	For details, please refer to the announcement of the Company (Lin No. 2026-023)

(II) Incentives not disclosed in the interim announcement or with subsequent development

Equity incentives

□Applicable ✓not applicable

Other explanation

□Applicable ✓not applicable

Employee share schemes

□Applicable ✓not applicable

Other incentive measures

□Applicable ✓not applicable

IV. ENVIRONMENTAL INFORMATION OF THE LISTED COMPANY AND ITS MAJOR SUBSIDIARIES INCLUDED IN THE LIST OF ENTERPRISES THAT ARE LEGALLY REQUIRED TO DISCLOSE ENVIRONMENTAL INFORMATION

✓Applicable ☐not applicable

Number of enterprises included in the list of enterprises that are legally required to disclose environmental information		22
No.	**Company name**	**Search Index for the report on disclosure of environmental information in accordance with laws**
1	General factory of SPH Sine Pharmaceutical Factory Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shanghai) https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp
2	Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shanghai) https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp
3	Shanghai Sine Tianping Pharmaceutical Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shanghai) https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp
4	SPH Pharmaceutical Technology Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shanghai) https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp
5	SPH Xing Ling Sci. & Tech. Pharmaceutical Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shanghai) https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp
6	SPH New Asia Pharmaceutical Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shanghai) https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp
7	Shanghai SPH Biological Medicine Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shanghai) https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp
8	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shanghai) https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp
9	Shanghai SPH Zhong Xi Pharmaceutical Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shanghai) https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp

No.	Company name	Search Index for the report on disclosure of environmental information in accordance with laws
10	Shanghai Jinhe Bio-pharmaceutical Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shanghai) https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp
11	Shanghai Zhonghua Pharmaceutical Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shanghai) https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp
12	Shanghai Sunve Bio-Tech Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shanghai) https://e2.sthj.sh.gov.cn/jsp/view/hjpl/index.jsp
13	Tianjin Jinjin Pharmaceutical Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Tianjin) https://hjxxpl.sthj.tj.gov.cn:10800/#/gkwz/jcym
14	Shandong Sine Pharmaceutical Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shandong) http://221.214.62.226:8090/EnvironmentDisclosure/
15	Changzhou Pharmaceutical Factory Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Jiangsu) http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/viewRunner.html?viewId=http://218.94.78.91:18181/spsarchive-webapp/web/sps/views/yfpl/views/home/index.js
16	Nantong Chanyoo Pharmatech Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Jiangsu) http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/viewRunner.html?viewId=http://218.94.78.91:18181/spsarchive-webapp/web/sps/views/yfpl/views/home/index.js
17	Chifeng Aike Pharmaceutical Technology Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Inner Mongolia) http://111.56.142.62:40010/support-yfpl-web/web/viewRunner.html?viewId=http://111.56.142.62:40010/support-yfpl-web/web/sps/views/yfpl/views/yfplHomeNew/index.js&cantonCode=150000

No.	Company name	Search Index for the report on disclosure of environmental information in accordance with laws
18	SPH Changzhou Kony Pharmaceutical Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Jiangsu) http://ywxt.sthjt.jiangsu.gov.cn:18181/spsarchive-webapp/web/viewRunner.html?viewId=http://218.94.78.91:18181/spsarchive-webapp/web/sps/views/yfpl/views/home/index.js
19	SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Shandong) http://221.214.62.226:8090/EnvironmentDisclosure/
20	SPH (Benxi) North Pharmaceuticals Co., Ltd.	System for enterprise environmental information disclosure in accordance with law (Liaoning) https://qyxxpl.ywzh.lnsthj.cn:8802/home/index
21	TECHPOOL Bio-Pharma Co., Ltd.	Department of Ecology and Environment of Guangdong Province – System for enterprise environmental information disclosure in accordance with law https://www-app.gdeei.cn/gdeepub/front/dal/dal/newindex
22	Chiatai Qingchunbao (Deqing) Pharmaceutical Co., Ltd.	Zhejiang enterprise environmental information disclosure in accordance with law https://mlzj.sthjt.zj.gov.cn/eps/index/enterprise-search

Other explanation

☐Applicable ✓not applicable

V. PARTICULARS OF CONSOLIDATING AND EXPANDING THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND RURAL REVITALIZATION

☐Applicable ✓not applicable

VI. DISCLOSURES REQUIRED BY THE HONG KONG LISTING RULES

(I) Compliance with the Corporate Governance Code

During the Reporting Period, the Company has strictly complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules.

(II) Compliance with the Model Code

The board of directors of the Company has confirmed that the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") for securities transactions by Directors. After sufficient enquiry, all the directors have confirmed that they complied with the Model Code in all aspects during the Reporting Period.

(III) Change in Details of Biographies

Latest biographical details of Mr. Shen Bo: Born in March 1973. He obtained a master degree in professional accountancy from Chinese University of Hong Kong and is a Chinese Certified Public Accountant. He is currently the executive director and president of the Company, and holds directorships in subsidiaries of the Company. He has served as the non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (a company listed on the Hong Kong Stock Exchange and the science and technology innovation board of the Shanghai Stock Exchange with stock codes 01349 and 688505, respectively), the non-executive director of Tianda Pharmaceuticals Limited (a company listed on the Hong Kong Stock Exchange) (stock code 00455), the general manager of the finance department of Shanghai Pharmaceutical (Group) Co., Ltd., the chief financial officer of Shanghai Industrial Pharmaceutical Investment Co., Ltd. and the deputy manager of the finance department of Shanghai Jinling Co., Ltd., etc.

(IV) Audit Committee's Review on the Interim Report

The audit committee under the board of directors of the Company has reviewed the Company's 2026 interim report and agreed with the accounting treatment adopted by the Company.

(V) Articles of Association

During the Reporting Period, the Company did not make any amendments to the Articles of Association.

I. FULFILMENT STATUS OF COMMITMENTS

(I) Commitments by De Facto Controller, Shareholders, Related Parties, Acquirers and the Company to Relevant Parties during or lasting to the Reporting Period

✓Applicable ☐Not applicable

Background of commitments	Type of commitments	Undertaking party	Details of commitments	Time of commitments	Whether there is a term for commitments	Term of commitments	Whether the Commitment is fulfilled in a timely and strict manner
Undertakings stated in acquisition report or report of changes in equity	Other	Shanghai Shangshi and Golden Bell	1. After the completion of the equity adjustment, the company and other enterprises under its control will continue to actively maintain independence from Shanghai Pharmaceuticals in terms of personnel, assets, business, finance and organization. 2. The company shall exercise its shareholders' rights in accordance with applicable laws and regulations as well as the Articles of Association of Shanghai Pharmaceuticals and strictly comply with the relevant requirements of regulatory authorities on the independence of listed companies. It shall not use its position as a shareholder to affect the independence of Shanghai Pharmaceuticals or violate the standardized operating procedures of other listed companies, intervene in the operating decisions of Shanghai Pharmaceuticals and damage the legitimate rights and interests of Shanghai Pharmaceuticals and other shareholders. 3. If the company causes any loss to Shanghai Pharmaceuticals as a result of its failure to fulfill the above commitments, it shall bear the compensation liabilities by law accordingly. 4. This commitment letter shall take effect from the date of issuance and shall continue to be valid during the period of control of the company over Shanghai Pharmaceuticals.	29 December 2025	Yes	This commitment shall continue to be valid during the period of control of Shanghai Shangshi and Golden Bell over Shanghai Pharmaceuticals.	Yes

Background of commitments	Type of commitments	Undertaking party	Details of commitments	Time of commitments	Whether there is a term for commitments	Term of commitments	Whether the Commitment is fulfilled in a timely and strict manner
	Solving horizontal competition	Shanghai Shangshi and Golden Bell	1. The company undertakes that neither the company nor other enterprises under its control are engaged in production and operation activities that constitute substantial competition with the principal business of Shanghai Pharmaceuticals. 2. After the completion of the equity adjustment, the company will take legal and effective measures to procure that other enterprises under its control do not engage in any new activities that would constitute competition with and have a material adverse impact on the principal business of Shanghai Pharmaceuticals. If the company and enterprises under its control engage in any new business or activity that would constitute competition with and have a material adverse impact on the business of Shanghai Pharmaceuticals, the company shall, to the extent permitted by applicable laws, regulations and relevant policies, take legal and effective measures to resolve such competition. 3. If the company causes any loss to Shanghai Pharmaceuticals as a result of its failure to fulfill the above commitments, it shall bear the compensation liabilities by law accordingly. 4. This commitment letter shall take effect from the date of issuance and shall continue to be valid during the period of control of the company over Shanghai Pharmaceuticals.	29 December 2025	Yes	This commitment shall continue to be valid during the period of control of Shanghai Shangshi and Golden Bell over Shanghai Pharmaceuticals.	Yes

Background of commitments	Type of commitments	Undertaking party	Details of commitments	Time of commitments	Whether there is a term for commitments	Term of commitments	Whether the Commitment is fulfilled in a timely and strict manner
	Solving related party transactions	Shanghai Shangshi and Golden Bell	1. Without adversely affecting the interests of Shanghai Pharmaceuticals and all shareholders, the company will avoid and minimize possible related party transactions with Shanghai Pharmaceuticals and its subordinated companies in the future. 2. For any related party transactions that are indeed necessary or have reasonable grounds for existence, the company will determine the prices of related party transactions based on market principle or other reasonable principles and sign standardized related party transaction agreements with Shanghai Pharmaceuticals in accordance with laws to ensure the fairness of the prices of related party transactions. The company has committed to carry out review procedures and fulfil the corresponding information disclosure obligations in accordance with relevant laws and regulations and the Articles of Association of Shanghai Pharmaceuticals. 3. The company undertakes not to take advantage of related party transactions to illegally misappropriate or transfer funds, capital, profits or other resources of Shanghai Pharmaceuticals, or damage the interests of Shanghai Pharmaceuticals and other shareholders. 4. If the company causes any loss to Shanghai Pharmaceuticals as a result of their failure to fulfill the above commitments, it shall bear the compensation liabilities by law accordingly. 5. This commitment letter shall take effect from the date of issuance and shall continue to be valid during the period of control of the company over Shanghai Pharmaceuticals.	29 December 2025	Yes	This commitment shall continue to be valid during the period of control of Shanghai Shangshi and Golden Bell over Shanghai Pharmaceuticals.	Yes

Background of commitments	Type of commitments	Undertaking party	Details of commitments	Time of commitments	Whether there is a term for commitments	Term of commitments	Whether the Commitment is fulfilled in a timely and strict manner
The commitment in relation to major assets restructuring	Solving horizontal competition	Shanghai Pharmaceutical (Group) and SIIC	1. In the event it acquires, procures or otherwise comes to possess businesses or assets that compete or could potentially compete with the businesses of the Company, it shall, pursuant to its non-competition deed, irrevocably grant the Company the pre-emptive right to acquire all of such businesses or assets at any time; 2. It and its subsidiaries shall avoid any business or operations that may compete with the Company; 3. It shall avoid investing in equity interests of other companies or enterprises that compete with the business and operations of the Company; and 4. It shall bear all losses and expenses directly and indirectly incurred by the Company as a result of a breach by it of its undertakings set forth in its non-competition deed.	22 December 2009	Yes	Long term	Yes
The commitment in relation to the initial public offering	Solving horizontal competition	Shanghai Pharmaceutical (Group) and SIIC	Please refer to "The commitment in relation to major assets restructuring" described above for details.	22 December 2009	Yes	Long term	Yes

Background of commitments	Type of commitments	Undertaking party	Details of commitments	Time of commitments	Whether there is a term for commitments	Term of commitments	Whether the Commitment is fulfilled in a timely and strict manner
The commitment in relation to the refinancing·	Other	SIIC, Shanghai Shangshi and Shanghai Pharmaceutical (Group)	1. The company undertakes not to exceed its authority to interfere with the operation and management activities of the Company and not to encroach on the interests of the Company; 2. If the company violates such commitments and causes losses to the Company or investors, the company is willing to bear the responsibility of compensation to the Company or investors in accordance with the law; 3. From the issue date of the commitment to the completion of the implementation of the Company's non-public issuance of A Shares, if the CSRC makes other new regulatory provisions on the remedial measures on returns and its commitment, and if the above commitment cannot meet such provisions of the CSRC, the company undertakes to issue additional commitment in accordance with the latest provisions of the CSRC at that time; as one of the responsible subjects in relation to the remedial measures on returns, if the company violates the above commitments or refuses to fulfill the above commitments, the company agrees that the CSRC, the Shanghai Stock Exchange and other securities regulatory authorities shall impose relevant penalties or take relevant regulatory measures against the company in accordance with the relevant regulations and rules formulated or issued by them.	11 May 2021	Yes	Long term	Yes
	Other	The Company	1. Strictly implements the management system of the proceeds to prevent the risk of using the proceeds; 2. Further strengthens the Company's operation management and internal control to improve operational efficiency and profitability; 3. Strictly implements the profit distribution policy and ensure the implementation of the investor return mechanism.	11 May 2021	Yes	Long term	Yes

Background of commitments	Type of commitments	Undertaking party	Details of commitments	Time of commitments	Whether there is a term for commitments	Term of commitments	Whether the Commitment is fulfilled in a timely and strict manner
	Other	Directors and senior management of the Company	1. Undertake not to transfer benefits to other units or individuals without compensation or on unfair terms, or use other means to harm the interests of the Company; 2. Undertake to exercise restraint on my official consumption behavior; 3. Undertake not to use the Company's assets to engage in investment or consumption activities unrelated to the performance of duties; 4. Undertake to link the remuneration system formulated by the Board or the Remuneration and Assessment Committee of the Board to the implementation of the Company's remedial measures on returns; 5. Undertake that if the Company subsequently launches the equity incentive policy, the exercise conditions of the Company's equity incentive to be announced will be linked to the implementation of the Company's remedial measures on returns; 6. From the issue date of the commitment to the completion of the implementation of the Company's non-public issuance of A Shares, if the CSRC makes other new regulatory provisions on the remedial measures on returns and its commitment, and if the above commitment cannot meet such provisions of the CSRC, I undertake to issue additional commitment in accordance with the latest provisions of the CSRC at that time; 7. Undertake to effectively implement the relevant return remedial measures formulated by the Company and any commitments made by me in relation to return remedial measures, and if I violate such commitments and cause losses to the Company or investors, I am willing to bear the compensation to the Company or investors in accordance with the law; as one of the responsible subjects in relation to the remedial measures on returns, if I violate the above commitments or refuse to fulfill the above commitments, I agree that the CSRC, the Shanghai Stock Exchange and other securities regulatory authorities shall impose relevant penalties or take relevant regulatory measures against me in accordance with the relevant regulations and rules formulated or issued by them.	11 May 2021	Yes	Long term	Yes

Background of commitments	Type of commitments	Undertaking party	Details of commitments	Time of commitments	Whether there is a term for commitments	Term of commitments	Whether the Commitment is fulfilled in a timely and strict manner
The commitment in relation to the option incentive	Other	The Company	Not to provide loans and financial support in other forms, including providing guarantee for loans to the participants for acquiring the relevant entitlement under the Scheme.	30 September 2019	Yes	The completion date of the 2019 A-share Option Incentive Scheme.	Yes

II. APPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES FOR NON-OPERATIONAL PURPOSE DURING THE REPORTING PERIOD

☐Applicable ✓Not applicable

III. IRREGULAR GUARANTEES

☐Applicable ✓Not applicable

IV. AUDIT OF THE INTERIM REPORT

☐Applicable ✓Not applicable

V. CHANGES AND SETTLEMENTS OF MATTERS INVOLVED IN THE NON-STANDARD AUDIT OPINION SET OUT IN THE ANNUAL REPORT OF LAST YEAR

☐Applicable ✓Not applicable

VI. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

☐Applicable ✓Not applicable

VII. MATERIAL LITIGATIONS AND ARBITRATIONS

✓Material litigations and arbitrations occurred during the Reporting Period

☐No material litigations and arbitrations occurred during the Reporting Period

(I) Litigations and arbitrations disclosed in the interim announcements without subsequent development

✓Applicable ☐Not applicable

Overview and Type of Events	Search Index
Case of Techpool Bio-Pharma Co., Ltd. (the "Plaintiff") against Guangzhou Baotian Biotechnology Co., Ltd. (the "Defendant") for dispute over private lending. On 5 November 2021, Guangzhou Tianhe District People's Court handed down its first-instance judgment in respect of the case, ruling that the Defendant shall repay the principal amount of RMB83.50 million and the interests accrued on within 15 days from the date when this judgement takes effect, and dismissed other requests of the Plaintiff. The case is still in progress.	Please refer to the Announcement of Shanghai Pharmaceuticals Holding Co., Ltd. in relation to Material Litigations and Arbitrations and interim announcement (Lin No. 2021-091) disclosed by the Company on the website of Shanghai Stock Exchange for details.
Case of Techpool Bio-Pharma Co., Ltd. (the "Plaintiff") against two parties including Guangzhou Tianhe Hi-tech Industrial Zone Industrial Development Corporation (the "Defendant") for dispute over recovery of unpaid capital contribution. The second-instance court supported the requests of the Plaintiff. Since the case did not meet the conditions for continuous enforcement, the court ruled to terminate the enforcement procedure. When the conditions for applying for enforcement are met, an application can be made to the court for resumption of enforcement.	Please refer to the Announcement of Shanghai Pharmaceuticals Holding Co., Ltd. in relation to Material Litigations and Arbitrations disclosed by the Company on the website of Shanghai Stock Exchange for details.

(II) Litigations and arbitrations not disclosed in the interim announcement or with subsequent development

☐Applicable ✓Not applicable

(III) Other information

☐Applicable ✓Not applicable

VIII. ALLEGED VIOLATION OF LAWS AND REGULATIONS, PUNISHMENT AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

☐Applicable ✓Not applicable

IX. STATEMENTS ON THE INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

☐Applicable ✓Not applicable

X. SIGNIFICANT RELATED TRANSACTIONS

(I) Related transactions relating to daily operations

1. *Events disclosed in the interim announcement without subsequent development or changes during implementation*

   ☐Applicable ✓Not applicable

2. *Events disclosed in interim announcement with subsequent development or changes during implementation*

✓Applicable ☐Not applicable

Unit: 0'000 Yuan Currency: RMB

Related party	Particulars of the related transaction	Pricing principle of the related transaction	Amount of the related transaction	Proportion in the amount of transaction of the same type (%)	Settlement method of the related transaction	Available market price of similar transactions	Reason for the difference between trading price and market price
SIIC and its subsidiaries	Selling products and offering labor services to the related party	Negotiated based on the market price	27.67	100.00	Cash	27.67	N/A
	Purchase of goods and receipt of services from the related party		338.61	100.00		338.61	
	Leasing housing to related parties		267.03	100.00		267.03	
Tianda Pharmaceuticals Limited	Purchase of goods and receipt of distribution services from the related party		1,058.51	100.00		1,058.51	
Shanghai Pharmaceutical (Group) Co., Ltd. and its subsidiaries	Leasing housing and equipment and receiving property services from related party		1,850.98			1,850.98	
Wing Fat Printing Co., Ltd. and its subsidiaries	Purchase of raw materials from the related party		2,640.97			2,640.97	
Fudan Zhangjiang	Receipt of entrusted sales of the products for the related party		2,743.27	100.00		2,743.27	
Yunnan Baiyao	Selling products to the related party		36,323.93	100.00		36,323.93	
	Purchase of goods from the related party		24,811.93	100.00		24,811.93	

Note: For details about matters not disclosed in interim announcements, please refer to Note (VII) to financial statements.

3. *Events not disclosed in interim announcements*

☐Applicable ✓Not applicable

(II) Related transactions relating to acquisition and disposal of assets and equity

1. *Events disclosed in the interim announcement without subsequent development or changes during implementation*

☐Applicable ✓Not applicable

2. *Events disclosed in interim announcement with subsequent development or changes during implementation*

✓Applicable ☐Not applicable

On 25 July 2025, the Company considered and approved the Proposal regarding the Acquisition of 10% Equity Interest in Shanghai Shangshi Group Finance Co., Ltd. and the Related Transactions/Connected Transactions at the twenty-third meeting of the eighth session of the Board of Directors. The Company acquired 10% equity interest in Finance Company held by SIIC Dongtan with its own funds of approximately RMB143 million.

As of 12 January 2026, the Company, SIIC Dongtan and Finance Company jointly applied for and completed the registration procedures in respect of the change of equity, and the Company paid all the consideration for equity transfer to SIIC Dongtan in one lump sum pursuant to the Share Transfer Agreement. The percentage of shareholding of Finance Company held by the Company increased to 40% from 30%, which has not led to any change in the scope of consolidated financial statements of the Company.

For details, please refer to the connected transaction announcement regarding proposed acquisition of 10% equity interest in Finance Company and the update announcement of the Company dated 26 July 2025 and 14 January 2026 (A share announcement Lin No. 2025-072 and Lin No. 2026-004).

3. *Events not disclosed in interim announcement*

☐Applicable ✓Not applicable

4. *Performance with agreed target shall be disclosed during the Reporting Period*

☐Applicable ✓Not applicable

(III) Material related transactions relating to joint external investment

1. *Events disclosed in the interim announcement without subsequent development or changes during implementation*

   ☐Applicable ✓Not applicable

2. *Events disclosed in interim announcement with subsequent development or changes during implementation*

   ☐Applicable ✓Not applicable

3. *Events not disclosed in interim announcement*

   ☐Applicable ✓Not applicable

(IV) Credits and liabilities with related parties

1. *Events disclosed in the interim announcement without subsequent development or changes during implementation*

   ☐Applicable ✓Not applicable

2. *Events disclosed in interim announcement with subsequent development or changes during implementation*

   ☐Applicable ✓Not applicable

3. *Events not disclosed in interim announcement*

   ☐Applicable ✓Not applicable

(V) Financial business between the Company and related financial companies, holding financial companies and related parties

✓Applicable ☐Not applicable

1. *Deposit business*

✓Applicable ☐Not applicable

Unit: 0'000 Yuan Currency: RMB

Related party	Related relationship	Daily maximum deposit limit	Deposit interest rate range	The balance at the beginning of the Period	The amount for the Period		The balance at the end of the Period
					Total amount deposited during the Period	Total amount withdrew during the Period	
Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司)	Subsidiary of Controlling Shareholder	550,000	0.15%-1.25%	484,560.18	6,939,633.83	6,999,340.58	424,853.43

2. *Loan business*

✓Applicable ☐Not applicable

Unit: 0'000 Yuan Currency: RMB

Related party	Related relationship	Loan limit	Loan interest rate range	The balance at the beginning of the Period	The amount for the Period		The balance at the end of the Period
					Total amount lent during the Period	Total amount repaid during the Period	
Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司)	Subsidiary of Controlling Shareholder	700,000	2.11%-3.50%	472,173.61	225,645.95	245,458.00	452,361.56

3. *Credit business or other financial business*

✓Applicable ☐Not applicable

Unit: 0'000 Yuan Currency: RMB

Related party	Related relationship	Business type	Total amount	Actual amount
Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司)	Subsidiary of Controlling Shareholder	Liquidity loans, project loans, discount of bank acceptance notes, discount of trade acceptance notes, factoring of trade receivables, bill acceptance and entrust loans	927,500.00	225,645.95

4. *Other information*

☐Applicable ✓Not applicable

(VI) Other significant related transaction

☐Applicable ✓Not applicable

(VII) Others

☐Applicable ✓Not applicable

XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) Trusteeship, contracting and leasing

☐Applicable ✓Not applicable

(II) Material guarantees fulfilled and to be fulfilled during the Reporting Period

✓Applicable ☐Not applicable

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding those provided to its subsidiaries)															
Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Value of guarantee	Date of guarantee (date of agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Principal debts	Collateral (if any)	Guarantee fully fulfilled	Guarantee overdue	Overdue amount of guarantee	Any counter Guarantee	Guarantee provided to related parties	Connected relationship
/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Total value guaranteed during the Reporting Period (excluding those provided to its subsidiaries)															–
Total remaining balance guaranteed at the end of the Reporting Period (A) (excluding those provided to its subsidiaries)															–
Guarantees provided by the Company to its subsidiaries															
Total value guaranteed for its subsidiaries during the Reporting Period															955,395,514.88
Total remaining balance guaranteed for its subsidiaries at the end of the Reporting Period (B)															1,069,716,628.60

Total value guaranteed by the Company (including guarantees to subsidiaries)	
Total value guaranteed (A+B)	1,069,716,628.60
Proportion of total value guaranteed in the Company's net assets (%)	1.37%
Among which:	
Value guaranteed for shareholders, de facto controller and related parties (C)	–
Value directly or indirectly guaranteed for guaranteed parties whose gearing ratio exceeds 70% (D)	795,371,149.42
Amount of total value guaranteed exceeding 50% of net assets (E)	–
Total of value guaranteed for the above three items (C+D+E)	795,371,149.42
Details of possible joint settlement liabilities for undue guarantee	/
Details of guarantee	/

(III) Other material contracts

☐Applicable ✓Not applicable

XII. PROGRESS OF THE USE OF FUND RAISED

☐Applicable ✓Not applicable

XIII. STATEMENT ON OTHER SIGNIFICANT EVENTS

☐Applicable ✓Not applicable

Chapter 6 Changes in Shares and Information about Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in Shares

1. *Table of changes in Shares*

   During the Reporting Period, there was no change in the total number of shares and share capital structure of the Company.

2. *Explanation of changes in Shares*

   □Applicable ✓Not applicable

3. *Impacts (if any) of changes in Shares occurred during the Period from the end of the Reporting Period to disclosure date of the interim report on financial indicators such as earnings per share and net asset per share*

   □Applicable ✓Not applicable

4. *Other information that the Company deems necessary or the securities regulators require disclosing*

   □Applicable ✓Not applicable

(II) Changes in trade-restricted Shares

□Applicable ✓Not applicable

II. INFORMATION ABOUT SHAREHOLDERS

(I) Number of shareholders:

The total number of ordinary shareholders as at the end of the Reporting Period	95,340
The total number of shareholders of preference Shares with voting rights restored as at the end of the Reporting Period	0

(II) Shareholdings of top ten shareholders and top ten shareholders for shares in circulation (or without trade restrictions) at the end of the Reporting Period

Unit: share

Shareholdings of the top ten shareholders (excluding the shares lent under refinancing business)							
Name of shareholder (in full)	Increase/ Decrease during the Reporting Period	Number of shares held at the end of the Period	Shareholding percentage (%)	Number of trade-restricted Shares held	Pledged, labelled or frozen Status	Pledged, labelled or frozen Number	Nature of shareholders
HKSCC NOMINEES LIMITED Note 1	17,400	918,271,749	24.762	0	Unknown		Foreign legal person
Shanghai Pharmaceutical (Group) Co., Ltd.	0	716,516,039	19.322	0	Nil		State-owned legal person
Yunnan Baiyao Group Co., Ltd.	0	665,626,796	17.949	0	Nil		Domestic non-state-owned legal person
SIIC International Investment Company Limited	62,920,000	374,438,000	10.097	0	Nil		State-owned legal person
Shanghai Shangshi (Group) Co., Ltd.	0	221,801,798	5.981	0	Nil		State-owned legal person
Shanghai Tandong Enterprise Consulting Services Co., Ltd.	0	187,000,000	5.043	0	Nil		State-owned legal person
New China Life Insurance Company Ltd. – Traditional – General Insurance Products – 018L – CT001Hu	6,951,500	160,984,326	4.341	0	Nil		State-owned legal person
Hong Kong Securities Clearing Company Limited Note 2	17,454,446	57,131,186	1.541	0	Unknown		Foreign legal person
New China Life Insurance Company Ltd. – Dividends – Individual Dividends – 018L – FH002Hu	0	29,020,495	0.783	0	Nil		State-owned legal person
Shanghai Guosheng Group Assets Co., Ltd.	0	25,289,600	0.682	0	Nil		State-owned legal person

Shareholdings of top ten shareholders without trade restrictions (excluding the shares lent under refinancing business)			
	Number of Shares in circulation without trade restrictions	Class and number of Shares	
Name of shareholders		Class	Number
HKSCC NOMINEES LIMITED	918,271,749	Overseas listed foreign Shares	918,271,749
Shanghai Pharmaceutical (Group) Co., Ltd.	716,516,039	RMB ordinary Shares	716,516,039
Yunnan Baiyao Group Co., Ltd.	665,626,796	RMB ordinary Shares	665,626,796
SIIC International Investment Company Limited	374,438,000	Overseas listed foreign Shares	374,438,000
Shanghai Shangshi (Group) Co., Ltd.	221,801,798	RMB ordinary Shares	221,801,798
Shanghai Tandong Enterprise Consulting Services Co., Ltd.	187,000,000	RMB ordinary Shares	187,000,000
New China Life Insurance Company Ltd. – Traditional – General Insurance Products – 018L – CT001Hu	160,984,326	RMB ordinary Shares	122,145,326
		Overseas listed foreign Shares	38,839,000
Hong Kong Securities Clearing Company Limited	57,131,186	RMB ordinary Shares	57,131,186
New China Life Insurance Company Ltd. – Dividends – Individual Dividends – 018L – FH002Hu	29,020,495	RMB ordinary Shares	29,020,495
Shanghai Guosheng Group Assets Co., Ltd.	25,289,600	RMB ordinary Shares	21,117,000
		Overseas listed foreign Shares	4,172,600
Description of special account for repurchase among the top ten shareholders	Not available		
Explanations on the entrusting voting right, entrusted voting right and waive of voting right of the above shareholders	Not available		
Note on connected relations or concerted actions of the above shareholders	As of the end of the Reporting Period, Shanghai Shangshi (Group) Co., Ltd. held 100% equity interest in Shanghai Pharmaceutical (Group) Co., Ltd.; Shanghai Shangshi (Group) Co., Ltd. held 100% equity interest in Golden Bell International Holdings Limited; Golden Bell International Holdings Limited held 100% equity interest in Shanghai Industrial Investment (Holdings) Co., Ltd.; Shanghai Industrial Investment (Holdings) Co., Ltd. held 100% equity interest in SIIC International Investment Company Limited; SIIC International Investment Company Limited held 100% equity interest in Shanghai Tandong Enterprise Consulting Services Co., Ltd.		
Note on shareholders of preference Shares with voting rights restored and number of Shares held	Not available		

Note 1: Shares held by HKSCC NOMINEES LIMITED are held on behalf of its clients and the number of Shares it holds as shown in the table above includes 374,438,000 H Shares held by SIIC International Investment Company Limited, 38,839,000 H Shares held by New China Life Insurance Company Ltd. – Traditional – General Insurance Products – 018L – CT001Hu and 4,172,600 H Shares held by Shanghai Guosheng Group Assets Co., Ltd..

Note 2: Hong Kong Securities Clearing Company Limited is the nominee holder of the RMB ordinary Shares under Shanghai-Hong Kong Stock Connect.

Note 3: As at the end of the Reporting Period, the total number of Shares of the Company amounted to 3,708,361,809, comprising 2,789,289,105 A Shares and 919,072,704 H Shares.

Shares lent under refinancing business by shareholders holding 5% shares or above, top ten shareholders and top ten shareholders for shares in circulation with trade restrictions
☐Applicable ✓Not applicable

Change compared to the previous period as a result of lending/return under refinancing by top ten shareholders and top ten shareholders for shares in circulation with trade restrictions
☐Applicable ✓Not applicable

Number of and the trade restrictions on the Shares held by the top ten shareholders holding trade-restricted shares
✓Applicable ☐Not applicable

Unit: share

No.	Name of shareholders holding trade-restricted Shares	Number of trade-restricted Shares held	The listing and trading of trade-restricted Shares: Time available for listing and trading	The listing and trading of trade-restricted Shares: Number of additional Shares available for listing and trading	Trade restrictions
1	Hainan Zhong Wang Investment and Management Company Limited	81,600	To be confirmed	0	The consideration payable to Shanghai Pharmaceutical (Group) in the equity division reform remained outstanding.
Note on connected relations or concerted actions of the above shareholders			Not available		

(III) Strategic investors or general legal person becoming top ten shareholders because of new share placing

✓Applicable ☐Not applicable

Name of strategic investors or general legal person	Stipulated start date of shareholding	Stipulated end date of shareholding
Yunnan Baiyao	8 April 2022	Nil
Explanation on agreed shareholding period of strategic investors or general legal persons participating in placing of new shares	Yunnan Baiyao undertakes that the subscribed additional shares of Shanghai Pharmaceuticals under non-public issuance in 2021 shall be subject to a lock-up period of 36 months from the date of completion of the issuance. Any shares to be acquired by Yunnan Baiyao after the completion of the above transaction due to bonus issue, conversion of capital reserve into share capital of Shanghai Pharmaceuticals, etc. shall also subject to the lock-up arrangement mentioned above.	

III. INFORMATION ABOUT DIRECTORS AND SENIOR MANAGEMENT

(I) Changes in shareholdings of existing and resigned directors and senior management during the Reporting Period

☐Applicable ✓Not applicable

Explanation on other situations

☐Applicable ✓Not applicable

(II) Equity incentives granted to directors and senior management during the Reporting Period

☐Applicable ✓Not applicable

(III) Other information

☐Applicable ✓Not applicable

IV. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

☐Applicable ✓Not applicable

V. INFORMATION RELATED TO PREFERENCE SHARES

☐Applicable ✓Not applicable

VI. DISCLOSURES PURSUANT TO THE REQUIREMENTS OF THE SFO AND THE HONG KONG LISTING RULES

(I) Interests and short positions of directors, chief executive, substantial shareholders and other persons in the Shares and underlying Shares

As at 30 June 2026, according to the information available to the Company and to the knowledge of the directors, the following shareholders had interests or short positions in the Shares or underlying Shares which were subject to disclosure by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 5% or more of the voting rights of the total number of the issued H Shares or A Shares at the shareholders' general meetings of the Company.

Name of shareholder	Class of Shares	Nature of interests in Shares	Number of Shares	Percentage of A Shares/H Shares held as at the end of the Reporting Period to the entire issued A Shares/H Shares (%)	Percentage in total share capital of the Company as at the end of the Reporting Period (%)
Shanghai Shangshi Group Note 1(1), Note 2(1)	A Shares/ H Shares	Interests of controlled corporation, beneficial owner	1,125,817,837(L)/ 374,438,000(L)	40.36/ 40.74	40.46
Golden Bell Group Note 1(1), Note 2(1)	A Shares/ H Shares	Interests of controlled corporation, beneficial owner	187,500,000(L)/ 374,438,000(L)	6.72/ 40.74	15.15
SIIC Group Note 1(1), Note 2(1)	A Shares/ H Shares	Interests of controlled corporation, beneficial owner	187,500,000(L)/ 374,438,000(L)	6.72/ 40.74	15.15
Shanghai Pharmaceutical (Group) Note 1(1), Note 2(1)	A Shares	Interests of controlled corporation, beneficial owner	716,516,039(L)	25.69	19.32
Yunnan Baiyao Note 2(1)	A Shares	Beneficial owner	665,626,796(L)	23.86	17.95
New China Life Insurance Company Ltd. Note 1(2), Note 2(2)	A Shares/ H Shares	Beneficial owner, interests of controlled corporation/ beneficial owner	167,440,100(L)/ 45,954,600(L)	6.00/ 5.00	5.75
New China Asset Management Co., Ltd. Note 1(2), Note 2(2)	A Shares/ H Shares	Investment manager	167,357,500(L)/ 45,954,600(L)	6.00/ 5.00	5.75

(L) represents long position, (S) represents short position, (P) represents shares in lending pool

Note 1: (1) Shanghai SASAC is the Company's de facto controller. As of the end of the Reporting Period, Shanghai SASAC controlled the Company through following entities: Shanghai SASAC held 100% equity interest in Shanghai Shangshi (Group) Co., Ltd. ("Shanghai Shangshi"). ① Shanghai Shangshi held 100% equity interest in Golden Bell International Holdings Limited ("Golden Bell"), and Golden Bell held 100% equity interest in Shanghai Industrial Investment (Holdings) Co., Ltd. ("SIIC"). SIIC indirectly held 500,000 A Shares, 187,000,000 A Shares and 374,438,000 H Shares of the Company through Shanghai Shangshi Investment Management Consulting Co., Ltd., Shanghai Tandong Enterprise Consulting Services Co., Ltd. and SIIC International Investment Company Limited, respectively; ② Shanghai Shangshi directly held 221,801,798 A Shares of the Company; ③ Shanghai Shangshi held 100% equity interest in Shanghai Pharmaceutical (Group) Co., Ltd. ("Shanghai Pharmaceutical (Group)"), and Shanghai Pharmaceutical (Group) held 716,516,039 A Shares of the Company.

(2) According to the disclosure of interests published on the website of the Hong Kong Stock Exchange, New China Asset Management Co., Ltd. is the asset manager of certain investors, including but not limited to New China Life Insurance Company Ltd.

Note 2: (1) Figures disclosed above are based on the knowledge of the Company.

(2) Figures disclosed above are based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

(3) Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain conditions are fulfilled. When a shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Hong Kong Stock Exchange unless certain conditions have been fulfilled, therefore a shareholder's latest shareholding in the Company at the end of the Reporting Period may be different from the shareholding filed with the Hong Kong Stock Exchange.

(4) Save as disclosed above, as at the end of the Reporting Period, the Company was not aware of any other person (other than the Directors and Chief Executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

As at 30 June 2026, Mr. Shen Bo, the executive director and the president, held 71,700 A Shares of the Company. Save as disclosed in this report, as at 30 June 2026, according to the information available to the Company and to the knowledge of the directors, none of the directors and chief executive of the Company has interests or short positions in the Company or its associated corporation (within the meaning of Part XV of the SFO) which will be required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company, or will be required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

(II) Purchase, sales or redemption of Shares

During the Reporting Period, none of the Company or its subsidiaries purchased, sold or redeemed any listed Shares of Shanghai Pharmaceuticals (including sales of treasury shares). As at 30 June 2026, the Company did not hold any treasury shares.

I. CORPORATE BONDS (INCLUDING ENTERPRISE BONDS) AND NON-FINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS

✓Applicable ☐Not applicable

(I) Corporate bonds (including enterprise bonds)

☐Applicable ✓Not applicable

(II) Fund raised from corporate bonds

☐ Corporate bonds involved in the use or rectification of funds raised during the Reporting Period

✓All the corporate bonds of the Company did not involve in the use or rectification of funds raised during the Reporting Period

(1) Use of fund raised for specific project

☐Applicable ✓Not applicable

(III) Other events for special variety bonds that shall be disclosed

☐Applicable ✓Not applicable

(IV) Significant events related to corporate bonds during the Reporting Period

☐Applicable ✓Not applicable

(V) Inter-bank bond market debt-financing instruments of non-financial businesses

✓Applicable ☐Not applicable

1. *Basic situation of debt-financing instruments of non-financial businesses*

Unit: '00 million Yuan Currency: RMB

Name of bonds	Abbreviation	Code	Issue date	Value date	Maturity date	Bond balance	Interest rate (%)	Method for repayment of principal and interest	Trading place	Appropriate arrangements of the investor (if any)	Trading mechanism	Is there any risk of termination of listing and trading
2026 extra short-term financing bill (second tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	26 SPH SCP002	012681032	2026-4-17	2026-4-20	2027-1-15	10.00	1.49%	The principal and interest shall be payable in a lump sum upon expiry	Inter-bank bond market	Trading with qualified investors	The extra short-term financing bill can be traded and transferred in the national interbank bond market on the next working day following the registration date, which will be carried out in accordance with relevant requirement promulgated by the National Interbank Funding Center.	No
2026 extra short-term financing bill (third tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	26 SPH SCP003	012681465	2026-6-15	2026-6-16	2027-3-12	20.00	1.50%					No
2026 extra short-term financing bill (fourth tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	26 SPH SCP004	012682072	2026-8-18	2026-8-19	2027-4-30	30.00	1.47%					No

The Company's response measures to the risks of termination of listing and trading of bonds

☐Applicable ✓Not applicable

Overdue bonds

☐Applicable ✓Not applicable

Notes on overdue debts

☐Applicable ✓Not applicable

2. *Trigger and execution of issuer or investor option terms and investor protection terms*

   ☐Applicable ✓Not applicable

3. *Adjustment of credit rating results*

   ☐Applicable ✓Not applicable

   Other explanations

   None

4. *Execution, changes and the impact of guarantees, debt repayment plans and other debt repayment guarantee measures during the Reporting Period*

   ☐Applicable ✓Not applicable

   Other explanations

   None

5. *Other situation of debt-financing instruments of non-financial businesses*

   ☐Applicable ✓Not applicable

(VI) Loss of the Company in consolidated statement during the Reporting Period exceeds 10% of net assets at the end of last year

☐Applicable ✓Not applicable

(VII) Violation of regulations and agreements

Violation of laws, regulations, self-regulatory rules, the articles of association, the administration policies on information disclosure and other provisions, as well as the agreements or undertakings in the prospectus of bonds, and the impact of related situations on the rights and interests of bond investors during the Reporting Period

☐Applicable ✓Not applicable

(VIII) Key accounting data and financial indicators

✓Applicable ☐Not applicable

Unit: Yuan Currency: RMB

Primary indicators	At the end of the Reporting Period	At the end of the previous year	Increase or decrease at the end of the Reporting Period compared to the end of the previous year (%)	Reasons for change
Current ratio	1.34	1.33	0.50	/
Quick ratio	1.03	0.99	4.04	/
Assets-liabilities ratio (%)	61.46	61.49	Decreased by 0.03 percentage point	/

	The Reporting Period (January to June)	Same period of the previous year	Increase or decrease for the Reporting Period compared to the same period of the previous year (%)	Reasons for change
Net profit after deducting non-recurring profit or loss	2,477,230,508.87	2,099,764,932.53	17.98	/
EBITDA-Debt ratio	0.05	0.06	/	/
Interest coverage ratio	8.98	8.68	3.46	/
Cash interest coverage ratio	9.78	3.77	159.42	Increase in cash received from sales of goods during the Reporting Period
EBITDA interest coverage ratio	11.13	10.33	7.74	/
Loan repayment ratio (%)	100%	100%	/	/
Interest repayment ratio (%)	100%	100%	/	/

II. CONVERTIBLE CORPORATE BONDS

☐Applicable ✓Not applicable

Chapter 8 Financial Report

Shanghai Pharmaceuticals Holding Co., Ltd.

Financial statements for the period from 1 January 2026 to 30 June 2026

Consolidated and the company's balance sheets
Consolidated and the company's income statements
Consolidated and the company's cash flow statements
Consolidated statement of changes in shareholders' equity
Company's statement of changes in shareholders' equity
Notes to the financial statements
Supplementary information to the financial statements

The Consolidated and the Company's Balance Sheets

At 30 June 2026

(In RMB, Unless Otherwise Stated)

ASSETS	NOTES	30 June 2026 The Consolidated	31 December 2025 The Consolidated	30 June 2026 The Company	31 December 2025 The Company
Current Assets:					
Cash and bank balances	(IV)1	**36,572,968,513.83**	32,721,763,351.58	**7,397,450,146.12**	5,103,623,231.43
Held-for-trading financial assets	(IV)2	**9,416,880,703.56**	10,360,938,931.51	**9,416,880,703.56**	10,360,938,931.51
Derivative financial assets	(IV)3	**7,530,453.55**	721,010.06	**–**	147,402.28
Notes receivable	(IV)4	**811,204,037.83**	1,030,570,879.31	**–**	–
Accounts receivable	(IV)5, (XIV)1	**90,767,878,560.85**	82,306,400,629.83	**1,677,369.80**	2,245,158.84
Receivables financing	(IV)6	**1,942,680,670.90**	2,528,730,548.02	**–**	–
Prepayments	(IV)7	**1,474,185,217.36**	1,621,546,115.42	**826,464.73**	448,329.53
Other receivables	(IV)8, (XIV)2	**3,466,234,473.71**	3,113,104,316.93	**15,870,970,350.28**	16,199,318,697.02
Including: Interest receivable		**–**	–	**82,845,645.02**	84,330,431.64
Dividends receivable		**41,282,898.66**	18,742,898.66	**123,636,815.66**	123,636,815.66
Inventories	(IV)9	**42,684,986,108.40**	45,358,947,550.04	**–**	–
Non-current assets due within one year	(IV)13	**103,838,480.76**	87,403,889.78	**10,256,540.49**	10,040,484.54
Other current assets	(IV)10	**1,133,063,640.33**	1,333,568,015.30	**4,959,027.93**	305,490.20
Total Current Assets		**188,381,450,861.08**	180,463,695,237.78	**32,703,020,602.91**	31,677,067,725.35
Non-current Assets:					
Long-term receivables	(IV)13	**279,918,426.65**	307,934,020.34	**10,702,700.00**	10,477,245.63
Long-term equity investments	(IV)14, (XIV)3	**6,965,584,305.64**	7,010,202,458.66	**32,509,176,193.32**	32,711,122,760.17
Investments in other equity instruments	(IV)11	**20,954,561.79**	32,683,905.48	**–**	–
Other non-current financial assets	(IV)12	**1,447,832,164.69**	1,545,310,713.45	**1,352,252,293.88**	1,449,264,888.49
Investment properties	(IV)15	**384,867,643.19**	411,930,954.28	**2,341,760.01**	2,514,828.54
Fixed assets	(IV)16	**15,292,222,316.37**	15,493,395,192.45	**103,029,942.95**	96,221,449.24
Construction in progress	(IV)17	**1,965,059,575.33**	1,994,094,180.71	**12,975,623.39**	12,448,897.94
Bearer biological assets	(IV)18	**5,602,950.32**	4,774,514.95	**–**	–
Right-of-use assets	(IV)19	**2,011,573,780.50**	1,793,806,208.10	**55,528,605.41**	73,912,728.23
Intangible assets	(IV)20	**8,498,378,931.44**	8,743,750,239.23	**53,371,467.01**	52,883,997.51
Development expenditure	(IV)21	**92,274,735.55**	103,244,846.29	**–**	–
Goodwill	(IV)22	**12,652,944,172.72**	12,665,615,569.87	**–**	–
Long-term prepaid expenses	(IV)23	**509,757,083.34**	546,294,913.19	**27,114,874.62**	33,424,601.40
Deferred tax assets	(IV)24	**1,864,369,354.88**	1,640,049,019.47	**–**	–
Other non-current assets	(IV)26	**396,627,585.74**	391,984,792.96	**236,259.00**	6,460,330.00
Total Non-current Assets		**52,387,967,588.15**	52,685,071,529.43	**34,126,729,719.59**	34,448,731,727.15
TOTAL ASSETS		**240,769,418,449.23**	233,148,766,767.21	**66,829,750,322.50**	66,125,799,452.50

The Consolidated and the Company's Balance Sheets (continued)

At 30 June 2026

(In RMB, Unless Otherwise Stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	*NOTES*	30 June 2026 The Consolidated	31 December 2025 The Consolidated	30 June 2026 The Company	31 December 2025 The Company
Current Liabilities:					
Short-term borrowings	*(IV)27*	**46,528,516,265.24**	44,091,821,016.96	**1,495,501,258.09**	2,001,227,657.75
Derivative financial liabilities	*(IV)3*	**18,954,922.41**	13,294,428.53	**5,411,036.95**	–
Notes payable	*(IV)28*	**6,979,977,892.10**	8,810,206,222.12	**–**	–
Accounts payable	*(IV)29*	**56,604,672,321.33**	52,594,352,033.44	**31,585,466.42**	44,096,709.39
Contract liabilities	*(IV)30*	**1,190,757,061.89**	1,504,248,413.81	**30,474,547.66**	20,097,189.17
Employee benefits payable	*(IV)31*	**1,699,845,354.02**	1,922,236,416.36	**56,901,678.19**	68,312,446.00
Taxes payable	*(IV)32*	**1,449,580,785.89**	1,486,244,282.39	**5,154,314.43**	9,857,300.26
Other payables	*(IV)33*	**18,092,756,678.90**	16,731,913,987.12	**17,645,023,158.67**	16,002,988,746.02
Including: Dividends payable		**1,838,911,496.65**	1,074,213,335.02	**1,297,926,633.15**	445,003,417.08
Non-current liabilities due within one year	*(IV)35*	**1,703,541,380.83**	2,809,599,313.10	**25,940,916.69**	1,928,374,215.49
Other current liabilities	*(IV)36*	**6,153,140,784.01**	5,234,190,156.67	**6,021,156,164.38**	5,036,081,369.86
Total Current Liabilities		**140,421,743,446.62**	135,198,106,270.50	**25,317,148,541.48**	25,111,035,633.94
Non-current Liabilities:					
Long-term borrowings	*(IV)37*	**3,277,066,729.23**	4,235,875,600.03	**–**	–
Lease liabilities	*(IV)38*	**1,473,819,650.08**	1,149,374,250.76	**23,615,468.05**	35,843,639.38
Long-term payables	*(IV)39*	**9,000,000.00**	9,000,000.00	**–**	–
Long-term employee benefits payable	*(IV)41*	**41,578,510.09**	43,678,918.22	**–**	–
Provisions	*(IV)34*	**69,615,676.72**	74,699,932.37	**–**	–
Deferred income	*(IV)40*	**576,986,019.26**	573,376,479.16	**42,167,986.27**	48,001,001.81
Deferred tax liabilities	*(IV)24*	**1,984,063,259.81**	1,945,081,137.22	**5,859,736.77**	5,859,736.77
Other non-current liabilities	*(IV)42*	**129,765,338.66**	132,280,455.35	**–**	–
Total Non-current Liabilities		**7,561,895,183.85**	8,163,366,773.11	**71,643,191.09**	89,704,377.96
TOTAL LIABILITIES		**147,983,638,630.47**	143,361,473,043.61	**25,388,791,732.57**	25,200,740,011.90
SHAREHOLDERS' EQUITY:					
Share capital	*(IV)43*	**3,708,361,809.00**	3,708,361,809.00	**3,708,361,809.00**	3,708,361,809.00
Capital reserve	*(IV)44, (XIV)4*	**29,970,316,212.43**	29,687,120,114.88	**32,365,528,273.92**	32,365,512,955.44
Other comprehensive income	*(IV)45, (XIV)5*	**(566,060,526.77)**	(532,971,659.94)	**(496,033.73)**	(361,929.78)
Surplus reserve	*(IV)46*	**2,306,949,383.63**	2,306,949,383.63	**1,931,158,581.45**	1,931,158,581.45
Retained profits	*(IV)47, (XIV)6*	**42,928,389,019.08**	40,721,868,176.60	**3,436,405,959.29**	2,920,388,024.49
Total equity attributable to shareholders of the Company		**78,347,955,897.37**	75,891,327,824.17	**41,440,958,589.93**	40,925,059,440.60
Minority interests		**14,437,823,921.39**	13,895,965,899.43	**N/A**	N/A
TOTAL SHAREHOLDERS' EQUITY		**92,785,779,818.76**	89,787,293,723.60	**41,440,958,589.93**	40,925,059,440.60
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**240,769,418,449.23**	233,148,766,767.21	**66,829,750,322.50**	66,125,799,452.50

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Yang Qiuhua	Shen Bo	Zhou Yadong

The Consolidated and the Company's Income Statements

For the Period From 1 January 2026 to 30 June 2026

(In RMB, Unless Otherwise Stated)

ITEMS	NOTES	For the period from 1 January 2026 to 30 June 2026 The Consolidated	For the period from 1 January 2025 to 30 June 2025 The Consolidated	For the period from 1 January 2026 to 30 June 2026 The Company	For the period from 1 January 2025 to 30 June 2025 The Company
I. Operating income	(IV)48, (XIV)7	**147,469,729,395.20**	141,592,782,502.79	**9,605,180.45**	1,325,708.46
Less: Operating costs	(IV)48, (XIV)7	**(131,209,436,636.44)**	(126,660,060,598.69)	**(326,570.03)**	–
Taxes and levies	(IV)49	**(463,980,523.09)**	(415,653,784.26)	**(243,635.03)**	(1,092,765.65)
Selling expenses	(IV)50	**(6,538,197,377.23)**	(6,164,987,968.04)	**–**	–
Administrative expenses	(IV)51	**(2,739,550,557.74)**	(2,662,454,335.70)	**(135,373,245.07)**	(134,398,777.65)
R&D expenses	(IV)52	**(970,861,155.68)**	(958,949,406.87)	**(155,305,387.27)**	(185,527,458.12)
Financial expenses	(IV)53	**(694,508,600.01)**	(749,774,716.63)	**(82,439,798.57)**	(129,746,245.37)
Including: Interest expenses		**(706,031,998.94)**	(887,687,766.56)	**(71,665,378.87)**	(136,301,661.03)
Interest income		**84,939,789.19**	176,380,262.05	**3,226,940.98**	14,161,231.69
Add: Other income	(IV)56	**313,509,813.34**	313,695,950.14	**2,960,924.31**	16,825,223.00
Investment income	(IV)57, (XIV)8	**827,279,350.09**	3,257,333,100.37	**2,175,158,437.49**	1,111,595,353.11
Including: Investment income (loss) in associates and joint ventures		**48,792,099.87**	380,664,499.15	**(24,301,619.11)**	78,087,850.31
Losses on derecognition of financial assets at amortised cost		**(62,770,648.60)**	(73,800,728.05)	**–**	–
Gains (Losses) on changes in fair value	(IV)58	**1,951,396.44**	75,751,833.73	**(6,197,606.35)**	79,062,753.79
Impairment (losses) gains of credit	(IV)55	**(507,826,641.26)**	(423,970,881.72)	**190,049.36**	(2,129,114.85)
Impairment losses of assets	(IV)54	**(28,045,168.32)**	(410,078,463.89)	**–**	–
Gains (Losses) on disposal of assets	(IV)59	**179,699,818.59**	39,986,393.32	**(41,834.37)**	(453,918.16)
II. Operating profit		**5,639,763,113.89**	6,833,619,624.55	**1,807,986,514.92**	755,460,758.56
Add: Non-operating income	(IV)60	**36,939,069.19**	21,837,269.63	**5,958,053.03**	164,745.51
Less: Non-operating expenses	(IV)61	**(45,319,225.36)**	(34,636,191.45)	**–**	(332,968.80)
III. Total profit		**5,631,382,957.72**	6,820,820,702.73	**1,813,944,567.95**	755,292,535.27
Less: Income tax expenses	(IV)62	**(1,289,726,644.68)**	(1,826,036,672.44)	**–**	–
IV. Net profit		**4,341,656,313.04**	4,994,784,030.29	**1,813,944,567.95**	755,292,535.27
(I) Classified by the continuity of operations					
1. Net profit from continuing operations		**4,341,656,313.04**	4,994,784,030.29	**1,813,944,567.95**	755,292,535.27
2. Net profit from discontinued operations		**–**	–	**–**	–
(II) Classified by the ownership					
1. Net profit attributable to shareholders of the Company		**3,504,447,475.63**	4,458,864,876.61	**N/A**	N/A
2. Profit or loss attributable to minority interests		**837,208,837.41**	535,919,153.68	**N/A**	N/A

The Consolidated and the Company's Income Statements (continued)

For the Period From 1 January 2026 to 30 June 2026

(In RMB, Unless Otherwise Stated)

ITEMS	NOTES	For the period from 1 January 2026 to 30 June 2026 The Consolidated	For the period from 1 January 2025 to 30 June 2025 The Consolidated	For the period from 1 January 2026 to 30 June 2026 The Company	For the period from 1 January 2025 to 30 June 2025 The Company
V. Other comprehensive income, net of tax	*(IV)45*	**(33,890,811.10)**	19,680,758.31	**(134,103.95)**	58,844.37
(I) Other comprehensive income attributable to shareholders of the Company, net of tax		**(33,088,866.83)**	4,161,971.75	**(134,103.95)**	58,844.37
1. Other comprehensive income that cannot be reclassified to profit or loss		**(11,729,343.69)**	(9,361,998.52)	**–**	–
(1) Changes in fair value of investments in other equity instruments		**(11,729,343.69)**	(9,361,998.52)	**–**	–
2. Other comprehensive income that will be reclassified to profit or loss		**(21,359,523.14)**	13,523,970.27	**(134,103.95)**	58,844.37
(1) Share of other comprehensive income of the investee accounted for using equity method that will be reclassified to profit or loss		**(174,358.64)**	52,257.08	**(134,103.95)**	58,844.37
(2) Allowance for credit impairment of receivables financing		**(1,473,194.85)**	(218,133.48)	**–**	–
(3) Effective portion of gains or losses on hedging instruments in a cash flow hedge		**592,355.80**	(851,521.98)	**–**	–
(4) Exchange differences on translation of financial statements denominated in foreign currencies		**(20,304,325.45)**	14,541,368.65	**–**	–
(II) Other comprehensive income attributable to minority interests, net of tax		**(801,944.27)**	15,518,786.56	**–**	–
VI. Total comprehensive income		**4,307,765,501.94**	5,014,464,788.60	**1,813,810,464.00**	755,351,379.64
(I) Total comprehensive income attributable to shareholders of the Company		**3,471,358,608.80**	4,463,026,848.36	**N/A**	N/A
(II) Total comprehensive income attributable to minority interests		**836,406,893.14**	551,437,940.24	**N/A**	N/A
VII. Earnings per share	*(IV)63*				
(I) Basic earnings per share (RMB/share)		**0.95**	1.20	**N/A**	N/A
(II) Diluted earnings per share (RMB/share)		**0.95**	1.20	**N/A**	N/A

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Yang Qiuhua	Shen Bo	Zhou Yadong

The Consolidated and the Company's Cash Flow Statements

For the Period From 1 January 2026 to 30 June 2026

(In RMB, Unless Otherwise Stated)

ITEMS	NOTES	For the period from 1 January 2026 to 30 June 2026 The Consolidated	For the period from 1 January 2025 to 30 June 2025 The Consolidated	For the period from 1 January 2026 to 30 June 2026 The Company	For the period from 1 January 2025 to 30 June 2025 The Company
I. Cash Flows from/(Used in) Operating Activities:					
Cash receipts from the sale of goods and the rendering of services		**154,053,366,202.30**	148,688,702,663.69	**36,022,637.30**	11,224,026.46
Receipts of tax refunds		**109,855,354.64**	106,985,906.88	**–**	–
Other cash receipts relating to operating activities	*(IV)64(1)*	**2,556,708,318.27**	2,295,146,319.36	**11,422,489.08**	24,002,867.48
Sub-total of cash inflows from operating activities		**156,719,929,875.21**	151,090,834,889.93	**47,445,126.38**	35,226,893.94
Cash payments for goods purchased and services received		**(135,698,209,949.94)**	(133,530,822,206.41)	**(56,315,510.42)**	(70,274,076.04)
Cash payments to and on behalf of employees		**(5,831,131,741.99)**	(5,836,065,054.48)	**(187,181,018.05)**	(192,149,318.36)
Payments of various types of taxes		**(4,363,036,457.17)**	(3,962,697,333.33)	**(243,635.03)**	(1,165,106.02)
Other cash payments relating to operating activities	*(IV)64(2)*	**(6,378,042,478.01)**	(6,771,993,306.82)	**(45,853,881.90)**	(58,612,117.35)
Sub-total of cash outflows from operating activities		**(152,270,420,627.11)**	(150,101,577,901.04)	**(289,594,045.40)**	(322,200,617.77)
Net Cash Flow from/(Used in) Operating Activities	*(IV)65(1)*	**4,449,509,248.10**	989,256,988.89	**(242,148,919.02)**	(286,973,723.83)
II. Cash Flows from/(Used in)/Investing Activities:					
Cash receipts from disposal and recovery of investments	*(IV)64(3)*	**25,040,393,817.51**	36,312,602,000.00	**25,038,193,313.27**	36,312,602,000.00
Cash receipts from investment income		**113,641,416.00**	169,259,831.45	**1,366,911,480.05**	1,088,888,509.09
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**171,004,797.66**	67,276,784.19	**5,850.00**	9,275.94
Net cash receipts from disposals of subsidiaries and other business units		**2,617,197.94**	16,865,471.79	**–**	71,883,359.34
Other cash receipts relating to investing activities	*(IV)64(5)*	**1,342,676,726.49**	1,125,180,875.51	**144,317,257.78**	437,772,165.21
Sub-total of cash inflows from investing activities		**26,670,333,955.60**	37,691,184,962.94	**26,549,427,901.10**	37,911,155,309.58
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		**(1,040,988,005.60)**	(1,124,571,482.54)	**(24,647,882.80)**	(22,056,671.28)
Cash payments to acquire investments	*(IV)64(4)*	**(23,805,749,556.72)**	(36,028,414,840.00)	**(23,693,268,954.72)**	(36,027,696,000.00)
Net cash payments for acquisitions of subsidiaries and other business units	*(IV)65(2)*	**–**	(626,709,265.26)	**–**	(1,262,982,485.00)
Other cash payments relating to investing activities	*(IV)64(6)*	**(1,430,000,000.00)**	(1,151,755,000.00)	**(290,604,805.04)**	(3,234,358,207.99)
Sub-total of cash outflows from investing activities		**(26,276,737,562.32)**	(38,931,450,587.80)	**(24,008,521,642.56)**	(40,547,093,364.27)
Net Cash Flow from/(Used in) Investing Activities		**393,596,393.28**	(1,240,265,624.86)	**2,540,906,258.54**	(2,635,938,054.69)

The Consolidated and the Company's Cash Flow Statements (continued)

For the Period From 1 January 2026 to 30 June 2026

(In RMB, Unless Otherwise Stated)

ITEMS	NOTES	For the period from 1 January 2026 to 30 June 2026 The Consolidated	For the period from 1 January 2025 to 30 June 2025 The Consolidated	For the period from 1 January 2026 to 30 June 2026 The Company	For the period from 1 January 2025 to 30 June 2025 The Company
III. Cash Flows from/(Used in) Financing Activities:					
Cash receipts from capital contributions		**392,000,000.00**	7,378,175.70	**–**	7,378,175.70
Including: Cash receipts from capital contributions from minority shareholders of subsidiaries		**392,000,000.00**	–	**–**	–
Cash receipts from borrowings		**32,255,426,049.54**	35,773,622,565.68	**1,495,761,480.00**	2,000,000,000.00
Cash receipts from issue of bonds		**5,999,628,055.56**	5,997,825,000.00	**5,999,628,055.56**	5,997,825,000.00
Other cash receipts relating to financing activities	*(IV)64(7)*	**30,310,263.93**	176,698,086.40	**1,324,388,802.77**	1,279,310,511.31
Sub-total of cash inflows from financing activities		**38,677,364,369.03**	41,955,523,827.78	**8,819,778,338.33**	9,284,513,687.01
Cash repayments of borrowings		**(37,835,602,901.08)**	(36,315,299,388.00)	**(8,894,000,000.00)**	(8,678,342,147.90)
Cash payments for distribution of dividends or profits or settlement of interest expenses		**(1,386,699,569.06)**	(1,347,824,733.59)	**(408,352,963.33)**	(141,266,102.44)
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries		**(393,103,543.05)**	(488,040,452.90)	**–**	–
Other cash payments relating to financing activities	*(IV)64(8)*	**(403,451,945.49)**	(539,022,568.43)	**(22,356,587.34)**	(17,183,273.89)
Sub-total of cash outflows from financing activities		**(39,625,754,415.63)**	(38,202,146,690.02)	**(9,324,709,550.67)**	(8,836,791,524.23)
Net Cash Flow from/(Used in) Financing Activities		**(948,390,046.60)**	3,753,377,137.76	**(504,931,212.34)**	447,722,162.78
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**(8,971,209.55)**	(13,772,678.98)	**(6,512.84)**	(1,724.35)
V. Net Increase/(Decrease) in Cash and Cash Equivalents	*(IV)65(1)*	**3,885,744,385.23**	3,488,595,822.81	**1,793,819,614.34**	(2,475,191,340.09)
Add: Opening balance of cash and cash equivalents		**28,398,360,540.82**	31,881,272,794.87	**5,103,623,231.43**	9,052,842,915.74
VI. Closing Balance of Cash and Cash Equivalents	*(IV)65(4)*	**32,284,104,926.05**	35,369,868,617.68	**6,897,442,845.77**	6,577,651,575.65

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Yang Qiuhua	Shen Bo	Zhou Yadong

The Consolidated Statement of Changes in Shareholders' Equity

For the Period From 1 January 2026 to 30 June 2026

(In RMB, Unless Otherwise Stated)

		Attributable to shareholders of the Company							
ITEMS	NOTES	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	Minority interests	Total shareholders' equity
Balance at 1 January 2025		3,707,971,839.00	29,647,771,271.51	-	(534,279,925.88)	2,306,949,383.63	36,547,207,403.71	12,066,743,749.10	83,742,363,721.07
Changes for the period from 1 January 2025 to 30 June 2025		389,970.00	47,743,359.80	-	4,161,971.75	-	3,367,737,249.81	1,695,508,291.22	5,115,540,842.58
Total comprehensive income									
Net profit	(IV)47	-	-	-	-	-	4,458,864,876.61	535,919,153.68	4,994,784,030.29
Other comprehensive income	(IV)45	-	-	-	4,161,971.75	-	-	15,518,786.56	19,680,758.31
Total comprehensive income		-	-	-	4,161,971.75	-	4,458,864,876.61	551,437,940.24	5,014,464,788.60
Shareholders' contributions and reduction in capital									
Capital contributions from shareholders	(IV)43	389,970.00	21,586,605.15	-	-	-	-	-	21,976,575.15
Share-based payments recognised in shareholders' equity	(IV)44	-	(14,797,227.45)	-	-	-	-	-	(14,797,227.45)
Others	(IV)44	-	40,953,982.10	-	-	-	-	1,488,341,893.57	1,529,295,875.67
Profit distribution									
Transfer to surplus reserve	(IV)46	-	-	-	-	-	-	-	-
Distribution to shareholders	(IV)47	-	-	-	-	-	(1,075,424,924.61)	(344,271,542.59)	(1,419,696,467.20)
Others	(IV)47	-	-	-	-	-	(15,702,702.19)	-	(15,702,702.19)
Balance at 30 June 2025		3,708,361,809.00	29,695,514,631.31	-	(530,117,954.13)	2,306,949,383.63	39,914,944,653.52	13,762,252,040.32	88,857,904,563.65
Balance at 1 January 2026		**3,708,361,809.00**	**29,687,120,114.88**	**-**	**(532,971,659.94)**	**2,306,949,383.63**	**40,721,868,176.60**	**13,895,965,899.43**	**89,787,293,723.60**
Changes for the period from 1 January 2026 to 30 June 2026		**-**	**283,196,097.55**	**-**	**(33,088,866.83)**	**-**	**2,206,520,842.48**	**541,858,021.96**	**2,998,486,095.16**
Total comprehensive income									
Net profit	(IV)47	**-**	**-**	**-**	**-**	**-**	**3,504,447,475.63**	**837,208,837.41**	**4,341,656,313.04**
Other comprehensive income	(IV)45	**-**	**-**	**-**	**(33,088,866.83)**	**-**	**-**	**(801,944.27)**	**(33,890,811.10)**
Total comprehensive income		**-**	**-**	**-**	**(33,088,866.83)**	**-**	**3,504,447,475.63**	**836,406,893.14**	**4,307,765,501.94**
Shareholders' contributions and reduction in capital									
Capital contributions from shareholders	(IV)43	**-**	**2,360,484.00**	**-**	**-**	**-**	**-**	**392,000,000.00**	**394,360,484.00**
Share-based payments recognised in shareholders' equity	(IV)44	**-**	**(2,360,484.00)**	**-**	**-**	**-**	**-**	**-**	**(2,360,484.00)**
Others	(IV)44	**-**	**283,196,097.55**	**-**	**-**	**-**	**-**	**(367,179,717.98)**	**(83,983,620.43)**
Profit distribution									
Transfer to surplus reserve	(IV)46	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Distribution to shareholders	(IV)47	**-**	**-**	**-**	**-**	**-**	**(1,297,926,633.15)**	**(319,369,153.20)**	**(1,617,295,786.35)**
Others	(IV)47	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2026		**3,708,361,809.00**	**29,970,316,212.43**	**-**	**(566,060,526.77)**	**2,306,949,383.63**	**42,928,389,019.08**	**14,437,823,921.39**	**92,785,779,818.76**

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Yang Qiuhua	Shen Bo	Zhou Yadong

The Company's Statement of Changes in Shareholders' Equity

For the Period from 1 January 2026 to 30 June 2026

(In RMB, Unless Otherwise Stated)

ITEMS	NOTES	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
Balance at 1 January 2025		3,707,971,839.00	32,479,270,792.86	-	(420,774.15)	1,931,158,581.45	2,333,058,032.95	40,451,038,472.11
Changes for the period from 1 January 2025 to 30 June 2025		389,970.00	6,731,073.81	-	58,844.37	-	(320,132,389.34)	(312,952,501.16)
Total comprehensive income								
Net profit	(XIV)6	-	-	-	-	-	755,292,535.27	755,292,535.27
Other comprehensive income	(XIV)5	-	-	-	58,844.37	-	-	58,844.37
Total comprehensive income		-	-	-	58,844.37	-	755,292,535.27	755,351,379.64
Shareholders' contributions and reduction in capital								
Capital contributions from shareholders		389,970.00	21,586,605.15	-	-	-	-	21,976,575.15
Share-based payments recognised in shareholders' equity	(XIV)4	-	(14,797,227.45)	-	-	-	-	(14,797,227.45)
Others	(XIV)4	-	(58,303.89)	-	-	-	-	(58,303.89)
Profit distribution								
Transfer to surplus reserve	(XIV)6	-	-	-	-	-	-	-
Distribution to shareholders	(XIV)6	-	-	-	-	-	(1,075,424,924.61)	(1,075,424,924.61)
Balance at 30 June 2025		3,708,361,809.00	32,486,001,866.67	-	(361,929.78)	1,931,158,581.45	2,012,925,643.61	40,138,085,970.95
Balance at 1 January 2026		**3,708,361,809.00**	**32,365,512,955.44**	**-**	**(361,929.78)**	**1,931,158,581.45**	**2,920,388,024.49**	**40,925,059,440.60**
Changes for the period from 1 January 2026 to 30 June 2026		**-**	**15,318.48**	**-**	**(134,103.95)**	**-**	**516,017,934.80**	**515,899,149.33**
Total comprehensive income								
Net profit	(XIV)6	**-**	**-**	**-**	**-**	**-**	**1,813,944,567.95**	**1,813,944,567.95**
Other comprehensive income	(XIV)5	**-**	**-**	**-**	**(134,103.95)**	**-**	**-**	**(134,103.95)**
Total comprehensive income		**-**	**-**	**-**	**(134,103.95)**	**-**	**1,813,944,567.95**	**1,813,810,464.00**
Shareholders' contributions and reduction in capital								
Capital contributions from shareholders		**-**	**2,360,484.00**	**-**	**-**	**-**	**-**	**2,360,484.00**
Share-based payments recognised in shareholders' equity	(XIV)4	**-**	**(2,360,484.00)**	**-**	**-**	**-**	**-**	**(2,360,484.00)**
Others	(XIV)4	**-**	**15,318.48**	**-**	**-**	**-**	**-**	**15,318.48**
Profit distribution								
Transfer to surplus reserve	(XIV)6	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Distribution to shareholders	(XIV)6	**-**	**-**	**-**	**-**	**-**	**(1,297,926,633.15)**	**(1,297,926,633.15)**
Balance at 30 June 2026		**3,708,361,809.00**	**32,365,528,273.92**	**-**	**(496,033.73)**	**1,931,158,581.45**	**3,436,405,959.29**	**41,440,958,589.93**

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Yang Qiuhua	Shen Bo	Zhou Yadong

(I) BASIC INFORMATION ABOUT THE COMPANY

Shanghai Pharmaceuticals Holding Co., Ltd. (the "Company") was formerly known as Shanghai No. 4 Pharmaceutical Co., Ltd. ("No. 4 Pharmaceutical"). In October 1993, Shanghai Pharmaceutical (Group) Corporation, now known as Shanghai Pharmaceutical (Group) Co., Ltd. ("Shanghai Pharma Group") initiated solely and issued 15,000,000 ordinary shares (A shares) to public with par value of RMB1 per share upon the approval of the Hu Zheng Ban (1993) No. 119, a document issued by Shanghai Securities Management Office. After that, No. 4 Pharmaceutical was established through fundraising on 18 January 1994. On 24 March 1994, shares of No. 4 Pharmaceutical were listed on the Shanghai Stock Exchange, the stock code of which was 600849. In 1998, No. 4 Pharmaceutical was renamed as Shanghai Pharmaceutical Co., Ltd.

Pursuant to the "Approval on Shanghai Pharmaceutical Co., Ltd. Issuing Shares to Purchase Assets from Shanghai Pharmaceutical (Group) Co., Ltd. and Merging with Shanghai Industrial Pharmaceutical Investment Co. Ltd. and Shanghai Zhongxi Pharmaceutical Co. Ltd." (Zheng Jian Xu Ke [2010] No.132 document) issued by China Securities Regulatory Commission ("CSRC"), the Company merged with Shanghai Industrial Pharmaceutical Investment Co. Ltd. ("Shangshi Pharmaceutical") and Shanghai Zhongxi Pharmaceutical Co. Ltd.("Zhongxi Pharmaceutical"), and issued shares to purchase pharmaceutical assets from Shanghai Pharma Group, and issued shares to raise funds from Shanghai Shangshi (Group) Co., Ltd. ("Shanghai Shangshi") and used the funds to purchase the pharmaceutical assets from Shanghai Industrial Holdings Limited ("Shangshi Holdings"). After the completion of above significant asset restructuring, the total share capital of the Company was increased to 1,992,643,338 shares. Shanghai Pharmaceutical Co., Ltd. was renamed as Shanghai Pharmaceuticals Holding Co., Ltd. The Company's stock code was changed from 600849 to 601607. The Company's shares were referred to as "Shanghai Pharmaceuticals".

As at 17 June 2011, the Company has completed the issuance of 696,267,200 shares (including 32,053,200 shares of overallotment) listed overseas (H shares) at RMB1 per share to overseas investors. The shares were listed on the Stock Exchange of Hong Kong Limited on 20 May 2011, the stock code of which was 02607, and the shares were referred to as "Shanghai Pharmaceuticals".

On 26 January 2018, the Company issued 153,178,784 H shares to overseas investors, and was listed on the Stock Exchange of Hong Kong.

Pursuant to the "Approval on the Non-public Issuance of Shares by Shanghai Pharmaceuticals Holding Co., Ltd." (Zheng Jian Xu Ke [2022] No. 584 document) issued by CSRC on 22 March 2022, the Company was approved to issue 852,626,796 A shares to Yunnan Baiyao Group Co., Ltd. and Shanghai Tandong Enterprise Consulting Service Co., Ltd. (hereinafter referred to as "Shanghai Tandong") at RMB16.39 per share. On 25 March 2022, Yunnan Baiyao and Shanghai Tandong completed the non-public issuance payments. PricewaterhouseCoopers Zhong Tian LLP has issued a report, PwC ZT Yan Zi (2022) No. 0271, for capital verification. As at 8 April 2022, the Company completed the share registration of non-public issuance of A shares.

(I) BASIC INFORMATION ABOUT THE COMPANY (continued)

As at 30 June 2026, according to the stock option incentive plan, the Company has totally issued 13,645,691 A shares, with 13,144,060 shares at an exercise price of RMB18.41 per share and 501,631 shares at an exercise price of RMB20.16 per share.

At 30 June 2026, the Company's share capital was RMB3,708,361,809.00, with a total number of 3,708,361,809 shares, with 2,789,289,105 RMB-denominated ordinary shares (A shares) listed in China and 919,072,704 overseas listed foreign shares (H shares).

The unified social credit code of the Company is 9131000013358488X7; the legal representative is Yang Qiuhua; the place of registration is No. 92 Zhangjiang Road, China (Shanghai) Pilot Free Trade Zone; headquarters of the Company is Shanghai Pharmaceutical Building, No.200 Taicang Road, Shanghai; industry of the Company is pharmaceuticals.

Business operations of the Company and its subsidiaries (collectively, "the Group") are mainly as follows:

- research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products;
- distribution, warehousing, logistics and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies; and
- operation and franchising of a network of retail pharmacy stores.

The parent company of the Company is Shanghai Pharmaceutical Group. Shanghai Industrial Investment (Holdings) Co., Ltd. ("SIIC") is registered in Hong Kong SAR, and its former actual investor was Assets Supervision and Administration Commission of Shanghai Municipal Government (the "Shanghai SASAC"). Shanghai Shangshi is also a state-owned enterprise established by SASAC. Shanghai Shangshi is the controlling shareholder of Shanghai Pharma Group and Shanghai Tandong. SIIC was authorised to manage Shanghai Shangshi by Shanghai SASAC. Therefore, SIIC indirectly held equity interests in the Company through its subordinate companies, Shanghai Shangshi, Shanghai Tandong and Shanghai Pharmaceutical Group, and SIIC was the ultimate holding company of the Company.

On 30 May 2025, Shanghai Shangshi established a wholly-owned subsidiary, Golden Bell International Holdings Limited (hereinafter referred to as the "Golden Bell Holdings"), in Hong Kong. On 13 October 2025, the Shanghai SASAC issued the "Notice of the Shanghai SASAC on Matters Concerning the Equity Adjustment of Shanghai Industrial Investment (Holdings) Co., Ltd." (Hu Guo Zi Wei Chan Quan [2025] No. 192), requiring the adjustment of all equity interests held by SIIC to Golden Bell Holdings. Therefore, Shanghai Shangshi directly holds, and indirectly holds through SIIC's subordinate companies and Shanghai Pharmaceutical Group, equity interests in the Company, making it the ultimate holding company of the Company.

Significant subsidiaries which are included in the scope of consolidation in the current period are disclosed in Note (V).

The financial statements were authorised for issue by the Board of Directors of the Company on 27 August 2026.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group applies the accounting policies and accounting estimates based on its business operating characteristics, including allowance for expected credit loss ("ECL") on accounts receivable (Note (II)10), valuation of inventories (Note (II)11), valuation of investment properties (Note (II)13), depreciation of fixed assets and amortisation of intangible assets and right-of-use assets (Note (II)14, Note (II)18, Note (II)27), recognition and measurement of revenue (Note (II)24), etc.

Significant judgements, accounting estimates and key assumptions to determine the significant accounting policies are disclosed in Note (II)32.

1. Basis of preparation of financial statements

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standard, as well as the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (collectively, "the Accounting Standards for Business Enterprises"), while follow the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting (2023 Revised) issued by CSRC to disclose relevant financial information.

The financial statements have been prepared on a going concern basis.

The new Hong Kong Companies Ordinance has come into force since 3 March 2014. Certain disclosures in the financial statements have been included to reflect the requirements under the new Hong Kong Companies Ordinance.

2. Statement of compliance with the Accounting Standards for Business Enterprises ("ASBE")

The financial statements of the Company for the period from 1 January 2026 to 30 June 2026 have been prepared in accordance with the ASBE, and present truly and completely, the consolidated and the Company's financial position as at 30 June 2026, the consolidated and the Company's results of operations, and the consolidated and the Company's cash flows for the period then ended.

3. Accounting period

The Group has adopted the calendar year as its accounting year, i.e., from 1 January to 31 December.

4. Functional currency

The Company's functional currency is Renminbi (RMB). The functional currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate. The financial statements are presented in RMB.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Methodology for determining materiality and basis for selection

Item	Criteria for materiality
Significant construction in progress	The amount is more than RMB30 million at the beginning or end of the period
Significant non-wholly owned subsidiaries	Net assets attributable to minority shareholders account for more than 1% of the Group's net assets
Significant joint ventures or associates	Investment gains or losses under the equity method account for more than 2% of the Group's net profit or the significance of the relevant business to the Group after the management's comprehensive consideration

6. Business combinations

6.1 *Business combinations involving enterprises under common control*

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. If the merged party was acquired by the ultimate controlling party from a third party in the previous year, then the consideration was measured based on carrying amount of assets and liabilities of the merged party (including the goodwill arising from acquisition by the ultimate controlling party) in the ultimate controlling party's consolidated financial statements. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss for the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

6.2 *Business combinations not involving enterprises under common control*

The cost of combination and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss for the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Business combinations (continued)

6.2 Business combinations not involving enterprises under common control (continued)

When the Group becomes capable of exercising control over an investee not under common control due to additional investment or other reasons, the equity interest held in the acquiree before the acquisition date shall be remeasured at fair value on the acquisition date, with any difference between fair value and carrying amount recognised as investment income in the current period. Where the equity interest held in the acquiree before the acquisition date relates to other comprehensive income measured under the equity method and other changes in owners' equity except net profit or loss, other comprehensive income and profit distribution ("other changes in owners' equity"), corresponding other comprehensive income and other changes in owners' equity (excluding other comprehensive income from changes arising from remeasurement on net liabilities or net assets of defined benefit plans of the acquiree or from changes in fair value of investments in other equity instruments) shall be transferred to income for the period in which the acquisition date falls.

7. Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date when such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations not involving enterprises under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

7. Preparation of consolidated financial statements (continued)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profits and losses and comprehensive income for the period not attributable to the Company are recognised as minority interests, net profit attributed to minority interests and total comprehensive income attributed to minority interests, and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income respectively. If the loss of current period shared by the minority shareholders of a subsidiary exceeds the minority shareholders' share of the beginning balance of owners' equity of the subsidiary, the balance shall be offset against the minority shareholders' equity. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

The difference between additional long-term equity investments for purchase of minority interests in subsidiaries and shares of net assets calculated at the proportion of increased part of shares which the Group is entitled to as at the date of purchase or consolidation is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Under the circumstance that the Group partially disposed its long-term equity investments in subsidiaries without losing control, the difference between disposal proceeds and shares of net assets which the Group is entitled to from disposal of long-term equity investments is treated as an adjustment to capital reserve (share premium) in the consolidated financial statements. If the capital reserve (share premium) is not sufficient to cover the difference, retained earnings are adjusted.

If an enterprise loses control over an investee due to the disposal of a portion of equity investment or other reasons, the remaining equity investment shall be remeasured at fair value in the consolidated financial statements at the date when control is lost. The sum of consideration received from the disposal of equity investment and the fair value of the remaining equity investment, net of the sum of the share of net assets of the former subsidiary based on continuous calculation since the acquisition date at previous proportion of shareholding and goodwill, is recognised as investment income for the current period when the control is lost. The other comprehensive income related to the original subsidiary is included in investment income for the current period or retained earnings at the date of losing control.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term (generally due within three months from the acquisition date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Foreign currency translation

9.1 Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into functional currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into functional currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

9.2 Translation of financial statements denominated in foreign currencies

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "retained profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statements.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments

A financial instrument refers to any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another. The Group recognises a financial asset, a financial liability or equity instrument when the Group becomes a party to the contractual provisions of the financial instrument.

10.1 Financial assets

10.1.1 Classification and measurement

Based on the entity's business model for managing the financial assets and the contractual terms of the cash flows, the Group classifies its financial assets in the following measurement categories:1) financial assets at amortised cost; 2) financial assets at fair value through other comprehensive income ("FVTOCI"); and 3) financial assets at fair value through profit or loss ("FVTPL").

Financial assets are initially measured at fair value. For financial assets at FVTPL, transaction costs are immediately recognised in profit or loss. For other financial assets, transaction costs are included in their initial recognised amounts. The Group measures accounts receivable and notes receivable arising from sales of goods or provision of services based on the consideration that the Group is expected to be entitled, if the notes receivable and accounts receivable do not contain a significant financing component.

10.1.1.1 Debt instruments

Debt instruments held by the Group are instruments that meet the definition of financial liabilities from the perspective of the issuers, and are measured by the following three ways:

At amortised cost:

A financial asset is measured at amortised cost if both of the following conditions are met: it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income of such financial asset is calculated by using the effective interest method. Such financial assets mainly include cash and bank balances, notes receivable, accounts receivable, other receivables, debt investments and long-term receivables, etc. Debt investments and long-term receivables due within one year (inclusive) at the balance sheet date are presented as non-current assets due within one year; debt investments with maturities within one year (inclusive) at acquiring date are presented as other current assets.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.1 Financial assets (continued)

10.1.1 Classification and measurement (continued)

10.1.1.1 Debt instruments (continued)

At FVTOCI:

A financial asset is measured at FVTOCI if both of the following conditions are met: it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If a financial asset is measured at FVTOCI, all changes in fair value should be included in other comprehensive income, except for the recognition of impairment gains or losses, foreign exchange gains and losses, and interest income calculated with the effective interest method, which are recognised in profit or loss. Such financial assets are presented as other debt investments. The debt investments with maturity within one year (inclusive) since the balance sheet date are presented as non-current assets due within one year; at acquiring date, debts investments with maturity within one year (inclusive) are presented as other current assets and receivables financing.

At FVTPL:

If the financial asset does not meet the criteria for amortised cost or FVTOCI, it is measured at FVTPL. At initial recognition, the Group designates part of financial assets as measured at FVTPL in order to eliminate or significantly reduce an accounting mismatch. The financial assets with maturity more than one year and expected to be held for more than one year are presented as other non-current financial assets, and others are presented as held-for-trading financial assets.

10.1.1.2 Equity instruments

The Group measures its equity instruments that have no control, joint control or significant influence at FVTPL and presents such equity instruments as held-for-trading financial assets. The financial assets expected to be held for more than one year since the balance sheet date are presented as other non-current financial assets.

Besides, the Group designates part of financial assets which are not held for trading at FVTOCI and presents them as investments in other equity instruments. The dividend income is recognised in profit or loss.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.1 Financial assets (continued)

10.1.2 Impairment

For financial asset at amortised cost, debt investments at FVTOCI, contract assets, lease receivable, financial liabilities that are not at FVTPL and financial guarantee contracts that are not qualified for derecognition due to the transfer of financial assets or financial liabilities arising from continuing involvement of the transferred financial assets, the Group accounts for the impairment and recognises the loss allowance on the basis of expected credit loss ("ECL").

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, and using default risk as weight, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

For notes receivable, accounts receivable, receivables financing and contract assets arising from the sales of goods and rendering of services in the ordinary course of operating activities, the Group recognises the lifetime ECL regardless of whether a significant financing component exists. For lease receivable, the Group measures the loss allowance according to the lifetime ECL.

At each balance sheet date, the ECL of financial instruments other than aforesaid notes receivable, accounts receivable, receivables financing, contract assets and lease receivable are measured based on different stages. A 12-month ECL allowance is recognised for financial instruments in Stage 1, that have not had a significant increase in credit risk since initial recognition, lifetime ECL allowance is recognised for financial instruments in Stage 2, that have had a significant increase in credit risk without credit impairment since initial recognition, and lifetime ECL allowance is recognised for financial instruments in Stage 3, that have had a credit impairment since initial recognition.

For the financial instruments with low credit risk as at the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition. The Group determines them as the financial instruments in Stage 1 and recognises the 12-month ECL allowance.

For the financial instruments in Stage 1 and Stage 2, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before net of ECL allowance). For the financial instruments in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (net of ECL allowance).

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.1 Financial assets (continued)

10.1.2 Impairment (continued)

10.1.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

(1) An actual or expected significant change in the financial instrument's external credit rating;

(2) An actual or expected decrease in the internal credit rating for the debtor;

(3) Adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

(4) An actual or expected significant change in the operating results of the debtor;

(5) Significant adverse changes in regulatory, economic, or technological environment of the debtor;

(6) Significant changes in the value of collaterals or the quality of guarantees or credit enhancements provided by third parties, which are expected to reduce the debtor's economic motives to repay within the time limit specified in contract or affect the probability of default;

(7) Significant changes in expected performance and repayment of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly when contractual payments are more than 30 days (inclusive) past due.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.1 Financial assets (continued)

10.1.2 Impairment (continued)

10.1.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(1) Significant financial difficulty of the issuer or debtor;

(2) It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

Irrespective of the outcome of the above assessment, the Group presumes that an event of default on the financial instrument has occurred if the contractual payment of the financial instrument has been more than 90 days (inclusive) past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

10.1.2.3 Determination of ECL

The various types of financial assets that are calculated for ECL on an individual basis have credit risk characteristics that are significantly different from those of other financial assets in the same category. In cases where the ECL of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group categorises the receivables into different groups based on their shared risk characteristics, and calculates the ECL for each group respectively. The basis for the determination of grouping and the method of provision are as follows:

Group 1	Accounts receivable ageing, taken initial recognition time as ageing calculation start
Group 2	Notes receivable – bank acceptances
Group 3	Notes receivable – commercial acceptances
Group 4	Receivables financing
Group 5	Compensation receivable from suppliers
Group 6	Guarantees (including deposits)
Group 7	Other receivables
Group 8	Amount due from subsidiaries

For accounts receivable, notes receivable and receivables financing resulting from transactions of daily operations such as sales of goods and provision of services on grouping basis, the Group considers the historical credit loss experience, current situation and forecasts of economic conditions to measure the ECL based on exposure at default and lifetime ECL ratio.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.1 Financial assets (continued)

10.1.2 Impairment (continued)

10.1.2.3 Determination of ECL (continued)

For notes receivable, receivables financing not resulting from transactions of daily operation, other receivables and long-term receivables in groups, the Group considers the historical credit loss experience, current situation, and forecasts of economic conditions to measure the ECL based on exposure at default and 12-month or lifetime ECL ratio.

Loss allowance (and reversal of loss allowance) are recognised in profit or loss. For debt investments measured at FVTOCI, the Group recognises loss allowance (and reversal of loss allowance) in profit or loss and adjusts other comprehensive income in the meanwhile.

10.1.3 Derecognition

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of investments in other equity instruments, the difference between the carrying amount and the sum of the consideration received and the accumulated changes in fair value recognised directly in other comprehensive income, shall be transferred to retained earnings. On derecognition of other financial assets, the difference between the carrying amount and the sum of the consideration received and the accumulated changes recognised in other comprehensive income, shall be recognised in profit or loss.

10.2 Financial liabilities

Financial liabilities are classified into financial liabilities at amortised cost and financial liabilities at FVTPL at initial recognition.

The financial liabilities of the Group are mainly measured at amortised cost, including notes payable, accounts payable, other payables, borrowings, bonds payable and long-term payables, etc. These financial liabilities are measured at its fair value minus transaction costs at initial recognition and subsequently measured using effective interest rate method. Financial liabilities with maturity within one year (inclusive) are presented as current liabilities. Financial liabilities with maturity more than one year but due within one year (inclusive) since the balance sheet date are presented as non-current liabilities due within one year. Other financial liabilities are presented as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

10.3 Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is based on quoted market prices at the balance sheet date. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique when it is applicable under current conditions and there are enough available data and other information to support. Those inputs should be consistent with the inputs that a market participant would use when pricing the asset or liability, and should maximise the use of relevant observable inputs. When related observable inputs cannot be acquired or are not feasible to be acquired, then unobservable inputs are used.

11. Inventories

11.1 Classification

Inventories include raw materials, turnover materials, finished goods, work in progress, consigned processing materials and consumable biological assets, which are measured at the lower of cost and net realisable value.

11.2 Valuation method of inventories upon delivery

Cost is determined using the first-in-first-out method or weighted average method. The Company uses the individual valuation method to determine the cost of inventories that cannot be used as substitutes and that are purchased or manufactured specifically for a specific project. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

11.3 Basis for determining net realisable value of inventories and provision methods for decline in value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. For inventories that are produced and sold in the same region and have the same or similar use, the Group makes a consolidated provision for inventory valuation. For finished goods, the Group makes provision for decline in value of inventories based on factors such as the period of near expiration, state of storage, historical sales discounts and expected future sales.

11.4 The Group adopts the perpetual inventory system.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Inventories (continued)

11.5 Amortisation method of turnover materials

Turnover materials include low value consumables and packaging materials. Low value consumables and packaging materials are amortised using the immediate write-off method.

12. Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances; An associate is the investee over which the Group has significant influence on its financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

12.1 Determination of investment cost

For long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost is the ultimate controlling party's share of the carrying amount of owners' equity of the merged party at the combination date; For long-term equity investments acquired through a business combination not involving enterprises under common control, the investment cost shall be the cost of combination.

For the long-term equity investments acquired through other means other than business combinations and long-term equity investments acquired through cash payments, the initial investment cost is the actually paid purchase price; Long-term equity investments acquired through the issuance of securities are recognised at initial investment cost based on the fair value of the securities issued.

12.2 Subsequent measurement and recognition of profit or loss

Long-term equity investments accounted for using the cost method are measured at initial investment cost, and cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

12.2 Subsequent measurement and recognition of profit or loss (continued)

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is initially measured at that cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income or loss according to its share of net profit or loss of the investee. The Group discontinues recognizing its share of net loss of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognizing the expected losses. For changes in owners' equity of the investee other than those arising from its net profit or loss, other comprehensive income, and profit distribution, the Group records its proportionate share directly into capital reserve. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee.

The unrealised profit or loss arising from the intra-group transactions amongst the Group and its investees is eliminated in proportion to the Group's equity interests in the investees, and then based on which the investment income or loss of the Company's financial statements is recognised. When preparing the consolidated financial statements, for unrealised gains or losses attributable to the Group on downstream transactions from the Group to investees on investment or sale of assets, the Group eliminates the transactions on the Company's financial statements, eliminates the unrealised revenues and costs or gains or losses on disposal of assets attributable to the Group, and adjust the investment income accordingly. For unrealised gains or losses attributable to the Group on upstream transactions from investees to the Group on investment or sale of assets, the Group eliminates the transactions on the Company's financial statements, eliminates the unrealised gains or losses attributable to the Group in the carrying amount of the related assets, and adjust the carrying amount of long-term equity investments accordingly. For the loss on the intra-group transactions amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

12.3 Basis for determining existence of control, joint control, and significant influence over investees

Control is the power to govern an investee, so as to obtain variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

12.3 *Basis for determining existence of control, joint control, and significant influence over investees (continued)*

Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

12.4 *Impairment of long-term equity investments*

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note (II) 20).

12.5 *Disposal of long-term equity investments*

When the Group ceases the use of the equity method, the Group shall account for all amounts previously recognised in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Any movements of owner's equity are transferred to investment income in the period with the exception of net profit or loss, other comprehensive income and retained earning shared by investees when the equity method is terminated. For a portion of long-term equity investment accounted for using the equity method by the Group, the relevant other comprehensive income under equity method previously is determined as if the relevant assets or liabilities are derecognised directly by the Group if the equity method is applied to the residual part of the equity investments on a pro-rata basis according to the proportion of disposal; other owner's equity with the exception of net profit or loss, other comprehensive income and retained earning shared by investees is transferred to investment income in the current period on a pro-rata basis.

12.6 *Partial disposal of a subsidiary or other reason resulting in loss of control of a subsidiary*

On disposal of a long-term equity investment in the Group's separate financial statements, the difference between the proceeds actually received and its carrying amount is recognised in profit or loss for the current period; meanwhile, for the remaining equity investment, it shall be recognised as a long-term equity investment at its carrying amount or other relevant financial assets at its fair value. If the remaining equity after disposal can exercise joint control or have a significant influence over the original subsidiary, it shall be accounted for in accordance with the relevant provisions of the transfer of the cost method to the equity method.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Investment properties

Investment properties, including land use rights and buildings that have already been leased out, and land use rights that are held for transfer upon capital appreciation, are initially recognised at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

The Group applies the cost model for subsequent measurement of investment properties. For buildings and land use rights, depreciation or amortisation is made based on their estimated useful lives and net residual value rates. As for investment properties measured by cost model, depreciation policy on similar fixed assets is applicable to buildings for lease purpose, and amortisation policy on similar intangible assets is applicable to land use rights for lease purpose.

When an investment property is transferred to owner-occupied property, it is reclassified to a fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to investment properties at the date of the transfer. The carrying amount before and after transfer is the same at the date of the transfer.

The estimated useful lives and estimated net residual values of investment properties and depreciation (amortisation) methods applied to the investment properties are reviewed, and adjusted as appropriate, at each balance sheet date.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of investment properties shall be reduced to the recoverable amount if the recoverable amount is lower than the carrying amount. (Note (II)20).

14. Fixed assets

14.1 Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, transportation vehicles, electronic equipment and other equipment.

Fixed assets are recognised when the economic benefits associated with them are likely to flow into the Group and their costs can be measured reliably. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. Fixed assets injected by the state-owned shareholders during the restructuring are initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Fixed assets (continued)

14.1 Recognition and initial measurement of fixed assets (continued)

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

14.2 Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives (year(s))	Estimated net residual value rates (%)	Annual depreciation rates (%)
Buildings	5-50	2-10	1.80-19.60
Machinery and equipment	4-20	2-10	4.50-24.50
Transportation vehicles	4-14	2-10	6.43-24.50
Electronic equipment	3-14	2-10	6.43-32.67
Other equipment	2-20	2-10	4.50-49.00

The estimated useful lives and the estimated net residual values of fixed assets and the depreciation method applied to the assets are reviewed, and adjusted as appropriate at each year-end.

14.3 The carrying amount of the fixed assets shall be reduced to the recoverable amount if the recoverable amount is lower than the carrying amount (Note (II)20).

14.4 Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. When the recoverable amount of construction in progress is lower than its carrying amount, the carrying amount is reduced to the recoverable amount (Note (II)20).

16. Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally, and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

If the borrowing is specific to the qualifying asset, the borrowing costs eligible for capitalisation are the actual cost during the period of construction less any investment income or interest income on the temporary investment of the borrowings.

The amount of borrowing costs eligible for capitalisation, in cases where the funds are borrowed generally, should be determined based on the weighted average of the expenditures incurred in obtaining a qualifying asset. The costs incurred should first be allocated to the specific borrowings. The capitalisation rate relating to general borrowings should be the weighted average effective interest rate applicable to the entity's borrowings. The effective interest rate is the interest rate used when the future cash flows of the borrowings over the estimated remaining deposit period or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

17. Biological assets

Biological assets comprise bearer biological assets and consumable biological assets. A biological asset is initially measured at cost.

Expenditures incurred are included in the cost of the bearer biological assets before achieving the expected operation purpose. Subsequent expenditures such as maintenance or administration cost after achieving the expected operation purpose are recognised in profit or loss for the period in which they are incurred.

The actual expense of the consumable biological assets before closure constitutes the cost of the consumable biological assets, and the subsequent expenses such as management and protection after closure shall be recognised in profit or loss for the period.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Biological assets (continued)

Bearer biological assets are depreciated using the straight-line method over their estimated useful lives after achieving the expected operation purpose. The estimated useful life and the estimated net residual value of a bearer biological asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate if the useful life and the estimated net residual value differ from the previous estimates, or there are significant changes in the pattern in which the asset's economic benefits are expected to be realised, the Group will adjust the useful life, estimated net residual value, or the depreciation method as changes in accounting estimate.

At the end of each reporting period, bearer biological assets and consumable biological assets are reviewed and the carrying amount shall be reduced to the recoverable amount or net realisable value if the recoverable amount of bearer biological assets or the net realisable value of the consumable biological assets is lower than the carrying amount. The reduction is an impairment loss which is recognised in profit or loss. Once the provision for bearer biological assets impairment is made, it will not be reversed; when the factor of depreciation of consumable biological asset disappears, it shall be reversed within the amount of provision for depreciation originally withdrawn, and the reversal amount shall be recognised in profit or loss for the period.

18. Intangible assets

Intangible assets include land use rights, business network, brands and trademarks, know-how, patent rights, software and others, and are measured at cost method. Intangible assets injected by the state-owned shareholders during the restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

18.1 Land use rights

Land use rights are amortised on the straight-line basis over the useful lives of 30-50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

18.2 Business network

Business network acquired in a business combination are recognised at fair value at the acquisition date. Business network is amortised using the straight-line method over its estimated useful lives of 5-10 years.

18.3 Brands and trademarks

Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands have indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows. Brands with indefinite useful lives are not amortised and are assessed for impairment on an annual basis. Trademarks are amortised using the straight-line method over their estimated useful lives of 10-20 years.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets (continued)

18.4 Know-how

Know-how is amortised using the straight-line method over its estimated useful lives of 2-20 years.

18.5 Patent rights

Patent rights are amortised using the straight-line method over its protection period of 10-20 years as stipulated by law.

18.6 Software

Software is amortised using the straight-line method over its estimated useful lives of 2-10 years.

18.7 Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

18.8 Research and development

The Group's research and development expenditures mainly include expenditures on materials consumed for the implementation of the Group's research and development activities, salaries of employees in the research and development department, depreciation and amortisation of assets used in research and development, such as equipment and software, research and development inspection fees, outsourcing of licensing rights and research and development technical service fees.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- the management has the intention to complete the intangible asset and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets (continued)

18.8 Research and development (continued)

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

18.9 Impairment of intangible assets

When the recoverable amount of an intangible asset is lower than its carrying amount, the carrying amount is reduced to the recoverable amount (Note (II)20).

19. Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to right-of-use assets, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current year and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

20. Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, bearer biological assets carried at cost model, investment properties carried at cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets that are not yet available for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows. For intangible assets with uncertain useful lives, the useful lives of intangible assets shall be reviewed at least annually. If there is any indication that the useful lives of the intangible assets are finite, the intangible assets shall be amortised over its estimated useful lives in the future periods.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Impairment of long-term assets (continued)

Goodwill and intangible assets with indefinite lives that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

21. Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits and termination benefits, etc.

21.1 Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, union running costs and employee education costs and others. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

21.2 Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the basic pensions and unemployment insurance, both of which belong to defined contribution plans.

21.2.1 Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to profit or loss for the current period or the cost of relevant assets.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Employee benefits (continued)

21.3 Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

21.3.1 Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by the management. The Group pays early retirement benefits to those early retired employees from the early retirement date until the normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment for termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period in which they occur.

The termination benefits expected to be settled within one year since the balance sheet date are classified as employee benefits payable.

22. Profit distribution

Proposed cash profit distribution is recognised as a liability in the period in which it is approved by the shareholders' meeting.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Provisions

Provisions for product warranties, onerous contracts and etc., are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the best estimate for the current period.

Loss allowance for financial guarantee contracts and allowance for loan commitments as determined based on the ECL model are recognised as provisions.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

24. Revenue recognition

Sales are recognised when control of goods or provision of services has been transferred to customers. The amount of revenue is determined in accordance with the consideration that the Group is expected to be entitled.

24.1 Sales of goods

Revenue is recognised when the products have been shipped to the specific location in accordance with the sales contract and the customers have inspected and accepted the products. The sales are made with a credit term varied by customers' credit risk characteristics, which is consistent with market practices. The Group's obligation to transfer goods to customers for consideration received or receivable from customers is presented as contract liabilities in the balance sheet.

Any consideration payable to customers with no distinct good or service received from those customers, the consideration is recognised as a reduction of the revenue.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Revenue recognition (continued)

24.2 Rendering services

Revenue from providing services to external parties is recognised over a period of time based on the stage of completion of such service, which is determined by the proportion of costs incurred to the estimated total costs. As at the balance sheet date, the Group reassesses the stage of completion so as to better reflect the changes in obligation performance.

Revenue is recognised by the proportion that costs incurred to date bear to the estimated total costs of the transaction. Trade receivables are recognised when the Group has an unconditional right to collection. For the remaining part of the services, a contract asset is recognised. The Group recognises the loss allowance using the ECL model (Note (II)10) for its accounts receivable and contract assets. If the payments received or receivable exceed the services rendered, a contract liability is recognised for the excess. Contract assets and contract liabilities under the same contract are presented on a net basis.

25. Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government at no consideration, including tax return, financial subsidy and etc., excluding capital invested in the Group by the government as a business owner.

Government grants are recognised when the grants can be received, and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the borrowing expenses by loan principals and the favourable interest rates. The fiscal interest discounts directly received by the Group offset the relevant borrowing expenses.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same taxpayer within the Group and the same taxation authority; and,
- that taxpayer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Leases

A lease is a contract whereby the lessor conveys to the lessee in return for a consideration the right to use an asset for an agreed period of time.

27.1 The Group as the lessee

At the commencement date, the Group shall recognise the right-of-use asset and measure the lease liability at the present value of the lease payments during the lease term that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease. Rents that are variable based on the revenue are not included in the lease payments and are recognised in the profit or loss of the period when the revenue is earned. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are presented as non-current liabilities due within one year.

Right-of-use assets of the Group include buildings, machinery and equipment, etc. Right-of-use assets are measured initially at cost which consists of the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise, the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is lower than the carrying amount.

For short-term leases with a term of twelve months or less and leases of an individual asset (when new) of low value, the Group may, instead of recognising right-of-use assets and lease liabilities, recognise on a straight-line basis over the period of the lease, and either capitalise as part of the cost of related assets, or charge as an expense for the current period.

The Group shall account for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use of one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Leases (continued)

27.1 The Group as the lessee (continued)

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification and remeasure the lease liability by discounting the revised lease payments using a revised discount rate, except that the contract changes directly resulting from conditions permitted by the Ministry of Finance are accounted for by applying the practical expedient. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other leases which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

27.2 The Group as the lessor

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

When the Group's rents its self-owned buildings, rental income from an operating lease is recognised on a straight-line basis over the period of the lease. Rental income that are variable based on the revenue of the lessee is recognised when the revenue is earned.

27.2.1 Operating leases

When a lease is changed, the Group regards it as a new lease from the effective date of the change and treats the advance or receivable lease payments related to the lease before the charge as the receipts for the new lease.

27.2.2 Finance lease

At the commencement date, finance lease receivable is recognised as long-term receivables and the relevant asset is derecognised. Finance lease receivable due within one year (inclusive) as from the balance sheet date are presented as non-current assets due within one year.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Debt restructuring

Debt restructuring refers to a transaction where the terms of debt repayment, such as timing, amount, or method, are renegotiated through an agreement between the creditor and debtor or a court ruling without changing the counterparty to the transaction.

28.1 The Group as creditor

For debtors to offset the debt of the Group using non-financial assets such as inventory and fixed assets, the initial cost of the acquired non-financial assets is determined based on the fair value of the abandoned claims, as well as other costs directly attributable to the asset that occur before it reaches its current location and condition or its intended use, including taxes and other relevant expenses. The difference between the fair value and the carrying amount of the claims abandoned by the Group is recognised in profit or loss for the period.

In addition, when debt restructuring is carried out by modifying other terms, resulting in the derecognition of the original claim, the Group initially measures the restructured claim at fair value in accordance with the modified terms. The difference between the amount recognised for the restructured claim and the carrying amount of the original claim on the derecognition date is recognised in profit or loss for the period. If the modification of other terms does not lead to the derecognition of the original claim, the original claim continues to be measured subsequently in its original classification, and any gains or losses arising from the modification are recognised in profit or loss for the period.

28.2 The Group as debtor

If the Group as debtor conducts debt restructuring through asset repayment of debts, it shall be derecognised when the relevant assets and settled debts meet the derecognition conditions. The difference between the carrying amount of settled debts and the carrying amount of transferred assets shall be recognised in profit or loss for the period.

In addition, when debt restructuring is conducted by modifying other terms, leading to the derecognition of the original debt, the Group initially measures the restructured debt at fair value in accordance with the modified terms. The difference between the amount recognised for the restructured debt and the carrying amount of the original debt on the derecognition date is recognised in the profit or loss for the period. If the modification of other terms does not result in the derecognition of the original debt, the original debt continues to be measured subsequently in its original classification, and any gains or losses arising from the modification are recognised in profit or loss for the period.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Share-based payments

Share-based payments are categorised into equity-settled share-based payment transactions and cash-settled share-based payment transactions. The share-based payment transactions implemented by the Group is accounted for as equity-settled.

The equity-settled share-based payments in exchange for employee services shall be measured at the fair value of the equity instruments granted to the employees. Where the equity-settled share-based payments are exercisable immediately after the grant is completed, the payments shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date, with capital reserve increased accordingly; where the equity-settled share-based payments are exercisable after the service in the waiting period is completed or specified performance conditions are met, the service obtained in the current period shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date based on the best estimate on the quantity of exercisable equity instruments made by the Group in accordance with the latest changes in the number of exercisable employees, satisfaction of specified performance conditions and other subsequent information at each balance sheet date within the waiting period.

Where the equity-settled share-based payments cannot be exercised in the end, its costs or expenses shall not be recognised by the Group unless that the payments are exercisable under the market conditions or non-exercisable conditions. In this regard, whether the market conditions or non-exercisable conditions are satisfied or not, the payments are deemed to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

When the Group modifies the terms of the share-based payment plan, if the modification increases the fair value of the granted equity instruments, the Group shall recognise the increase in services received based on the difference between the fair value of the equity instruments before and after the modification on the modification date. If the Group revises the exercisable conditions in a manner favourable to employees, the Group shall account for the payment according to the revised exercisable conditions; if the Group revises the exercisable conditions in a manner unfavourable to employees, the Group shall not consider that in the accounting, unless the Group cancels part or all of the granted equity instruments. If the Group cancels the granted equity instruments, the payments shall be accelerated for exercise on the cancellation date, and the amount that should have been recognised during the remaining waiting period shall be immediately included in profit or loss for the current period, and capital reserve shall be also recognised.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment losses.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or has been classified as held for sale, and is separately identifiable and satisfies one of the following conditions: (1) it represents a separate major line of business or geographical area of operations; (2) it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) it is a subsidiary acquired exclusively with a view to resale.

The net profit from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

31. Segment information

The Group determines operating segments based on internal organisational structure, management requirements and internal reporting systems, and determines reporting segments and discloses segment information on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

32. Significant accounting estimates and judgements

The Group continually evaluates the significant accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

32.1 Significant accounting estimates and key assumptions

The significant accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

32.1.1 Estimated useful lives and estimated net residual values of fixed assets

The management of the Group reviews the estimated useful lives, estimated net residual values and depreciation methods of fixed assets at each financial year-end. The estimated useful lives are determined by reference to the Group's business model, asset management policy and expected lifespan of the assets. The estimated useful lives could change significantly as a result of certain factors. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write down technically obsolete or non-strategic assets that have been abandoned or sold. The estimated residual values are determined based on all relevant factors (including but not limited to by reference to the industry practice and estimated residual values).

The depreciation expense will change where the estimated useful lives or estimated residual values of the assets are different from the previous estimates.

32.1.2 Estimated useful lives of business network

The Group needs to determine the estimated useful lives and consequently the related amortisation charges for its business network. These estimates are based on the historical experience of the actual useful lives of business network of similar nature and functions. Management will increase the amortisation charges where useful lives are less than previously estimated lives, which may also result in impairment of intangible assets. Actual economic lives may differ from estimated useful lives.

The amortisation charges will change where the estimated useful lives of the intangible assets are different from the previous estimates.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

32. Significant accounting estimates and judgements (continued)

32.1 Significant accounting estimates and key assumptions (continued)

32.1.3 Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups or groups of asset groups is the higher of fair value less the cost of disposal and the present value of the future cash flows expected to be derived from them. These calculations require use of accounting estimates (Note (IV)22). There are uncertainties in the following parameters when the Group determines the recoverable amount based on the present value of the expected future cash flows.

If management revises the growth rate that is used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised growth rate is lower than the one currently used, the Group may need to recognise further impairment against goodwill.

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised gross margin is lower than the one currently used, the Group may need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group may need to recognise further impairment against goodwill.

If the actual revenue growth rate and gross margin is higher or the pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill previously recognised is not allowed to be reversed by the Group.

32.1.4 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion, selling expense and related tax. For inventories with expiration management, management determined the provision for decline in value of inventories based on the level of inventories close to expiration date taking into consideration of good return arrangement with suppliers and estimated probability of selling. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

32.1.5 Measurement of ECL

The Group determines ECL based on assumptions about risk of default and ECL rates. The Group determines the ECL rates based on the probability of default and default loss rate. In determining the ECL rates, the Group uses data such as internal historical credit loss experience, and adjusts the historical data based on current condition and forward-looking information.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

32. Significant accounting estimates and judgements (continued)

32.1 Significant accounting estimates and key assumptions (continued)

32.1.5 Measurement of ECL (continued)

When considering forward-looking information, the Group takes into account different macroeconomic scenarios. The Group regularly monitors and reviews important macroeconomic assumptions and parameters related to the calculation of ECL, including the risk of economic downturn, external market environment, technological environment, Gross Domestic Product ("GDP") and Consumer Price Index ("CPI"), etc. The key macroeconomic parameters are set differently in favourable, benchmark and unfavourable economic scenario. For the mostly used parameter GDP, are 5.00%, 4.60% and 4.00% respectively (for the period from 1 January 2025 to 30 June 2025: 5.20%, 4.50% and 3.40%). The Group monitors and reviews assumptions related to the calculation of ECL on a regular basis. For the period from 1 January 2026 to 30 June 2026, the Group had considered the uncertainties arising from different macroeconomic scenarios and updated relevant assumptions and parameters accordingly.

32.1.6 Income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. In the normal course of operations, the ultimate tax determination is uncertain for some transactions and events. The Group needs to make significant judgements when calculating the income tax expenses in numerous jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and deferred tax expenses in the period in which such determination is made.

As stated in Note (III)2, some subsidiaries of the Group are high-tech enterprises. The "High-Tech Enterprise Certificate" is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to relevant government authorities. Based on the past experience of reassessment for high-tech enterprises upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprises upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

Deferred tax assets are recognised for the deductible losses that can be carried forward to subsequent years to the extent that it is probable that the taxable profit will be available in the future period against which the deductible losses can be utilised. Taxable profit that will be available in the future period includes the taxable income that will be realised through normal production and operation and the taxable income that will be increased in the future period upon the reversal of taxable temporary differences incurred in the previous period. Estimates and judgements are required to determine the time and amount of taxable profit in the future period. Any difference between the actual amounts and the estimate may result in adjustment to the carrying amount of deferred tax assets.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

32. Significant accounting estimates and judgements (continued)

32.2 Key judgements in applying the accounting policies

32.2.1 Classification of financial assets

Significant judgements involved in the classification of financial assets include the business model within which they are held and their contractual cash flow characteristics.

The Group uses judgements when it assesses its business model for managing financial assets on financial assets grouping basis. The assessment is determined by relevant evidence such as how the performance the financial assets are evaluated and reported to the Group's key management personnel; the risks that affect the performance of the business model and the financial assets held within that business model and the way in which those risks are managed; and how managers of the business are compensated etc.

When the Group assesses contractual cash flows are consistent with a basic lending arrangement, significant judgements used are as below: the possibility of changes in time schedule or amount of the principal during the lifetime due to reasons such as repayment in advance, whether the interest only reflects consideration for the time value of money, for the credit risk associated with the instrument during the term of the instrument and for other basic lending risks and costs, as well as a profit margin. For example, prepayments represent unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for the early termination of the contract.

32.2.2 Determination of significant increase in credit risk and credit impairment

When the Group classifies the stages of financial instruments into different stages, its determination for significant increase in credit risk and credit impairment are as follows:

The Group considers the 30 days past due as main indicator in determining a significant increase in credit risk. Also, the Group considers a significant increase in credit risk if there is significant change in one or several indicators, such as significant change in the business conditions of the borrower, the internal or external credit rating for the borrower and actual or expected operating results of the borrower; and significant decrease in the value of collateral or the credit rating of the guarantor, which will influence the possibility of default.

The Group considers the 90 days past due as main indicator that a financial asset is credit-impaired (i.e., the default of the financial asset occurs). Also, the Group considers that a financial asset is credit-impaired if one or several indicators as below is met: significant financial difficulty of the borrower; it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

33. Changes in significant accounting policies

The Ministry of Finance issued *Interpretation No. 19 of the Accounting Standards for Business Enterprises* ("Interpretation No. 19") and *Interpretation No. 20 of the Accounting Standards for Business Enterprises* ("Interpretation No. 20") on 5 December 2025 and 4 June 2026, respectively.

Interpretation No. 19 specifies the accounting treatment of compensatory assets in business combinations not involving enterprises under common control, accounting treatment of capital reserve arising from disposal of subsidiaries previously acquired through business combinations involving enterprises under common control, derecognition of financial liabilities settled using an electronic payment system, and assessment of the contractual cash flow characteristics of financial assets. It came into effect from 1 January 2026.

Interpretation No. 20 specifies the assessment of the contractual cash flow characteristics of financial assets, as well as the accounting treatment when a currency lacks exchangeability. It came into effect from 1 January 2026.

Upon assessment, the Group believes that the adoption of these provisions will have no significant impact on the financial statements of the Group and the Company.

(III) TAXATION

1. The main categories and rates of taxes applicable to the Group are set out below:

Category	Taxation basis	Tax rate
Enterprise income tax *(1)*	Taxable income	15%, 16.5%, 25%, 30%
Value-added taxes ("VAT") *(2)*	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	3%, 5%, 6%, 9%, 10%, 13%
City maintenance and construction tax	The payment amount of VAT and consumption tax	1%, 5%, 7%

(1) In accordance with the "Announcement on the Relevant Enterprise Income Tax Policies for the Deduction of Equipment and Instruments" (Announcement No. 37 [2023] of the Ministry of Finance and the State Taxation Administration) issued by the Ministry of Finance and the State Taxation Administration, during the period from 1 January 2024 to 31 December 2027, the cost of newly purchased equipment and instruments with unit value no more than RMB5 million can be fully deducted against taxable profit and recorded in expenses for the current period, instead of being depreciated annually; the cost of newly purchased equipment and instruments with unit value more than RMB5 million shall be accounted for in accordance with relevant provisions such as "Regulation on the Implementation of the Enterprise Income Tax Law", "Notice of the Ministry of Finance and the State Taxation Administration on Improving the Enterprise Income Tax Policies for the Accelerated Depreciation of Fixed Assets" (Cai Shui No.75 [2014]), "Notice of the Ministry of Finance and the State Taxation Administration on Further Improving the Enterprise Income Tax Policies for the Accelerated Depreciation of Fixed Assets" (Cai Shui No.106 [2015]).

(2) In accordance with the "Announcement on the Policy of Value Added Tax Deduction for Advanced Manufacturing Enterprises" issued by the Ministry of Finance and the State Taxation Administration (Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration), the Group's main subsidiaries, Shanghai SPH Zhong Xi Pharmaceutical Co., Ltd., Shanghai Zhonghua Pharmaceutical Co., Ltd., Shanghai SPH Shen Xiang Health Pharmaceutical Co., Ltd., SHP Xingling Sci.&Tech. Pharmaceutical Co., Ltd., Shanghai Leiyunshang Pharmaceutical Co., Ltd., Shandong Sine Pharmaceutical Co., Ltd., SPH Sine Pharmaceutical Factory Co., Ltd., Shanghai Sine Jinzhu Pharmaceutical Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co., Ltd., SPH New Asia Pharmaceutical Co., Ltd., Shanghai SPH New Asiatic Minghang Pharmaceutical Co., Ltd., Hangzhou Huqingyutang Pharmaceutical Co., Ltd., Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd., Xiamen TCM Factory Co., Ltd., SPH Qingdao Guofeng Pharmaceutical Co., Ltd., Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd., Guangdong Techpool Biochemical Pharmaceutical Co., Ltd., SPH No. 1 Biochemical & Pharmaceutical Co., Ltd., Changzhou Pharmaceutical Factory Co., Ltd., Chia Tai Qingchunbao Pharmaceutical Co. Ltd., Shanghai Hutchison Pharmaceutical Co., Ltd. as advanced manufacturing enterprises, from 1 January 2023 to 31 December 2027, offset the VAT payable by deductible input VAT for the current period plus 5%.

(III) TAXATION (continued)

2. Preferential tax rate policy and approval documents

Enterprise income tax

The actual income tax rate applicable to the Company was 25% for the period from 1 January 2026 to 30 June 2026 (for the period from 1 January 2025 to 30 June 2025: 25%).

Main subsidiaries of the Group enjoy preferential enterprise income tax policies as follows:

Subsidiaries Shanghai SPH Zhong Xi Pharmaceutical Co., Ltd., Shanghai Zhonghua Pharmaceutical Co., Ltd., Shanghai SPH Shen Xiang Health Pharmaceutical Co., Ltd., SHP Xingling Sci.&Tech. Pharmaceutical Co., Ltd., Shanghai Leiyunshang Pharmaceutical Co., Ltd., Shandong Sine Pharmaceutical Co., Ltd., SPH Sine Pharmaceutical Factory Co., Ltd., Shanghai Sine Jinzhu Pharmaceutical Co., Ltd., Shanghai Sine Tianping Pharmaceutical Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co., Ltd., SPH New Asia Pharmaceutical Co., Ltd., Shanghai SPH New Asiatic Minghang Pharmaceutical Co., Ltd., Hangzhou Huqingyutang Pharmaceutical Co., Ltd., Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd., Xiamen TCM Factory Co., Ltd., SPH Qingdao Guofeng Pharmaceutical Co., Ltd., Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd., Guangdong Techpool Biochemical Pharmaceutical Co., Ltd., SPH No. 1 Biochemical & Pharmaceutical Co., Ltd., Changzhou Pharmaceutical Factory Co., Ltd., Chia Tai Qingchunbao Pharmaceutical Co. Ltd., Shanghai Hutchison Pharmaceutical Co., Ltd. have been recognised as high-tech enterprises. In accordance with Article 28 of the "Enterprise Income Tax Law of the People's Republic of China", the applicable enterprise income tax rate for these companies for the period from 1 January 2026 to 30 June 2026 was 15%.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	30 June 2026	31 December 2025
Cash on hand	**1,830,767.64**	1,595,897.72
Bank deposits	**28,033,739,812.34**	23,551,162,819.12
Finance company deposits	**4,248,534,346.07**	4,845,601,823.98
Other cash and bank balances	**4,288,863,587.78**	4,323,402,810.76
Total	**36,572,968,513.83**	32,721,763,351.58
Including: Total amount deposited overseas	**2,296,381,714.41**	2,267,050,873.48

As at 30 June 2026, the Group has no restricted cash and bank balances in bank deposits and finance company deposits (31 December 2025: Nil); other cash and bank balances of RMB1,845,210,135.03 are pledged as collateral by the Group for the purpose of bank acceptances (31 December 2025: RMB2,247,592,689.01); other cash and bank balances of RMB35,098,983.26 are pledged as collateral by the Group for the purpose of letters of credit (31 December 2025: RMB56,177,055.44); other cash and bank balances of RMB1,755,000,000.00 are time deposits due over three months (31 December 2025: RMB1,905,000,000.00); other restricted cash and bank balances are RMB653,554,469.49 (31 December 2025: RMB114,633,066.31).

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Held-for-trading financial assets

	30 June 2026	31 December 2025
Structured deposits	**9,416,880,703.56**	10,360,938,931.51

3. Derivative financial assets and derivative financial liabilities

	30 June 2026	31 December 2025
Derivative financial assets		
– Forward exchange contracts	**7,530,453.55**	721,010.06
Derivative financial liabilities		
– Forward exchange contracts	**13,543,885.46**	13,294,428.53
– Foreign exchange swap contracts	**5,411,036.95**	–
Total	**18,954,922.41**	13,294,428.53

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Notes receivable

	30 June 2026	31 December 2025
Bank acceptances	**476,987,918.55**	512,435,784.08
Commercial acceptances	**338,646,469.85**	523,401,743.16
Less: Bad debt allowance	**(4,430,350.57)**	(5,266,647.93)
Total	**811,204,037.83**	1,030,570,879.31

(1) *As at 30 June 2026, notes receivable endorsed or discounted but unmatured for the Group are listed as follows:*

	Not derecognised
Bank acceptances	**164,486,946.68**
Commercial acceptances	**9,333,176.65**
Total	**173,820,123.33**

For the period from 1 January 2026 to 30 June 2026, the commercial acceptances receivable unqualified for derecognition were endorsed or discounted by the Group, and were categorised as financial assets at amortised cost. Bank acceptances were grouped based on bank types, credit level, etc. for management. Bank acceptances unqualified for derecognition were categorised as notes receivable at amortised cost to hold for collection of contractual cash flows.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Notes receivable (continued)

(2) *Bad debt allowance*

For notes receivable generated from business activities such as sales of goods and rendering of services, regardless of whether there is a significant financing component, the Group measures loss allowance based on lifetime ECL.

The bad debt allowance for notes receivable is analysed by category as follows:

	30 June 2026				31 December 2025			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis *(i)*	-	-	-	-	–	–	–	–
Bad debt allowance made on a portfolio basis *(ii)*	815,634,388.40	100.00	(4,430,350.57)	0.54	1,035,837,527.24	100.00	(5,266,647.93)	0.51
Total	815,634,388.40	100.00	(4,430,350.57)	0.54	1,035,837,527.24	100.00	(5,266,647.93)	0.51

(i) As at 30 June 2026, the Group has no notes receivable with bad debt allowance made on an individual basis (31 December 2025: Nil).

(ii) As at 30 June 2026, notes receivable for which the bad debt allowance is made on a portfolio basis is analysed as follows:

Portfolio – Bank acceptances:

As at 30 June 2026, the Group measures the bad debt allowance for bank acceptances based on lifetime ECL, amounting to RMB2,851,609.31 (31 December 2025: RMB2,995,025.81), including RMB-143,416.50 (for the period from 1 January 2025 to 30 June 2025: RMB-2,100,411.74) recognised in profit or loss for the period. The Group considers that the bank acceptances within the portfolio has no significant credit risk and there will be no significant losses due to bank defaults.

Portfolio – Commercial acceptances:

As at 30 June 2026, the Group measures the bad debt allowance for commercial acceptances based on lifetime ECL, amounting to RMB1,578,741.26 (31 December 2025: RMB2,271,622.12), including RMB-692,880.86 (for the period from 1 January 2025 to 30 June 2025: RMB-1,331,569.27) recognised in profit or loss for the period.

(iii) The amount of bad debt allowance reversed for the current period is RMB836,297.36.

(iv) No notes receivable are written off by the Group in the current period.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Accounts receivable

	30 June 2026	31 December 2025
Accounts receivable	**94,123,310,848.98**	85,179,729,191.18
Less: Bad debt allowance	**(3,355,432,288.13)**	(2,873,328,561.35)
Total	**90,767,878,560.85**	82,306,400,629.83

Retail sales at the Group's medicine and pharmaceutical chain stores are usually made in cash or by debit or credit cards. For medicine and pharmaceutical distribution and manufacturing business segments, credit periods no more than 360 days are usually granted to customers.

(1) *The ageing analysis of accounts receivable is as follows:*

	30 June 2026	31 December 2025
Within 1 year	**88,713,324,385.25**	81,027,892,052.38
1 to 2 years	**3,312,928,996.69**	2,254,395,044.13
Over 2 years	**2,097,057,467.04**	1,897,442,094.67
Total	**94,123,310,848.98**	85,179,729,191.18

(2) *As at 30 June 2026, the top five accounts receivable based on the balance of the debtors are summarised and analysed as follows:*

	Closing balance	Proportion to total accounts receivable (%)	Closing balance of bad debt allowance
Total top five accounts receivable	**6,180,764,165.11**	**6.57**	**(14,121,835.06)**

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Accounts receivable (continued)

(3) *Accounts receivable derecognised due to the transfer of financial assets are analysed as follows:*

For the period from 1 January 2026 to 30 June 2026, the Group conducted non-recourse factoring for a few accounts receivable, and almost all risks and rewards of ownership were transferred to other parties. The cost of accounts receivable that were derecognised due to factoring without resource was RMB2,571,995,592.32, and related losses of RMB62,770,648.60 were included in investment loss (for the period from 1 January 2025 to 30 June 2025: RMB7,209,227,165.53 and RMB73,800,728.05) (Note (IV)57).

(4) *Bad debt allowance*

For accounts receivable, regardless of whether there is a significant financing component, the Group measures loss allowance based on lifetime ECL.

The bad debt allowance for accounts receivable is analysed by category as follows:

	30 June 2026				31 December 2025			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis *(i)*	**912,125,791.56**	**0.97**	**(781,990,273.95)**	**85.73**	889,248,053.20	1.04	(613,853,770.21)	69.03
Bad debt allowance made on a portfolio basis *(ii)*	**93,211,185,057.42**	**99.03**	**(2,573,442,014.18)**	**2.76**	84,290,481,137.98	98.96	(2,259,474,791.14)	2.68
Total	**94,123,310,848.98**	**100.00**	**(3,355,432,288.13)**	**3.56**	85,179,729,191.18	100.00	(2,873,328,561.35)	3.37

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Accounts receivable (continued)

(4) Bad debt allowance (continued)

(i) As at 30 June 2026, accounts receivable for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Lifetime ECL rate (%)	Bad debt allowance	Reasons
Accounts receivable 1	285,903,828.34	100.00	(285,903,828.34)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 2	140,856,696.59	20.00	(28,171,339.32)	Provided based on estimated recoverable amount
Accounts receivable 3	119,953,445.32	100.00	(119,953,445.32)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 4	32,217,861.48	100.00	(32,217,861.48)	Upon assessment, it is expected to be unrecoverable
Others	333,193,959.83	94.76	(315,743,799.49)	Provided based on estimated recoverable amount
Total	912,125,791.56		(781,990,273.95)	

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Accounts receivable (continued)

(4) Bad debt allowance (continued)

As at 31 December 2025, accounts receivable for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Lifetime ECL rate (%)	Bad debt allowance	Reasons
Accounts receivable 1	285,903,828.34	50.00	(142,951,914.17)	Provided based on estimated recoverable amount
Accounts receivable 2	149,352,123.14	18.00	(26,883,382.17)	Provided based on estimated recoverable amount
Accounts receivable 3	119,953,445.32	100.00	(119,953,445.32)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 4	32,217,861.48	100.00	(32,217,861.48)	Upon assessment, it is expected to be unrecoverable
Others	301,820,794.92	96.70	(291,847,167.07)	Provided based on estimated recoverable amount
Total	889,248,053.20		(613,853,770.21)	

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Accounts receivable (continued)

(4) Bad debt allowance (continued)

(ii) As at 30 June 2026 and 31 December 2025, accounts receivable for which bad debt allowance is made on a portfolio basis are analysed as follows:

	30 June 2026		
	Accounts receivable	**Lifetime ECL rate (%)**	**Bad debt allowance**
Within 6 months	**75,536,946,212.33**	**0.26**	**(196,246,052.55)**
6 – 12 months	**13,128,619,433.47**	**2.07**	**(271,827,503.01)**
1 – 2 years	**3,226,063,896.86**	**25.38**	**(818,675,191.40)**
Over 2 years	**1,319,555,514.76**	**97.51**	**(1,286,693,267.22)**
Total	**93,211,185,057.42**		**(2,573,442,014.18)**

	31 December 2025		
	Accounts receivable	Lifetime ECL rate (%)	Bad debt allowance
Within 6 months	66,495,479,900.71	0.39	(260,928,286.87)
6 – 12 months	14,482,403,967.46	2.05	(296,696,517.82)
1 – 2 years	2,163,417,879.33	26.33	(569,661,474.15)
Over 2 years	1,149,179,390.48	98.52	(1,132,188,512.30)
Total	84,290,481,137.98		(2,259,474,791.14)

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Accounts receivable (continued)

(4) *Bad debt allowance (continued)*

(iii) For the period from 1 January 2026 to 30 June 2026, the bad debt allowance made on an individual basis amounts to RMB192,642,983.16 (for the period from 1 January 2025 to 30 June 2025: RMB19,593,519.35), including recovery or reversal of bad debt allowance of RMB24,168,150.46 (for the period from 1 January 2025 to 30 June 2025: RMB35,630,063.43), with corresponding gross carrying amount of RMB59,281,697.71 (for the period from 1 January 2025 to 30 June 2025: RMB59,816,268.19). The accounts receivable with significant recovery or reversal are as follows:

	Reasons for reversal/recovery	Basis and appropriateness for determining the original bad debt allowance	Amount reversed or recovered	Recovery method
Accounts receivable 1	Recovered in the current period	Provided based on estimated recoverable amount	43,948,177.51	Cash
Accounts receivable 2	Recovered in the current period	Upon assessment, it is expected to be unrecoverable	7,697,234.03	Cash
Accounts receivable 3	Recovered in the current period	Upon assessment, it is expected to be unrecoverable	1,674,054.00	Cash
Others	Recovered in the current period	Provided based on estimated recoverable amount	5,962,232.17	Cash
Total			59,281,697.71	

(5) *For the period ended 30 June 2026, the gross carrying amount of accounts receivable written off amounts to RMB951,563.46, and the bad debt allowance amounts to RMB951,563.46. Therein, the significant accounts receivable are analysed as follows:*

	Nature	Write-off	Reasons for write-off	Write-off procedures performed	Caused by related party transactions or not
Accounts receivable 1	Payment for goods	951,563.46	Long age and unrecoverable	Management approval, special audit	No
Total		951,563.46			

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Receivables financing

	30 June 2026	31 December 2025
Bank acceptances	**1,942,680,670.90**	2,528,730,548.02

Certain bank acceptances of the Group are discounted and endorsed for the purpose of daily capital management, and are qualified for derecognition. Therefore, such bank acceptances are classified as financial assets at FVTOCI. For the period from 1 January 2026 to 30 June 2026, the Group derecognised bank acceptances with carrying amount of RMB3,794,583,850.64 and RMB6,912,597,199.77 (for the period from 1 January 2025 to 30 June 2025: RMB4,548,480,835.52 and RMB5,057,924,845.48) due to endorsement and discounting, and almost all risks and rewards of ownership have been transferred to other parties. The related discounting losses amounted to RMB31,331,410.91 and were included in investment loss (for the period from 1 January 2025 to 30 June 2025: RMB20,454,522.59) (Note (IV)57).

As at 30 June 2026, the Group believes that the bank acceptances held are with common credit risk characteristics, and there are no bank acceptances for which loss allowance is made on an individual basis. In addition, the Group believes that the bank acceptances held have no significant credit risks and will not incur significant losses due to bank defaults. The Group measures bad debt allowance based on lifetime ECL and the related amount is RMB8,394,783.98 (31 December 2025: RMB10,244,200.95), and RMB-1,849,416.97 is included in profit or loss for the period (for the period from 1 January 2025 to 30 June 2025: RMB-292,672.09).

For the period from 1 January 2026 to 30 June 2026, the Group has no write-off of significant receivables financing (for the period from 1 January 2025 to 30 June 2025: Nil).

As at 30 June 2026, the receivables financing endorsed or discounted but unmatured are as follows:

	Derecognised
Bank acceptances	**1,915,924,539.33**

As at 30 June 2026, the Group has no pledged receivables financing (31 December 2025: Nil).

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Prepayments

(1) *The ageing analysis of prepayments is as follows:*

	30 June 2026		31 December 2025	
	Amount	**Proportion to total amount (%)**	Amount	Proportion to total amount (%)
Within 1 year	**1,368,873,615.35**	**92.86**	1,525,816,729.29	94.10
Over 1 year	**105,311,602.01**	**7.14**	95,729,386.13	5.90
Total	**1,474,185,217.36**	**100.00**	1,621,546,115.42	100.00

As at 30 June 2026, prepayments aged over 1 year are RMB105,311,602.01 (31 December 2025: RMB95,729,386.13), which are mainly prepayments for raw materials.

(2) *As at 30 June 2026, the top five prepayments based on the balance of the debtors are summarised and analysed as follows:*

	Amount	**Proportion to total prepayments (%)**
Total top five prepayments	**113,129,874.15**	**7.67**

8. Other receivables

	30 June 2026	31 December 2025
Compensation receivable from suppliers	**1,644,746,038.85**	1,474,966,919.76
Guarantees (including deposits)	**1,016,757,837.76**	915,991,237.26
Receivables from enterprises	**399,327,708.95**	314,183,040.92
Dividends receivable	**41,286,523.66**	18,746,523.66
Others	**1,298,901,984.99**	1,278,625,044.71
Gross carrying amount	**4,401,020,094.21**	4,002,512,766.31
Less: Bad debt allowance	**(934,785,620.50)**	(889,408,449.38)
Carrying amount	**3,466,234,473.71**	3,113,104,316.93

The Group has no funds pooled with other parties and classified as other receivables due to centralised fund management.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other receivables (continued)

(1) The ageing analysis of other receivables is as follows:

	30 June 2026	31 December 2025
Within 1 year	**2,960,595,554.20**	2,584,555,084.13
1 to 2 years	**194,573,928.04**	262,235,145.52
Over 2 years	**1,245,850,611.97**	1,155,722,536.66
Total	**4,401,020,094.21**	4,002,512,766.31

(2) Loss allowance and movements in gross carrying amount

The bad debt allowance for other receivables is analysed by category as follows:

	30 June 2026				31 December 2025			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis *(i)*	**667,306,259.64**	**15.16**	**(667,306,259.64)**	**100.00**	664,365,660.33	16.60	(664,365,660.33)	100.00
Bad debt allowance made on a portfolio basis *(ii)*	**3,733,713,834.57**	**84.84**	**(267,479,360.86)**	**7.16**	3,338,147,105.98	83.40	(225,042,789.05)	6.74
Total	**4,401,020,094.21**	**100.00**	**(934,785,620.50)**	**21.24**	4,002,512,766.31	100.00	(889,408,449.38)	22.22

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other receivables (continued)

(2) *Loss allowance and movements in gross carrying amount (continued)*

The bad debt allowance for other receivables is analysed by category as follows: (continued)

(i) As at 30 June 2026, other receivables for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Stage 3 – Lifetime ECL rate (%)	Bad debt allowance	Reasons
Other receivables 1	120,000,000.00	100.00	(120,000,000.00)	It is expected to be unrecoverable
Other receivables 2	46,975,257.94	100.00	(46,975,257.94)	It is expected to be unrecoverable
Other receivables 3	42,750,000.00	100.00	(42,750,000.00)	It is expected to be unrecoverable
Other receivables 4	42,669,467.35	100.00	(42,669,467.35)	It is expected to be unrecoverable
Others	414,911,534.35	100.00	(414,911,534.35)	It is expected to be unrecoverable
Total	667,306,259.64		(667,306,259.64)	

As at 31 December 2025, other receivables for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Stage 3 – Lifetime ECL rate (%)	Bad debt allowance	Reasons
Other receivables 1	120,000,000.00	100.00	(120,000,000.00)	It is expected to be unrecoverable
Other receivables 2	46,975,257.94	100.00	(46,975,257.94)	It is expected to be unrecoverable
Other receivables 3	42,750,000.00	100.00	(42,750,000.00)	It is expected to be unrecoverable
Other receivables 4	42,669,467.35	100.00	(42,669,467.35)	It is expected to be unrecoverable
Others	411,970,935.04	100.00	(411,970,935.04)	It is expected to be unrecoverable
Total	664,365,660.33		(664,365,660.33)	

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other receivables (continued)

(2) *Loss allowance and movements in gross carrying amount (continued)*

The bad debt allowance for other receivables is analysed by category as follows: (continued)

(ii) As at 30 June 2026 and 31 December 2025, other receivables for which bad debt allowance is made on a portfolio basis are analysed as follows:

	30 June 2026			31 December 2025		
	Gross carrying amount	Loss allowance		Gross carrying amount	Loss allowance	
	Amount	Amount	Proportion (%)	Amount	Amount	Proportion (%)
Stage 1 – 12-month ECL						
Compensation receivable from suppliers	**1,441,237,327.63**	**(8,293,541.72)**	**0.58**	1,392,217,134.23	(4,369,161.16)	0.31
Guarantees (including deposits)	**998,822,246.76**	**(13,657,848.24)**	**1.37**	907,698,238.66	(15,242,142.08)	1.68
Dividends receivable	**41,286,523.66**	**(3,625.00)**	**0.01**	18,746,523.66	(3,625.00)	0.02
Receivables from enterprises	**333,920,530.21**	**(1,602,590.46)**	**0.48**	251,727,555.72	(1,090,646.63)	0.43
Others	**652,008,437.19**	**(4,566,185.72)**	**0.70**	558,213,729.16	(4,493,646.60)	0.81
Sub-total	**3,467,275,065.45**	**(28,123,791.14)**		3,128,603,181.43	(25,199,221.47)	
Stage 3 – Lifetime ECL						
Receivables from enterprises	**18,778,078.12**	**(18,391,917.88)**	**97.94**	33,829,347.52	(32,930,370.16)	97.34
Compensation receivable from suppliers	**66,812,336.28**	**(63,847,864.98)**	**95.56**	30,699,557.10	(30,033,132.39)	97.83
Others	**180,848,354.72**	**(157,115,786.86)**	**86.88**	145,015,019.93	(136,880,065.03)	94.39
Sub-total	**266,438,769.12**	**(239,355,569.72)**		209,543,924.55	(199,843,567.58)	
Total	**3,733,713,834.57**	**(267,479,360.86)**		3,338,147,105.98	(225,042,789.05)	

As at 30 June 2026 and 31 December 2025, the Group has no other receivables at stage 2.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other receivables (continued)

(3) For the period from 1 January 2026 to 30 June 2026, the reversal of and bad debt allowance for other receivables at stage 1 and stage 3 amount to RMB3,028,962.24 and RMB35,495,232.66 respectively, mainly representing the loss allowance for other receivables added during the current period and the impact on the measurement of ECL arising from other receivables transferred from stage 1 to stage 3 due to changes in the loss rate for the current period.

For the period from 1 January 2026 to 30 June 2026, the Group has reversal or recovery of bad debt allowance made on an individual basis amounting to RMB185,553.00, with corresponding gross carrying amount of RMB185,553.00. Other receivables with significant amount of recovery or reversal are as follows:

	Reasons for reversal/recovery	Basis and appropriateness for determining the original bad debt allowance	Amount reversed or recovered	Recovery method
Other receivables 1	Recovered in the current period	Upon assessment, it is expected to be unrecoverable	185,553.00	Cash
Total			185,553.00	

(4) The Group has no other receivables written off in the current period.

(5) As at 30 June 2026, the top five other receivables based on the balance of the debtors are summarised and analysed as follows:

	Nature	Balance	Ageing	Proportion to total other receivables (%)	Bad debt allowance
Other receivables 1	Others	120,000,000.00	Over 5 years	2.73	(120,000,000.00)
Other receivables 2	Guarantees	85,050,000.00	Over 5 years	1.93	(51,030.00)
Other receivables 3	Compensation from suppliers	73,064,733.66	Within 1 year	1.66	(379,936.61)
Other receivables 4	Others	46,975,257.94	4 -5 years	1.07	(46,975,257.94)
Other receivables 5	Others	42,750,000.00	Over 5 years	0.97	(42,750,000.00)
Total		367,839,991.60		8.36	(210,156,224.55)

(6) As at 30 June 2026 and 31 December 2025, the Group has no overdue dividends receivable.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Inventories

(1) *Inventories are classified as follows:*

	30 June 2026			31 December 2025		
	Gross carrying amount	Provision for decline in value of inventories	Carrying amount	Gross carrying amount	Provision for decline in value of inventories	Carrying amount
Raw materials	1,727,880,042.24	(164,317,048.98)	1,563,562,993.26	1,750,397,112.73	(163,571,318.17)	1,586,825,794.56
Turnover materials	57,482,636.56	–	57,482,636.56	53,416,610.15	–	53,416,610.15
Consigned processing materials	21,710,126.73	–	21,710,126.73	8,139,386.98	–	8,139,386.98
Work in progress	1,133,238,753.52	–	1,133,238,753.52	1,128,963,604.28	–	1,128,963,604.28
Finished goods	41,046,841,197.60	(1,138,235,220.11)	39,908,605,977.49	43,729,329,914.82	(1,148,113,381.59)	42,581,216,533.23
Consumable biological assets	385,620.84	–	385,620.84	385,620.84	–	385,620.84
Total	43,987,538,377.49	(1,302,552,269.09)	42,684,986,108.40	46,670,632,249.80	(1,311,684,699.76)	45,358,947,550.04

(2) *The analysis of provision for decline in value of inventories is as follows:*

	31 December 2025	Provision	Write-off	30 June 2026
Raw materials	163,571,318.17	950,538.54	(204,807.73)	**164,317,048.98**
Finished goods *(i)*	1,148,113,381.59	14,021,880.43	(23,900,041.91)	**1,138,235,220.11**
Total	1,311,684,699.76	14,972,418.97	(24,104,849.64)	**1,302,552,269.09**

(i) Among which, the near-expired finished goods for which the provision for decline in value is made on a portfolio basis are analysed as follows:

	30 June 2026			31 December 2025		
	Gross carrying amount	Provision for decline in value of inventories		Gross carrying amount	Provision for decline in value of inventories	
	Amount	Proportion (%)	Amount	Amount	Proportion (%)	Amount
Within 1 year	3,923,191,291.52	8.57	(336,273,192.76)	4,881,575,878.20	8.06	(393,361,405.67)
Over 1 year	33,623,253,173.95	0.04	(13,170,271.49)	35,125,664,362.95	0.69	(241,341,021.37)
Total	37,546,444,465.47		(349,443,464.25)	40,007,240,241.15		(634,702,427.04)

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Other current assets

	30 June 2026	31 December 2025
Taxes to be deducted and prepaid	**1,037,508,397.78**	1,214,033,124.20
Input VAT to be certified	**95,555,242.55**	119,534,891.10
Total	**1,133,063,640.33**	1,333,568,015.30

11. Investments in other equity instruments

	30 June 2026	31 December 2025
Investments in equity instruments (i)	**20,954,561.79**	32,683,905.48

	30 June 2026	31 December 2025
Investments in equity instruments		
Shares of listed companies		
– Tianda Pharmaceuticals Limited (“Tianda Pharma”)	**20,954,561.79**	32,683,905.48

	30 June 2026	31 December 2025
Tianda Pharma		
– Cost	**87,851,852.85**	87,851,852.85
– Accumulated changes in fair value	**(66,897,291.06)**	(55,167,947.37)
	20,954,561.79	32,683,905.48

(i) The Group, out of strategic investment concern, designated such equity investments as financial assets at FVTOCI under investments in other equity instruments.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Other non-current financial assets

	30 June 2026	31 December 2025
Investments in equity instruments		
– Shares of listed companies (a)	**3,687,386.38**	4,157,628.50
– Equity of unlisted companies (b)	**1,444,144,778.31**	1,541,153,084.95
	1,447,832,164.69	1,545,310,713.45

Details of other non-current financial assets are as follows:

	30 June 2026	31 December 2025
(a) Shares of listed companies		
– Cost	**1,372,977.16**	1,372,977.16
– Accumulated changes in fair value	**2,314,409.22**	2,784,651.34
	3,687,386.38	4,157,628.50
(b) Equity of unlisted companies		
– Cost	**1,506,030,076.72**	1,506,602,429.26
– Accumulated changes in fair value	**(61,885,298.41)**	34,550,655.69
	1,444,144,778.31	1,541,153,084.95

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Long-term receivables

	30 June 2026	31 December 2025
Guarantees receivable (Note) – total amount	**175,239,892.00**	174,975,160.42
Medical equipment receivable – total amount	**77,833,431.80**	95,924,662.50
Receivables from enterprises – total amount	**224,688,894.03**	226,284,582.23
Unrealised finance income	**(46,551,766.11)**	(47,056,380.84)
Less: Bad debt allowance	**(47,453,544.31)**	(54,790,114.19)
Less: Long-term receivables due within one year	**(103,838,480.76)**	(87,403,889.78)
Long-term receivables due after one year	**279,918,426.65**	307,934,020.34

Note: The amounts are the Group's paid guarantees with recovery period of over one year.

(1) *Loss allowance and movements in gross carrying amount*

The bad debt allowance for long-term receivables is analysed by category as follows:

	30 June 2026				31 December 2025			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis *(i)*	**12,893,490.33**	**2.99**	**(12,893,490.33)**	**100.00**	12,893,490.33	2.86	(12,893,490.33)	100.00
Bad debt allowance made on a portfolio basis *(ii)*	**418,316,961.39**	**97.01**	**(34,560,053.98)**	**8.26**	437,234,533.98	97.14	(41,896,623.86)	9.58
Total	**431,210,451.72**	**100.00**	**(47,453,544.31)**	**11.00**	450,128,024.31	100.00	(54,790,114.19)	12.17

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Long-term receivables (continued)

(1) *Loss allowance and movements in gross carrying amount (continued)*

The bad debt allowance for long-term receivables is analysed by category as follows: (continued)

(i) As at 30 June 2026, long-term receivables for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Stage 3 – Lifetime ECL rate (%)	Bad debt allowance	Reasons
Long-term receivables 1	**12,893,490.33**	**100.00**	**(12,893,490.33)**	**It is expected to be unrecoverable**

(ii) As at 30 June 2026 and 31 December 2025, long-term receivables of the Group on a portfolio basis are all at stage 1.

14. Long-term equity investments

	30 June 2026	31 December 2025
Joint ventures *(1)*	**834,314,465.03**	762,152,837.49
Associates *(2)*	**6,351,933,562.84**	6,468,713,343.40
Less: Provision for impairment of long-term equity investments	**(220,663,722.23)**	(220,663,722.23)
Total	**6,965,584,305.64**	7,010,202,458.66

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Long-term equity investments (continued)

(1) Joint ventures

		Changes for the period									Impairment provision	
	31 December 2025	Investment made in the current period	Decrease in investment	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends declared	Impairment provision	Others	30 June 2026	30 June 2026	31 December 2025
Jiangxi Nanhua Medicines Co., Ltd.	491,313,180.65	-	-	20,816,965.34	-	-	-	-	(8,256,231.37)	**503,873,914.62**	**-**	-
GEN8 (HK) LIMITED	122,604,812.24	-	-	(9,214,321.85)	-	-	-	-	(3,676,225.25)	**109,714,265.14**	**-**	-
Shanghai Shangshi Biomedical Phase II Innovation and Transformation Private Investment Fund LLP	96,626,613.21	75,000,000.00	-	(1,999,500.40)	-	-	-	-	-	**169,627,112.81**	**-**	-
Zhejiang Shangyao Jiuzhou Biopharmaceutical Co., Ltd.	-	-	-	-	-	-	-	-	-	**-**	**(25,428,136.44)**	(25,428,136.44)
Others	24,432,729.59	-	-	67,439.92	-	-	(576,000.00)	-	(498.85)	**23,923,670.66**	**(1,747,365.36)**	(1,747,365.36)
Total	734,977,335.69	75,000,000.00	-	9,670,583.01	-	-	(576,000.00)	-	(11,932,955.47)	**807,138,963.23**	**(27,175,501.80)**	(27,175,501.80)

Related information of equity in joint ventures of the Group is set out in Note (V) 2.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Long-term equity investments (continued)

(2) Associates

		Changes for the period										Impairment provision	
	31 December 2025	Investment made in the current period	Decrease in investment	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends declared	Impairment provision	Disposals	Others	30 June 2026	30 June 2026	31 December 2025
Shanghai Pharma Health Commerce Co., Ltd.	1,477,552,431.31	-	-	(6,088,038.58)	-	1,016,176.56	-	-	-	(276,583.21)	**1,472,203,986.08**	-	-
Shanghai Roche Pharmaceutical Co., Ltd.	1,138,075,138.00	-	-	10,535,585.39	-	3,183,000.00	-	-	-	(2,641,985.39)	**1,149,151,738.00**	-	-
Shanghai Industrial Group Finance Co., Ltd.	572,968,801.96	-	-	15,630,929.19	-	-	-	-	-	5,916,191.15	**594,515,922.30**	-	-
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (ii)	428,977,167.14	-	-	7,481,358.61	(174,358.64)	20,917.73	-	-	-	-	**436,305,084.84**	-	-
Shanghai Biomedical Merger & Acquisition Private Equity Fund Partnership (Limited Partnership)	425,161,805.31	-	-	(84,326,897.80)	-	-	(5,021,307.92)	-	-	-	**335,813,599.59**	-	-
Beijing Lianxin Pharmaceutical Co., Ltd.	312,660,138.19	-	-	16,838,725.18	-	-	-	-	-	-	**329,498,863.37**	-	-
Shanghai Lianyi Investment Center (Limited Partnership)	225,186,128.74	-	(992,577.00)	47,549,401.08	-	-	(9,522,479.61)	-	-	-	**262,220,473.21**	-	-
Shanghai Tsumura Pharmaceuticals Co., Ltd.	257,427,545.32	-	-	11,767,288.71	-	-	-	-	-	-	**269,194,834.03**	-	-
Sino-American Shanghai Squibb Pharmaceuticals Ltd. (iii)	171,949,604.60	-	-	(2,970,889.03)	-	-	-	-	(161,045,803.82)	(7,932,911.75)	**-**	-	-
Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	161,102,457.74	-	-	10,930,756.12	-	-	-	-	-	-	**172,033,213.86**	-	-
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	161,973,486.54	-	-	32,418,929.22	-	-	-	-	-	3,986,194.82	**198,378,610.58**	-	-

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Long-term equity investments (continued)

(2) Associates (continued)

	31 December 2025	Changes for the period: Investment made in the current period	Decrease in investment	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends declared	Impairment provision	Disposals	Others	30 June 2026	Impairment provision: 30 June 2026	Impairment provision: 31 December 2025
Shanghai Ajinomoto Amino Acid Co., Ltd.	135,774,594.58	-	-	6,547,616.69	-	-	(6,506,092.57)	-	-	-	**135,816,118.70**	-	-
Shanghai Shangshi Biomedical Innovation and Transformation Private Investment Fund LLP	116,311,574.53	-	-	238,298.19	-	-	-	-	-	-	**116,549,872.72**	-	-
West China Precision Medicine Industrial Innovation Center	93,528,357.20	-	-	(1,757,487.13)	-	-	-	-	-	-	**91,770,870.07**	-	-
Shanghai Leiyunshang Northern Area Medicine General Co., Ltd.	77,716,513.39	-	-	(3,982,585.22)	-	-	(2,079,280.00)	-	-	-	**71,654,648.17**	-	-
Shanghai Good Health Capital LLP	74,772,936.89	-	-	(6,535,138.73)	-	-	(4,802,990.50)	-	-	-	**63,434,807.66**	-	-
Sichuan Greentech Bio-technology Co., Ltd.	67,621,309.03	-	-	1,132,767.06	-	-	-	-	-	-	**68,754,076.09**	-	-
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	62,899,907.45	-	-	265,919.67	-	-	(42,140,000.00)	-	-	-	**21,025,827.12**	-	-
Shanghai Chest Medical Instruments Co., Ltd.	58,870,334.76	-	-	4,330,019.53	-	-	(3,600,000.00)	-	-	-	**59,600,354.29**	-	-
Shanghai Xunyao Biotechnology Co., Ltd.	50,876,708.85	-	-	(7,634,413.55)	-	10,717,380.70	-	-	-	-	**53,959,676.00**	-	-
Beijing Yiyao Keyuan Pharmacy Co., Ltd.	47,647,657.75	-	-	589,467.53	-	-	-	-	-	-	**48,237,125.28**	-	-
Shanghai Huashi Pharmaceutical Storage & Transportation Co., Ltd.	42,388,265.81	-	-	(5,403,526.78)	-	-	-	-	-	-	**36,984,739.03**	-	-

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Long-term equity investments (continued)

(2) Associates (continued)

	31 December 2025	Changes for the period: Investment made in the current period	Decrease in investment	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends declared	Impairment provision	Disposals	Others	30 June 2026	Impairment provision: 30 June 2026	31 December 2025
Shanghai Sine Promod Pharmaceutical Co., Ltd.	21,087,332.78	-	-	(1,538,533.38)	-	-	-	-	-	-	19,548,799.40	-	-
A.M.Pappas Life Science Venture V,LP	9,047,918.33	-	-	(1,272,105.34)	-	-	-	-	-	-	7,775,812.99	-	-
Shanghai Huiyong Medicine Research Co., Ltd.	5,606,856.56	-	-	(5,606,856.56)	-	-	-	-	-	-	-	-	-
Shangshi Commercial Factoring Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	(154,799,830.72)	(154,799,830.72)
Shanghai Shangyao Kangxinuo Biopharmaceutical Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	(25,874,404.13)	(25,874,404.13)
Yiyao Pharmaceutical (Henan) Co., Ltd.	-	19,799,500.00	-	-	-	-	-	-	-	-	19,799,500.00	-	-
Shanghai Zhanpei Global Innovation Medical Device Service Co., Ltd.	-	45,000,000.00	-	(376,571.88)	-	-	-	-	-	-	44,623,428.12	-	-
Other investments	78,040,150.21	1,200,000.00	-	357,498.67	-	-	-	-	-	(4,287.97)	79,593,360.91	(12,813,985.58)	(12,813,985.58)
Total	6,275,225,122.97	65,999,500.00	(992,577.00)	39,121,516.86	(174,358.64)	14,937,474.99	(73,672,150.60)	-	(161,045,803.82)	(953,382.35)	6,158,445,342.41	(193,488,220.43)	(193,488,220.43)

(i) Related information of equity in the associates of the Group is set out in Note (V) 2.

(ii) Shanghai Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd. is a domestic and Hong Kong listed company. As at 30 June 2026, the market value of the equity investments held by the Group amounts to RMB1,175,343,191.21.

(iii) Sino-American Shanghai Squibb Pharmaceuticals Ltd. has completed the equity transfer in April 2026.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2025	777,421,604.62	25,835,071.05	803,256,675.67
Transfer from fixed assets	37,752,037.35	–	37,752,037.35
Transfer to fixed assets	(735,534.05)	–	(735,534.05)
Disposals	(17,937,073.00)	–	(17,937,073.00)
Translation differences of financial statements denominated in foreign currencies	(327,013.76)	–	(327,013.76)
30 June 2026	796,174,021.16	25,835,071.05	822,009,092.21
Accumulated depreciation			
31 December 2025	(373,472,741.29)	(9,601,589.48)	(383,074,330.77)
Charged for the period	(14,852,346.75)	(240,962.70)	(15,093,309.45)
Transfer from fixed assets	(18,381,488.61)	–	(18,381,488.61)
Transfer to fixed assets	523,225.42	–	523,225.42
Disposals	2,233,957.41	–	2,233,957.41
Translation differences of financial statements denominated in foreign currencies	124,637.37	–	124,637.37
30 June 2026	(403,824,756.45)	(9,842,552.18)	(413,667,308.63)
Impairment provision			
31 December 2025	(8,251,390.62)	–	(8,251,390.62)
Transfer from fixed assets	(15,222,749.77)	–	(15,222,749.77)
30 June 2026	(23,474,140.39)	–	(23,474,140.39)
Carrying amount			
30 June 2026	368,875,124.32	15,992,518.87	384,867,643.19
31 December 2025	395,697,472.71	16,233,481.57	411,930,954.28

For the period from 1 January 2026 to 30 June 2026, the depreciation of investment properties amounted to RMB15,093,309.45 (for the period from 1 January 2025 to 30 June 2025: RMB9,290,828.66).

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Fixed assets

	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment	Other equipment	Total
Cost						
31 December 2025	14,588,077,064.24	8,688,388,582.95	399,114,210.93	1,465,180,771.10	1,578,694,097.19	26,719,454,726.41
Increase in the current period						
Additions	4,084,442.87	154,666,186.46	4,637,849.02	19,464,255.51	39,933,772.73	222,786,506.59
Transfer from construction in progress	126,885,566.11	164,044,377.68	58,203.72	27,540,685.36	4,164,034.23	322,692,867.10
Transfer from investment properties	735,534.05	–	–	–	–	735,534.05
Decrease in the current period						
Disposals	(4,646,262.62)	(59,439,506.38)	(13,445,589.67)	(21,363,747.47)	(12,915,100.99)	(111,810,207.13)
Transfer to investment properties	(37,752,037.35)	–	–	–	–	(37,752,037.35)
Other changes	(1,963,134.81)	–	–	206,160.20	–	(1,756,974.61)
Exchange differences on translation of financial statements denominated in foreign currencies	(280,164.11)	(10,449,251.23)	(25,873.75)	(1,753,715.59)	(3,518,441.52)	(16,027,446.20)
30 June 2026	14,675,141,008.38	8,937,210,389.48	390,338,800.25	1,489,274,409.11	1,606,358,361.64	27,098,322,968.86
Accumulated depreciation						
31 December 2025	(3,953,341,652.51)	(4,603,335,072.50)	(299,958,134.85)	(1,072,720,787.38)	(986,739,559.22)	(10,916,095,206.46)
Increase in the current period						
Charged for the period	(240,184,454.40)	(319,361,629.91)	(14,980,788.28)	(80,748,203.39)	(83,995,256.82)	(739,270,332.80)
Transfer from investment properties	(523,225.42)	–	–	–	–	(523,225.42)
Decrease in the current period						
Disposals	4,468,635.92	67,766,792.80	12,326,182.56	20,101,950.24	11,667,685.80	116,331,247.32
Transfer to investment properties	18,381,488.61	–	–	–	–	18,381,488.61
Exchange differences on translation of financial statements denominated in foreign currencies	238,954.73	6,893,591.93	24,759.96	1,304,717.15	2,009,992.71	10,472,016.48
30 June 2026	(4,170,960,253.07)	(4,848,036,317.68)	(302,587,980.61)	(1,132,062,323.38)	(1,057,057,137.53)	(11,510,704,012.27)
Impairment provision						
31 December 2025	(121,949,690.62)	(132,877,269.70)	(696,855.15)	(3,819,426.60)	(50,621,085.43)	(309,964,327.50)
Increase in the current period						
Charged for the period	–	(60,564.31)	(825,884.30)	(44,689.76)	–	(931,138.37)
Decrease in the current period						
Disposals	–	276,075.88	–	–	–	276,075.88
Transfer to investment properties	15,222,749.77	–	–	–	–	15,222,749.77
30 June 2026	(106,726,940.85)	(132,661,758.13)	(1,522,739.45)	(3,864,116.36)	(50,621,085.43)	(295,396,640.22)
Carrying amount						
30 June 2026	10,397,453,814.46	3,956,512,313.67	86,228,080.19	353,347,969.37	498,680,138.68	15,292,222,316.37
31 December 2025	10,512,785,721.11	3,952,176,240.75	98,459,220.93	388,640,557.12	541,333,452.54	15,493,395,192.45

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Fixed assets (continued)

As at 30 June 2026, buildings, machinery and equipment with carrying amount of RMB1,445,069,059.58 (Cost: RMB1,569,413,882.55) and 429,925.00 square metres of land use rights (Carrying amount: RMB522,867,138.24; Cost: RMB585,543,205.30) (Note (IV)20) are pledged as collaterals for short-term borrowings of RMB135,350,000.00 (Note (IV)27(1)), long-term borrowings of RMB1,319,462,021.18 (Note (IV)37(1)) and long-term borrowings due within one year of RMB26,867,123.00 (Note (IV) 37(1)).

As at 31 December 2025, buildings, machinery and equipment with carrying amount of RMB1,310,459,405.52 (Cost: RMB1,405,634,618.70) and 345,947.00 square metres of land use rights (Carrying amount: RMB494,939,040.15; Cost: RMB539,050,962.72) (Note (IV)20) are pledged as collaterals for short-term borrowings of RMB129,988,501.08 (Note (IV)27(1)), long-term borrowings of RMB1,304,980,897.93 (Note (IV)37(1)), and long-term borrowings due within one year of RMB17,498,544.00 (Note (IV) 37(1)).

For the period from 1 January 2026 to 30 June 2026, depreciation charged to fixed assets amounted to RMB739,270,332.80 (for the period from 1 January 2025 to 30 June 2025: RMB758,205,314.18), of which RMB364,157,670.02, RMB114,206,173.48, RMB194,136,529.45 and RMB66,769,959.85 (for the period from 1 January 2025 to 30 June 2025: RMB353,258,770.62, RMB99,848,731.89, RMB205,905,902.45 and RMB99,191,909.22) were charged to operating costs, selling expenses, administrative expenses and R&D expenses respectively.

For the period from 1 January 2026 to 30 June 2026, the cost of fixed assets transferred from construction in progress amounted to RMB322,692,867.10 (for the period from 1 January 2025 to 30 June 2025: RMB217,525,336.25).

(1) *Temporarily idle fixed assets*

As at 30 June 2026, the Group has no significant temporarily idle fixed assets (31 December 2025: Nil).

(2) *Fixed assets with pending certificates of ownership:*

	Carrying amount	Reasons for not obtaining certificates of ownership yet
Buildings	**334,974,389.00**	**Still in process**

17. Construction in progress

	30 June 2026			31 December 2025		
	Gross carrying amount	Impairment provision	Carrying amount	Gross carrying amount	Impairment provision	Carrying amount
Construction in progress	**2,164,290,026.28**	**(199,230,450.95)**	**1,965,059,575.33**	2,193,324,631.66	(199,230,450.95)	1,994,094,180.71

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Construction in progress (continued)

(1) Changes in significant construction in progress projects

Name	Budget (RMB'000)	31 December 2025	Increase in the current period	Transfer to fixed assets	Other decrease	30 June 2026	Proportion of construction input to budget (%)	Construction progress (%)	Accumulative amount of capitalised borrowing costs	Including: Capitalised borrowing costs in the current period	Capitalisation rate in the current period (%)	Sources of funds
Hangzhou Qingchun Zhechuang Industrial Investment Co., Ltd. Project Land	114,742.00	523,519,058.97	66,612,276.24	-	-	**590,131,335.21**	51.43	51.43	-	-	-	Self-owned funds
Suide Road Phase II Project of Shanghai Pharmaceutical Logistics Center	84,921.25	113,817,020.65	82,728,429.93	(196,545,450.58)	-	**-**	77.34	100.00	22,119,568.69	911,540.22	2.27	Self-owned funds/ Borrowings
Liaoning Meiya Pharmaceutical Co., Ltd. relocation project	64,884.55	180,805,399.65	-	-	-	**180,805,399.65**	29.95	32.10	-	-	-	Self-owned funds
SPH Lingang Phase I Project	57,180.00	335,493,712.44	-	(193,161.89)	-	**335,300,550.55**	64.82	70.00	13,272,087.01	2,903,492.63	2.80	Self-owned funds/ Borrowings
SPH Shandong Holdings Head Office Construction Project	44,178.00	263,099,685.79	-	-	(32,724,870.95)	**230,374,814.84**	58.67	63.24	3,145,028.47	1,637,313.46	2.35	Self-owned funds/ Borrowings
Nantong Changyou Chemicals Co., Ltd. Phase III Project	27,345.46	2,558,297.39	33,376,204.02	(7,409,393.77)	-	**28,525,107.64**	80.58	80.58	-	-	-	Self-owned funds
SPH Sine Microecological Innovation Drug Transformation Center and Industrialisation Project	19,675.00	181,903,884.14	3,553,192.62	-	-	**185,457,076.76**	94.26	94.26	-	-	-	Self-owned funds
SPH Cloud Data Center Construction Project	17,850.00	1,814,193.48	778,362.82	(479,823.01)	-	**2,112,733.29**	29.63	31.93	-	-	-	Self-owned funds
SPH Anhui Logistics Phase II Construction Project	18,899.00	107,382,510.75	13,885,333.44	-	-	**121,267,844.19**	64.17	84.35	2,721,132.53	1,045,481.37	2.60	Self-owned funds/ Borrowings
Others		482,930,868.40	181,080,954.85	(118,065,037.85)	(55,631,621.25)	**490,315,164.15**						
Total		2,193,324,631.66	382,014,753.92	(322,692,867.10)	(88,356,492.20)	**2,164,290,026.28**						

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Construction in progress (continued)

(2) Provision for impairment of construction in progress

	31 December 2025	Increase in the current period	Decrease in the current period	30 June 2026
Liaoning Meiya Pharmaceutical Co., Ltd. relocation project	(180,805,399.65)	–	–	**(180,805,399.65)**
Others	(18,425,051.30)	–	–	**(18,425,051.30)**
Total	(199,230,450.95)	–	–	**(199,230,450.95)**

(3) As at 30 June 2026, the progress of the construction in progress in the Group is estimated based on the proportion of construction input to budget.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Bearer biological assets

	Mature biological assets	Immature biological assets	Total
Cost			
31 December 2025	439,198,609.90	9,782,386.56	448,980,996.46
Increase in the current period			
Others	–	2,039,247.59	2,039,247.59
Decrease in the current period			
Disposal and retirement	(57,263.37)	(886,283.72)	(943,547.09)
30 June 2026	439,141,346.53	10,935,350.43	450,076,696.96
Accumulated depreciation			
31 December 2025	(54,749,045.13)	–	(54,749,045.13)
Increase in the current period			
Charged for the period	(275,425.17)	–	(275,425.17)
Decrease in the current period			
Disposal and retirement	8,160.04	–	8,160.04
30 June 2026	(55,016,310.26)	–	(55,016,310.26)
Impairment provision			
31 December 2025	(381,133,516.18)	(8,323,920.20)	(389,457,436.38)
30 June 2026	(381,133,516.18)	(8,323,920.20)	(389,457,436.38)
Carrying amount			
30 June 2026	2,991,520.09	2,611,430.23	5,602,950.32
31 December 2025	3,316,048.59	1,458,466.36	4,774,514.95

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Right-of-use assets

	Buildings	Machinery and equipment	Total
Cost			
31 December 2025	4,230,501,431.96	65,489,683.76	4,295,991,115.72
Increase in the current period			
New lease contracts	594,379,228.60	5,737,940.67	600,117,169.27
Decrease in the current period			
Decrease in lease contracts	(374,683,466.40)	(6,291,451.66)	(380,974,918.06)
Exchange differences on translation of financial statements denominated in foreign currencies	(19,266,704.64)	–	(19,266,704.64)
30 June 2026	4,430,930,489.52	64,936,172.77	4,495,866,662.29
Accumulated depreciation			
31 December 2025	(2,451,418,667.70)	(36,787,602.94)	(2,488,206,270.64)
Increase in the current period			
Charged for the period	(344,522,644.25)	(11,218,156.39)	(355,740,800.64)
Decrease in the current period			
Decrease in lease contracts	359,226,758.96	6,291,451.66	365,518,210.62
Exchange differences on translation of financial statements denominated in foreign currencies	8,114,615.85	–	8,114,615.85
30 June 2026	(2,428,599,937.14)	(41,714,307.67)	(2,470,314,244.81)
Impairment provision			
31 December 2025 and 30 June 2026	(13,978,636.98)	–	(13,978,636.98)
Carrying amount			
30 June 2026	1,988,351,915.40	23,221,865.10	2,011,573,780.50
31 December 2025	1,765,104,127.28	28,702,080.82	1,793,806,208.10

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Intangible assets

	Land use rights	Business network	Brands and trademarks	Know-how and patents	Software and others	Total
Cost						
31 December 2025	4,782,927,955.00	3,340,319,558.80	1,185,039,754.53	2,375,169,265.94	1,898,519,733.86	13,581,976,268.13
Increase in the current period						
Additions	–	–	–	1,400,000.00	64,792,241.42	66,192,241.42
Transfer from development expenditure	–	–	–	–	17,166,046.39	17,166,046.39
Transfer from construction in progress	–	–	–	–	13,014,934.65	13,014,934.65
Decrease in the current period						
Disposals and write-off	–	–	–	(756,574.97)	(7,324,456.27)	(8,081,031.24)
Exchange differences on translation of financial statements denominated in foreign currencies	–	(107,230.47)	(3,916,252.49)	(873,200.01)	(696,964.30)	(5,593,647.27)
30 June 2026	4,782,927,955.00	3,340,212,328.33	1,181,123,502.04	2,374,939,490.96	1,985,471,535.75	13,664,674,812.08
Accumulated amortisation						
31 December 2025	(883,455,733.44)	(1,887,143,353.28)	(50,109,052.57)	(705,513,048.97)	(891,111,395.48)	(4,417,332,583.74)
Increase in the current period						
Charged for the period	(52,447,995.65)	(119,761,985.33)	–	(82,893,789.02)	(69,055,799.06)	(324,159,569.06)
Decrease in the current period						
Disposals and write-off	–	–	–	567,431.17	3,374,580.74	3,942,011.91
Exchange differences on translation of financial statements denominated in foreign currencies	–	78,759.49	2,976,586.26	623,188.29	419,294.35	4,097,828.39
30 June 2026	(935,903,729.09)	(2,006,826,579.12)	(47,132,466.31)	(787,216,218.53)	(956,373,319.45)	(4,733,452,312.50)
Impairment provision						
31 December 2025	(66,085,577.52)	(13,530,000.02)	(105,506,250.80)	(194,844,096.37)	(40,927,520.45)	(420,893,445.16)
Increase in the current period						
Charged for the period	(12,141,610.98)	–	–	–	–	(12,141,610.98)
Decrease in the current period						
Exchange differences on translation of financial statements denominated in foreign currencies	–	–	191,488.00	–	–	191,488.00
30 June 2026	(78,227,188.50)	(13,530,000.02)	(105,314,762.80)	(194,844,096.37)	(40,927,520.45)	(432,843,568.14)
Carrying amount						
30 June 2026	3,768,797,037.41	1,319,855,749.19	1,028,676,272.93	1,392,879,176.06	988,170,695.85	8,498,378,931.44
31 December 2025	3,833,386,644.04	1,439,646,205.50	1,029,424,451.16	1,474,812,120.60	966,480,817.93	8,743,750,239.23

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Intangible assets (continued)

As at 30 June 2026, the Group has no certificates of ownership for land use rights whose application is still in progress (31 December 2025: Carrying amount: RMB229,238,263.27 (Cost: RMB259,295,165.31)).

As at 30 June 2026 and 31 December 2025, details of land use rights, buildings and machinery and equipment pledged as collateral for short-term borrowings, long-term borrowings and long-term borrowings due within one year are set out in Note (IV)16.

As at 30 June 2026, the proportion of intangible assets formed through internal research and development within the Group to the carrying amount of intangible assets is 2.37% (31 December 2025: 2.31%).

21. Development expenditure

The analysis of changes in development expenditure qualified for capitalisation for the period from 1 January 2026 to 30 June 2026 is as follows:

	31 December 2025	Input in the current period	Transfer to intangible assets in the current period	Impairment provision	30 June 2026
R&D project	103,244,846.29	6,195,935.65	(17,166,046.39)	–	**92,274,735.55**

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Goodwill

	31 December 2025	Increase in the current period	Decrease in the current period	Other changes	30 June 2026
Goodwill –					
Shanghai Pharma Co., Ltd.'s subsidiaries	3,679,245,949.91	–	–	–	**3,679,245,949.91**
China Health System Ltd. and its subsidiaries	2,862,388,863.45	–	–	–	**2,862,388,863.45**
Shanghai Pharmaceuticals (HK) Investment Limited's subsidiaries	2,543,895,939.53	–	–	–	**2,543,895,939.53**
Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries (Note (V)1)	1,846,347,601.54	–	–	–	**1,846,347,601.54**
Guangdong Techpool Biochemical Pharmaceutical Co., Ltd. and its subsidiaries	1,399,888,707.64	–	–	–	**1,399,888,707.64**
Zeus Investment Limited and its subsidiaries	978,771,105.00	–	–	(44,598,639.73)	**934,172,465.27**
Big Global Limited and its subsidiaries	445,109,447.21	–	–	–	**445,109,447.21**
Shanghai TCM Co., Ltd. and its subsidiaries	322,265,997.71	–	–	–	**322,265,997.71**
Liaoning Pharmaceutical Foreign Trading Co., Ltd. and its subsidiaries	231,799,384.99	–	–	–	**231,799,384.99**
Star Fountain Global Limited and its subsidiaries	188,057,733.96	–	–	–	**188,057,733.96**
SPH Sine Pharmaceutical Factory Co., Ltd.'s subsidiaries	36,532,600.21	–	–	–	**36,532,600.21**
Shanghai Medical Instruments Co., Ltd.'s subsidiaries	138,131,837.94	–	–	–	**138,131,837.94**
Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	107,285,726.91	–	–	–	**107,285,726.91**
Others	157,094,963.30	–	–	–	**157,094,963.30**
	14,936,815,859.30	–	–	(44,598,639.73)	**14,892,217,219.57**
Less: Impairment provision (1)					
Zeus Investment Limited and its subsidiaries	(891,362,300.84)	–	–	31,927,242.58	**(859,435,058.26)**
Big Global Limited and its subsidiaries	(445,109,447.21)	–	–	–	**(445,109,447.21)**
Star Fountain Global Limited and its subsidiaries	(188,057,733.96)	–	–	–	**(188,057,733.96)**
Shanghai Pharma Co., Ltd.'s subsidiaries	(84,010,914.29)	–	–	–	**(84,010,914.29)**
Shanghai TCM Co., Ltd. and its subsidiaries	(322,265,997.71)	–	–	–	**(322,265,997.71)**
Shanghai Medical Instruments Co., Ltd.'s subsidiaries	(138,131,837.94)	–	–	–	**(138,131,837.94)**
Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	(90,468,682.53)	–	–	–	**(90,468,682.53)**
Others	(111,793,374.95)	–	–	–	**(111,793,374.95)**
	(2,271,200,289.43)	–	–	31,927,242.58	**(2,239,273,046.85)**
Total	12,665,615,569.87	–	–	(12,671,397.15)	**12,652,944,172.72**

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Goodwill (continued)

(1) *Impairment*

The Group's goodwill was allocated to related asset groups and groups of asset groups at acquisition date. The allocation is summarised by reporting segments (Note VI) as follows:

	30 June 2026		31 December 2025	
	Cost	**Impairment**	Cost	Impairment
Production –				
Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries	**1,846,347,601.54**	**–**	1,846,347,601.54	–
Guangdong Techpool Biochemical Pharmaceutical Co., Ltd. and its subsidiaries	**1,399,888,707.64**	**–**	1,399,888,707.64	–
Zeus Investment Limited and its subsidiaries	**934,172,465.27**	**(859,435,058.26)**	978,771,105.00	(891,362,300.84)
Big Global Limited and its subsidiaries	**445,109,447.21**	**(445,109,447.21)**	445,109,447.21	(445,109,447.21)
Star Fountain Global Limited and its subsidiaries	**188,057,733.96**	**(188,057,733.96)**	188,057,733.96	(188,057,733.96)
Shanghai TCM Co., Ltd. and its subsidiaries	**322,265,997.71**	**(322,265,997.71)**	322,265,997.71	(322,265,997.71)
Shanghai Medical Instruments Co., Ltd.'s subsidiaries	**138,131,837.94**	**(138,131,837.94)**	138,131,837.94	(138,131,837.94)
Others	**200,452,286.52**	**(120,275,932.04)**	200,452,286.52	(120,275,932.04)
	5,474,426,077.79	**(2,073,276,007.12)**	5,519,024,717.52	(2,105,203,249.70)
Distribution –				
Distribution business of Shanghai Pharma Co., Ltd. and Cardinal Health (L) Co., Ltd.	**5,932,900,005.59**	**–**	5,932,900,005.59	–
Distribution business of China Health System Ltd. and Liaoning Pharmaceutical Foreign Trading Co., Ltd.	**3,094,188,248.44**	**–**	3,094,188,248.44	–
Others	**153,798,838.87**	**(153,798,838.87)**	153,798,838.87	(153,798,838.87)
	9,180,887,092.90	**(153,798,838.87)**	9,180,887,092.90	(153,798,838.87)
Retail and others	**236,904,048.88**	**(12,198,200.86)**	236,904,048.88	(12,198,200.86)
Total	**14,892,217,219.57**	**(2,239,273,046.85)**	14,936,815,859.30	(2,271,200,289.43)

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Goodwill (continued)

(1) Impairment (continued)

When conducting a goodwill impairment test, the Group compares the carrying amount of related assets or groups of asset groups (including goodwill) with their recoverable amount. If the recoverable amount is lower than the carrying amount, the related difference is recognised in profit or loss for the period.

The Group determines the revenue growth rate and gross margin on the basis of historical experience and forecast of market development, and adopts a pre-tax interest rate reflecting the specific risks of relevant asset group or portfolio of asset groups as the discount rate. The growth rate for forecast period is based on the five-year budget as approved, while the growth rate for stable period is the growth rate adopted subsequent to the forecast period, which is consistent with the predicted data in authoritative industry reports and does not exceed the long-term average growth rate of each product. The discount rate is the pre-tax discount rate reflecting the specific risks of relevant asset group and portfolio of asset groups.

23. Long-term prepaid expenses

	31 December 2025	Increase in the current period	Amortisation in the current period	Other changes	**30 June 2026**
Improvement of right-of-use assets	398,435,799.86	7,609,920.96	(16,072,064.44)	(85,928.98)	**389,887,727.40**
Others	147,859,113.33	45,655,154.97	(68,246,060.89)	(5,398,851.47)	**119,869,355.94**
Total	546,294,913.19	53,265,075.93	(84,318,125.33)	(5,484,780.45)	**509,757,083.34**

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offset

	30 June 2026		31 December 2025	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	4,404,453,454.10	1,022,270,467.81	4,131,765,272.98	936,938,503.59
Accrued expenses	2,695,176,734.33	607,887,814.33	2,539,812,563.39	569,064,709.30
Lease liabilities	1,791,056,970.38	442,458,690.76	1,619,137,665.89	393,605,655.29
Elimination of intra-group unrealised profit	645,778,821.95	141,907,224.27	541,517,331.09	124,365,649.17
Deductible losses	516,715,225.00	130,283,367.80	651,513,780.01	137,822,439.01
Others	460,900,134.30	100,086,426.21	413,024,784.41	95,949,180.75
Total	10,514,081,340.06	2,444,893,991.18	9,896,771,397.77	2,257,746,137.11

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Deferred tax assets and deferred tax liabilities (continued)

(2) Deferred tax liabilities before offset

	30 June 2026		31 December 2025	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Differences between the fair value and the carrying amount of the identifiable net assets of the acquiree arising from business combinations not involving enterprises under common control	**5,236,018,222.12**	**942,580,746.17**	5,475,948,370.87	1,024,800,013.75
Temporary differences arising from the deemed disposal of joint ventures	**2,953,335,553.61**	**738,333,888.40**	2,953,335,553.61	738,333,888.40
Right-of-use assets	**2,011,573,780.50**	**497,988,161.56**	1,793,806,208.10	438,795,431.68
Investment income arising from disposal of subsidiaries	**936,796,982.27**	**234,199,245.57**	940,193,205.88	235,048,301.47
Depreciation of fixed assets	**631,080,934.20**	**79,009,248.19**	661,802,424.38	84,379,664.15
Changes in fair value of other non-current financial assets	**2,686,086.92**	**671,521.73**	3,156,329.02	789,082.26
Others	**287,661,852.11**	**71,805,084.49**	165,163,748.15	40,631,873.15
Total	**12,059,153,411.73**	**2,564,587,896.11**	11,993,405,840.01	2,562,778,254.86

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Deferred tax assets and deferred tax liabilities (continued)

(3) *The net amounts of deferred tax assets and liabilities after offset are as follows:*

	30 June 2026		31 December 2025	
	Offsetting amount	Amount after offset	Offsetting amount	Amount after offset
Deferred tax assets	**(580,524,636.30)**	**1,864,369,354.88**	(617,697,117.64)	1,640,049,019.47
Deferred tax liabilities	**580,524,636.30**	**1,984,063,259.81**	617,697,117.64	1,945,081,137.22

(4) *Deductible losses, for which no deferred tax assets are recognised, are analysed as follows:*

	30 June 2026	31 December 2025
Deductible losses	**8,555,707,717.21**	9,147,094,993.91

(5) *Deductible losses, for which no deferred tax assets are recognised, will be expired in following years:*

	30 June 2026	31 December 2025
2026	**1,217,965,279.09**	1,776,876,379.51
2027	**1,124,141,322.61**	1,446,698,628.84
2028	**1,587,628,936.85**	1,607,809,220.98
2029	**1,477,736,745.19**	1,479,814,701.20
2030	**1,679,421,484.77**	1,924,033,634.82
2031	**431,809,783.72**	107,030,388.45
2032 and subsequent years	**1,037,004,164.98**	804,832,040.11
Total	**8,555,707,717.21**	9,147,094,993.91

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Asset impairment and loss allowance

	31 December 2025	Increase in the current period	Decrease in the current period	Other changes in the current period	30 June 2026
Bad debt allowance for notes receivable	5,266,647.93	4,430,350.57	(5,266,647.93)	–	**4,430,350.57**
Including: Bad debt allowance made on an individual basis	–	–	–	–	**–**
Bad debt allowance made on a portfolio basis	5,266,647.93	4,430,350.57	(5,266,647.93)	–	**4,430,350.57**
Bad debt allowance for accounts receivable	2,873,328,561.35	506,610,206.20	(24,168,150.46)	(338,328.96)	**3,355,432,288.13**
Including: Bad debt allowance made on an individual basis	613,853,770.21	192,642,983.16	(24,168,150.46)	(338,328.96)	**781,990,273.95**
Bad debt allowance made on a portfolio basis	2,259,474,791.14	313,967,223.04	–	–	**2,573,442,014.18**
Bad debt allowance for receivables financing	10,244,200.95	8,394,783.98	(10,244,200.95)	–	**8,394,783.98**
Bad debt allowance for other receivables	889,408,449.38	38,621,384.97	(3,214,515.24)	9,970,301.39	**934,785,620.50**
Bad debt allowance for long-term receivables	54,790,114.19	1,761,090.88	(9,097,660.76)	–	**47,453,544.31**
Sub-total	3,833,037,973.80	559,817,816.60	(51,991,175.34)	9,631,972.43	**4,350,496,587.49**
Provision for decline in value of inventories	1,311,684,699.76	14,972,418.97	–	(24,104,849.64)	**1,302,552,269.09**
Provision for impairment of long-term equity investments	220,663,722.23	–	–	–	**220,663,722.23**
Provision for impairment of fixed assets	309,964,327.50	931,138.37	–	(15,498,825.65)	**295,396,640.22**
Provision for impairment of investment properties	8,251,390.62	–	–	15,222,749.77	**23,474,140.39**
Provision for impairment of construction in progress	199,230,450.95	–	–	–	**199,230,450.95**
Provision for impairment of intangible assets	420,893,445.16	12,141,610.98	–	(191,488.00)	**432,843,568.14**
Provision for impairment of goodwill	2,271,200,289.43	–	–	(31,927,242.58)	**2,239,273,046.85**
Provision for impairment of right-of-use assets	13,978,636.98	–	–	–	**13,978,636.98**
Provision for impairment of long-term prepaid expenses	3,705,981.40	–	–	–	**3,705,981.40**
Provision for impairment of bearer biological assets	389,457,436.38	–	–	–	**389,457,436.38**
Provision for impairment of development expenditure	46,642,184.69	–	–	–	**46,642,184.69**
Sub-total	5,195,672,565.10	28,045,168.32	–	(56,499,656.10)	**5,167,218,077.32**
Total	9,028,710,538.90	587,862,984.92	(51,991,175.34)	(46,867,683.67)	**9,517,714,664.81**

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Asset impairment and loss allowance (continued)

	31 December 2024	Increase in the current period	Decrease in the current period	Other changes in the current period	30 June 2025
Bad debt allowance for notes receivable	6,994,443.32	3,562,462.31	(6,994,443.32)	–	3,562,462.31
Including: Bad debt allowance made on an individual basis	–	–	–	–	–
Bad debt allowance made on a portfolio basis	6,994,443.32	3,562,462.31	(6,994,443.32)	–	3,562,462.31
Bad debt allowance for accounts receivable	2,422,522,271.81	473,544,103.16	(35,630,063.43)	1,214,207.99	2,861,650,519.53
Including: Bad debt allowance made on an individual basis	555,921,695.63	19,593,519.35	(35,630,063.43)	(215,881.24)	539,669,270.31
Bad debt allowance made on a portfolio basis	1,866,600,576.18	453,950,583.81	–	1,430,089.23	2,321,981,249.22
Bad debt allowance for receivables financing	9,361,859.07	9,069,186.98	(9,361,859.07)	–	9,069,186.98
Bad debt allowance for other receivables	795,690,702.72	7,456,466.16	(11,145,047.99)	1,304,068.91	793,306,189.80
Bad debt allowance for long-term receivables	53,656,818.78	5,933,753.70	(12,463,676.78)	(1,513,855.53)	45,613,040.17
Sub-total	3,288,226,095.70	499,565,972.31	(75,595,090.59)	1,004,421.37	3,713,201,398.79
Provision for decline in value of inventories	1,426,570,249.01	–	(77,208,569.91)	(47,196,736.08)	1,302,164,943.02
Provision for impairment of long-term equity investments	220,663,722.23	–	–	–	220,663,722.23
Provision for impairment of fixed assets	199,740,653.32	25,648,344.88	–	(11,875,211.05)	213,513,787.15
Provision for impairment of construction in progress	12,796,135.30	124,820,000.87	–	–	137,616,136.17
Provision for impairment of intangible assets	208,510,003.62	49,434,738.75	–	3,503,174.00	261,447,916.37
Provision for impairment of goodwill	2,030,840,107.91	164,543,389.88	–	33,208,435.15	2,228,591,932.94
Provision for impairment of right-of-use assets	101,702,699.66	–	–	(4,275,235.84)	97,427,463.82
Provision for impairment of long-term prepaid expenses	3,347,859.94	–	–	–	3,347,859.94
Provision for impairment of bearer biological assets	258,292,956.76	122,840,559.42	–	–	381,133,516.18
Sub-total	4,462,464,387.75	487,287,033.80	(77,208,569.91)	(26,635,573.82)	4,845,907,277.82
Total	7,750,690,483.45	986,853,006.11	(152,803,660.50)	(25,631,152.45)	8,559,108,676.61

The Group performs impairment tests on long-term assets for which there are indications of impairment as at the balance sheet date, and assesses the recoverable amount of the assets taking into account the current usage of the assets and the future business plans. If the results of the impairment tests indicate that the recoverable amount of an asset is less than its carrying amount, provision for impairment is made for the difference and recognised as asset impairment loss.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Other non-current assets

	30 June 2026	31 December 2025
Prepayments for construction and equipment	**163,012,481.58**	134,445,908.03
Others	**233,615,104.16**	257,538,884.93
Total	**396,627,585.74**	391,984,792.96

27. Short-term borrowings

	30 June 2026	31 December 2025
Mortgaged borrowings *(1)*	**135,350,000.00**	129,988,501.08
Pledged borrowings *(2)*	**529,811,357.55**	507,405,391.37
Guaranteed borrowings *(3)*	**10,000,000.00**	43,000,000.00
Credit loans	**45,805,036,310.16**	43,342,807,092.99
Accrued interest	**48,318,597.53**	68,620,031.52
Total	**46,528,516,265.24**	44,091,821,016.96

(1) As at 30 June 2026 and 31 December 2025, details of land use rights, buildings and machinery and equipment pledged as collateral for short-term borrowings, long-term borrowings and long-term borrowings due within one year are set out in Note (IV) 16.

(2) As at 30 June 2026, pledged bank borrowings of RMB529,811,357.55 are short-term borrowings secured by commercial acceptances of RMB8,589,663.62, bank acceptances of RMB90,424,954.36 and accounts receivable with carrying amount of RMB636,272,188.41.

As at 31 December 2025, pledged bank borrowings of RMB507,405,391.37 are short-term borrowings secured by commercial acceptances of RMB111,441,396.32, bank acceptances of RMB1,213,606.39 and accounts receivable with carrying amount of RMB572,374,821.92.

(3) As at 30 June 2026, guaranteed borrowings of RMB10,000,000.00 (31 December 2025: RMB43,000,000.00) are mainly guaranteed by the minority shareholders of subsidiaries of the Group.

(4) As at 30 June 2026, the Group has no overdue short-term borrowings, and the interest rate of short-term borrowings ranges from 1.00% to 6.00% (31 December 2025: 1.20% to 5.50%).

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Notes payable

	30 June 2026	31 December 2025
Commercial acceptances	**1,943,899.84**	9,497,989.47
Bank acceptances	**6,978,033,992.26**	8,800,708,232.65
Total	**6,979,977,892.10**	8,810,206,222.12

As at 30 June 2026, the Group has no overdue unpaid notes payable (31 December 2025: Nil).

29. Accounts payable

	30 June 2026	31 December 2025
Purchase payable	**56,604,672,321.33**	52,594,352,033.44

(1) As at 30 June 2026, accounts payable aged over one year are RMB3,626,731,688.73 (31 December 2025: RMB3,646,861,370.43).

(2) The ageing analysis of accounts payable is as follows:

	30 June 2026	31 December 2025
Within 1 year	**52,977,940,632.60**	48,947,490,663.01
1 to 2 years	**1,193,939,244.12**	1,676,325,533.34
Over 2 years	**2,432,792,444.61**	1,970,535,837.09
Total	**56,604,672,321.33**	52,594,352,033.44

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Contract liabilities

	30 June 2026	31 December 2025
Advance received from customers	**1,190,757,061.89**	1,504,248,413.81

For the period from 1 January 2026 to 30 June 2026, contract liabilities at the beginning of the period with carrying amount of RMB1,384,609,004.42 (for the period from 1 January 2025 to 30 June 2025: RMB1,403,011,683.19) were transferred to operating income, all of which were income from sales of goods.

31. Employee benefits payable

	30 June 2026	31 December 2025
Short-term employee benefits payable *(1)*	**1,671,018,790.89**	1,889,901,569.81
Defined contribution plan payable *(2)*	**28,643,760.13**	29,935,831.68
Termination benefits payable *(3)*	**182,803.00**	2,399,014.87
Total	**1,699,845,354.02**	1,922,236,416.36

(1) Short-term employee benefits

	31 December 2025	Increase in the current period	Decrease in the current period	30 June 2026
Wages and salaries, bonus, allowances and subsidies	1,678,266,856.63	4,260,066,087.07	(4,483,382,357.18)	**1,454,950,586.52**
Staff welfare	–	136,056,351.57	(136,056,351.57)	**–**
Social insurance	14,660,178.46	271,301,443.28	(271,095,877.88)	**14,865,743.86**
Including: Medical insurance	13,644,396.86	251,658,051.36	(251,441,699.17)	**13,860,749.05**
Work injury insurance	812,134.14	15,311,867.05	(15,319,529.96)	**804,471.23**
Maternity insurance	203,647.46	4,331,524.87	(4,334,648.75)	**200,523.58**
Housing funds	4,712,569.89	283,721,069.61	(284,419,862.11)	**4,013,777.39**
Union running costs and employee education costs	77,866,123.23	70,826,339.20	(64,601,223.81)	**84,091,238.62**
Others	114,395,841.60	35,031,903.30	(36,330,300.40)	**113,097,444.50**
Total	1,889,901,569.81	5,057,003,194.03	(5,275,885,972.95)	**1,671,018,790.89**

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Employee benefits payable (continued)

(2) Defined contribution plan

	31 December 2025	Increase in the current period	Decrease in the current period	30 June 2026
Basic pension insurance	28,520,865.70	476,558,740.88	(477,845,952.67)	**27,233,653.91**
Unemployment insurance	1,414,965.98	16,592,812.49	(16,597,672.25)	**1,410,106.22**
Total	29,935,831.68	493,151,553.37	(494,443,624.92)	**28,643,760.13**

Monthly payments of basic pension insurance and unemployment insurance are calculated according to prescribed bases and percentage by the relevant local authorities, which cannot be used to offset any future payments that the Group is required to make for employees.

(3) Termination benefits payable

	30 June 2026	31 December 2025
Termination benefits payable (current portion)	**182,803.00**	2,399,014.87

32. Taxes payable

	30 June 2026	31 December 2025
Enterprise income tax payable	**995,598,614.01**	875,119,386.02
VAT payable	**250,276,139.44**	368,270,034.33
Individual income tax payable	**28,233,728.19**	57,000,911.39
City maintenance and construction tax payable	**37,463,659.13**	36,842,476.10
Property tax payable	**40,266,129.87**	35,752,974.92
Education surcharge payable	**29,711,975.17**	30,090,735.99
Others	**68,030,540.08**	83,167,763.64
Total	**1,449,580,785.89**	1,486,244,282.39

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Other payables

	30 June 2026	31 December 2025
Accrued expenses	**10,223,338,083.34**	9,603,380,162.39
Deposits and guarantees payable	**2,096,095,364.30**	2,068,188,648.37
Dividends payable	**1,838,911,496.65**	1,074,213,335.02
Construction and equipment payable	**705,551,351.02**	1,036,807,476.86
Amounts due to other companies	**598,358,485.30**	549,673,428.58
Equity acquisition payable	**40,333,402.33**	175,861,359.05
Others	**2,590,168,495.96**	2,223,789,576.85
Total	**18,092,756,678.90**	16,731,913,987.12

(1) As at 30 June 2026, other payables aged over one year are RMB4,561,714,089.11 (31 December 2025: RMB3,913,094,646.47).

34. Provisions

	31 December 2025	Increase in the current period	Decrease in the current period	**30 June 2026**
Pending litigations and matters in dispute	59,063,098.89	627,778.21	–	**59,690,877.10**
Others	15,636,833.48	–	(5,712,033.86)	**9,924,799.62**
Total	74,699,932.37	627,778.21	(5,712,033.86)	**69,615,676.72**

35. Non-current liabilities due within one year

	30 June 2026	31 December 2025
Stock repurchase option due within one year	**98,851,631.25**	98,851,631.25
Long-term borrowings due within one year *(Note (IV)37)*	**1,121,799,288.13**	2,125,374,630.45
Lease liabilities due within one year *(Note (IV)38)*	**482,890,461.45**	585,373,051.40
Total	**1,703,541,380.83**	2,809,599,313.10

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Other current liabilities

	30 June 2026	31 December 2025
Super & Short-term Commercial Paper ("SCP") *(1)*	**6,021,156,164.38**	5,036,081,369.86
Output VAT to be transferred	**131,984,619.63**	198,108,786.81
Total	**6,153,140,784.01**	5,234,190,156.67

(1) *Details of the SCP are as follows:*

	31 December 2025	Issuance for the period	Accrued interest	Amortisation of premiums or discounts	Repayment for the period	30 June 2026
2025 SCP stage 2	3,026,533,972.60	–	7,167,945.21	–	(3,033,701,917.81)	**-**
2025 SCP stage 3	2,009,547,397.26	–	16,201,643.84	–	(2,025,749,041.10)	**-**
2026 SCP stage 1	–	2,999,852,500.00	16,984,109.59	147,500.00	–	**3,016,984,109.59**
2026 SCP stage 2	–	999,925,000.00	2,939,178.08	75,000.00	–	**1,002,939,178.08**
2026 SCP stage 3	–	1,999,850,555.56	1,232,876.71	149,444.44	–	**2,001,232,876.71**
Total	5,036,081,369.86	5,999,628,055.56	44,525,753.43	371,944.44	(5,059,450,958.91)	**6,021,156,164.38**

	Face value	Issuing date	Bond maturity	Issuing amount	Coupon rate (%)	Default or not
2025 SCP stage 2	3,000,000,000.00	3 June 2025	268 days	2,998,883,333.33	1.53	N
2025 SCP stage 3	2,000,000,000.00	23 September 2025	267 days	1,999,258,333.33	1.76	N
2026 SCP stage 1	3,000,000,000.00	24 February 2026	177 days	2,999,852,500.00	1.64	N
2026 SCP stage 2	1,000,000,000.00	17 April 2026	270 days	999,925,000.00	1.49	N
2026 SCP stage 3	2,000,000,000.00	15 June 2026	269 days	1,999,850,555.56	1.50	N

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Long-term borrowings

	30 June 2026	31 December 2025
Mortgaged borrowings *(1)*	**1,346,329,144.18**	1,322,479,441.93
Credit borrowings	**2,919,580,413.98**	4,908,787,329.68
Pledged borrowings *(2)*	**132,485,643.64**	127,736,057.64
Accrued interest	**470,815.56**	2,247,401.23
Sub-total	**4,398,866,017.36**	6,361,250,230.48
Less: Long-term borrowings due within one year		
Mortgaged borrowings *(1)*	**(26,867,123.00)**	(17,498,544.00)
Credit borrowings	**(1,043,024,220.50)**	(2,020,865,611.09)
Pledged borrowings *(2)*	**(51,736,495.64)**	(84,941,029.63)
Accrued interest	**(171,448.99)**	(2,069,445.73)
Sub-total	**(1,121,799,288.13)**	(2,125,374,630.45)
Total	**3,277,066,729.23**	4,235,875,600.03

(1) As at 30 June 2026 and 31 December 2025, details of land use rights, buildings and machinery and equipment pledged as collaterals for short-term borrowings, long-term borrowings and long-term borrowings due within one year are set out in Note (IV)16.

(2) As at 30 June 2026, pledged bank borrowings of RMB80,749,148.00 and long-term borrowings due within one year of RMB51,736,495.64 (Note (IV)35) are secured by accounts receivable with carrying amount of RMB132,485,643.64.

As at 31 December 2025, pledged bank borrowings of RMB42,795,028.01 and long-term borrowings due within one year of RMB84,941,029.63 (Note (IV)35) are secured by accounts receivable with carrying amount of RMB127,736,057.64.

(3) As at 30 June 2026, the Group has no overdue long-term borrowings, and the interest rate of long-term borrowings ranges from 1.90% to 5.00% (31 December 2025: 1.65% to 5.00%).

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Lease liabilities

	30 June 2026	31 December 2025
Lease liabilities	**1,956,710,111.53**	1,734,747,302.16
Less: Non-current liabilities due within one year *(Note (IV)35)*	**(482,890,461.45)**	(585,373,051.40)
Net amount	**1,473,819,650.08**	1,149,374,250.76

As at 30 June 2026, the Group has no lease payments related to lease contracts that are signed but not yet commenced (31 December 2025: RMB64,284,260.40).

39. Long-term payables

	30 June 2026	31 December 2025
Payables for investments	**9,000,000.00**	9,000,000.00
Less: Long-term payables due within one year	**–**	–
Net amount	**9,000,000.00**	9,000,000.00

40. Deferred income

	31 December 2025	Increase in the current period	Decrease in the current period	30 June 2026
Compensation for demolition and construction	66,309,183.05	–	(2,502,575.87)	**63,806,607.18**
Government grants *(1)*	507,067,296.11	35,937,137.90	(29,825,021.93)	**513,179,412.08**
Total	573,376,479.16	35,937,137.90	(32,327,597.80)	**576,986,019.26**

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Deferred income (continued)

(1) Government grants

	31 December 2025	Increase in the current period	Amount included in other income	**30 June 2026**
Government grants related to assets	238,237,853.91	10,949,885.52	(16,982,073.69)	**232,205,665.74**
Government grants related to income	268,829,442.20	24,987,252.38	(12,842,948.24)	**280,973,746.34**
Total	507,067,296.11	35,937,137.90	(29,825,021.93)	**513,179,412.08**

41. Long-term employee benefits payable

	30 June 2026	31 December 2025
Termination benefits payable	**41,661,313.09**	45,456,482.59
Less: Portion to be paid within one year *(Note (IV)31)*	**(82,803.00)**	(1,777,564.37)
Net amount	**41,578,510.09**	43,678,918.22

Termination benefits payable to be paid within one year are disclosed in employee benefits payable.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Other non-current liabilities

	30 June 2026	31 December 2025
Medical reserve funds	**87,614,921.23**	90,366,976.15
Other	**42,150,417.43**	41,913,479.20
Total	**129,765,338.66**	132,280,455.35

43. Share capital

	31 December 2025	Changes for the period				30 June 2026
		Issue new shares	Unlock non-tradable shares	Others	Sub-total	
Shares subject to trading restriction –						
Ordinary shares denominated in RMB	81,600.00	–	–	–	–	**81,600.00**
Shares not subject to trading restriction –						
Ordinary shares denominated in RMB	2,789,207,505.00	–	–	–	–	**2,789,207,505.00**
Foreign shares listed overseas	919,072,704.00	–	–	–	–	**919,072,704.00**
	3,708,280,209.00	–	–	–	–	**3,708,280,209.00**
Total	3,708,361,809.00	–	–	–	–	**3,708,361,809.00**

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Share capital (continued)

		Changes for the period				
	31 December 2024	Issue new shares [1]	Unlock non-tradable shares	Others	Sub-total	30 June 2025
Shares subject to trading restriction –						
Ordinary shares denominated in RMB	852,708,396.00	–	(852,626,796.00)	–	(852,626,796.00)	81,600.00
Shares not subject to trading restriction –						
Ordinary shares denominated in RMB	1,936,190,739.00	389,970.00	852,626,796.00	–	853,016,766.00	2,789,207,505.00
Foreign shares listed overseas	919,072,704.00	–	–	–	–	919,072,704.00
	2,855,263,443.00	389,970.00	852,626,796.00	–	853,016,766.00	3,708,280,209.00
Total	3,707,971,839.00	389,970.00	–	–	389,970.00	3,708,361,809.00

(1) For the periods from 1 January 2025 to 30 June 2025, the increase in share capital represents the share capital issued by the exercise of share options under the Group's A-share share incentive plan.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Capital reserve

	31 December 2025	Increase in the current period	Decrease in the current period	**30 June 2026**
Share premium *(1)*	29,645,417,346.71	270,873,150.70	–	**29,916,290,497.41**
Other capital reserve –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method *(2)*	370,391,189.31	14,683,430.85	–	**385,074,620.16**
Share-based payment *(3)*	2,360,484.00	–	(2,360,484.00)	**–**
Others	(331,048,905.14)	–	–	**(331,048,905.14)**
Total	29,687,120,114.88	285,556,581.55	(2,360,484.00)	**29,970,316,212.43**

	31 December 2024	Increase in the current period	Decrease in the current period	30 June 2025
Share premium *(1)*	29,587,725,772.78	57,691,573.94	–	29,645,417,346.72
Other capital reserve –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method *(2)*	374,301,695.22	2,770,473.32	–	377,072,168.54
Share-based payment *(3)*	17,157,711.45	–	(14,797,227.45)	2,360,484.00
Others	(331,413,907.94)	2,078,539.99	–	(329,335,367.95)
Total	29,647,771,271.51	62,540,587.25	(14,797,227.45)	29,695,514,631.31

(1) For the period from 1 January 2026 to 30 June 2026, the increase in capital reserve was mainly the difference between the consideration paid for the transaction between the Group and its minority shareholders and identifiable net assets of the subsidiaries based on continuous calculation from the acquisition date at proportion of shareholding after transaction, and the difference between the total funds receivable from the exercise of stock options under the Group's A-share incentive plan, less the total nominal value of the shares issued.

For the period from 1 January 2025 to 30 June 2025, the increase in capital reserve was mainly the difference between the total funds receivable from the exercise of stock options under the Group's A-share incentive plan, less the total nominal value of the shares issued, and the difference between the consideration paid for the transaction between the Group and its minority shareholders and identifiable net assets of the subsidiaries based on continuous calculation from the acquisition date at proportion of shareholding after transaction.

(2) For the periods from 1 January 2026 to 30 June 2026 and from 1 January 2025 to 30 June 2025, the change in the capital reserve was mainly the share of changes in equity other than comprehensive income and profit distribution of investees under the equity method.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Capital reserve (continued)

(3) Share-based payment

(i) Summary

According to the 2019 Stock Option Incentive Plan of Shanghai Pharmaceuticals Holding Co., Ltd. ("Incentive Plan") approved by the resolution of the 2019 first extraordinary shareholders' meeting held on 18 December 2019, the Company would grant stock options to its directors, senior management, middle management and core technical and business backbones ("incentive recipients"), and it was estimated that approximately 28,420,000.00 stock options would be granted. On 19 December 2019, 25,680,000.00 stock options were granted for the first time ("First Granting").

Pursuant to the Proposal of Granting Reserved Stock Options to Incentive Recipients approved by resolutions of the 15th meeting of the 7th Board of Directors and the 12th meeting of the 7th Board of Supervisors held on 15 December 2020, the Company granted a total of 2,730,000.00 stock options to incentive recipients ("Reserved Granting").

Pursuant to the Announcement on Adjusting the List of Incentive Objects and the Quantity of Options in the 2019 A-Share Stock Option Incentive Plan and Cancelling of Part of Options approved by resolutions of the 28th meeting of the 7th Board of Directors held on 5 January 2022, the Company adjusted the total number of stock options of First Granting to 23,258,120.00 shares.

Pursuant to the Proposal on Adjusting the List of Incentive Objects and the Quantity of Options Granted in the 2019 A-Share Stock Option Incentive Plan and Cancelling of Part of Options approved by resolutions of the 36th meeting of the 7th Board of Directors held on 9 January 2023, the Company adjusted the total number of stock options of First Granting to 22,735,520.00 shares and adjusted the total number of stock options of Reserved Granting to 2,290,000.00 shares.

Pursuant to the Proposal on Cancellation of Expired and Unexercised Stock Options for the First Exercise Period of First Granting of the Company's 2019 A-share Stock Option Incentive Plan approved by resolutions of the 37th meeting of the 7th Board of Directors held on 30 March 2023, the Company cancelled a total of 4,324,659.00 expired and unexercised stock options for the first exercise period of First Granting.

Pursuant to the Proposal on Adjusting the List of Incentive Objects and the Quantity of Options Granted in the 2019 A-Share Stock Option Incentive Plan and Cancelling of Part of Options approved by resolutions of the 5th meeting of the 8th Board of Directors held on 21 December 2023, the Company adjusted the number of stock options for the third exercise period of First Granting from 7,646,600.00 shares to 6,976,800.00 shares.

Pursuant to the Proposal on Cancellation of Expired and Unexercised Stock Options for the Second Exercise Period of First Granting and the First Exercise Period of Reserved Granting of the Company's 2019 A-share Stock Option Incentive Plan approved by resolutions of the 8th meeting of the 8th Board of Directors held on 28 March 2024, the Company cancelled the expired and unexercised stock options of 2,449,071.00 shares for the second exercise period of First Granting and 485,954.00 shares for the first exercise period of Reserved Granting.

Pursuant to the Proposal on Adjusting the List of Incentive Recipients and the Number of Options Granted of the 2019 A-Share Stock Option Incentive Plan and Cancelling Part of Options approved by resolutions of the 16th meeting of the 8th Board of Directors held on 31 December 2024, the Company adjusted the number of stock options for the third exercise period of Reserved Granting from 778,600.00 shares to 680,000.00 shares.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Capital reserve (continued)

(3) Share-based payment (continued)

(i) Summary (continued)

Pursuant to the Proposal on Cancelling Expired and Unexercised Stock Options for the Third Exercise Period of First Granting and the Second Exercise Period of Reserved Granting of the Company's 2019 A-share Stock Option Incentive Plan approved by resolutions of the 20th meeting of the 8th Board of Directors held on 27 March 2025, the Company cancelled the expired and unexercised stock options of 2,147,930.00 shares for the third exercise period of First Granting and 523,815.00 shares for the second exercise period of Reserved Granting.

Pursuant to the Proposal on Cancelling Expired and Unexercised Stock Options for the Third Exercise Period of Reserved Granting of the Company's 2019 A-share Stock Option Incentive Plan approved by resolutions of the 29th meeting of the 8th Board of Directors held on 30 March 2026, the Company cancelled the expired and unexercised stock options of 680,000.00 shares for the third exercise period of Reserved Granting.

The Company's and incentive recipients' performance will be assessed in the above Incentive Plan. The percentage of stock options can be exercised is 33%, 33% and 34% respectively since working for 2 years, 3 years and 4 years from the granting date.

(ii) Statement of changes in stock options during the period

	For the period from 1 January 2026 to 30 June 2026		For the period from 1 January 2025 to 30 June 2025	
	Number	**Amount**	Number	Amount
Outstanding stock options issued at the beginning of the period	**680,000.00**	**13,708,800.00**	3,741,715.00	70,991,649.40
Stock options exercised in the current period	**–**	**–**	(389,970.00)	(7,179,347.70)
Stock options expired in the current period	**(680,000.00)**	**(13,708,800.00)**	(2,671,745.00)	(50,103,501.70)
Outstanding stock options issued at the end of the period	**–**	**–**	680,000.00	13,708,800.00
Including: stock options that met the exercisable conditions at the end of the period	**–**	**–**	680,000.00	13,708,800.00
Share-based payment expenses in the current period		**–**		–
Accumulated share-based payment expenses		**94,175,289.20**		94,175,289.20

For the period from 1 January 2026 to 30 June 2026, the amount of share-based payment expenses included in administrative expenses is RMB0.00 (for the period from 1 January 2025 to 30 June 2025: RMB0.00).

As at 30 June 2026, the outstanding stock options issued are those from Reserved Granting (30 June 2025: Reserved Granting). The exercise price of stock options from First Granting is RMB18.41. As at 30 June 2026, the stock option contracts have been expired. The exercise price of stock options from Reserved Granting is RMB20.16. As at 30 June 2026, the stock option contracts have been expired.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Capital reserve (continued)

(iii) Method for determining the fair value of stock options at the grant date

The Group adopts the Black-Scholes option pricing model to determine the fair value of stock options. The main parameters are as follows:

	Reserved Granting	First Granting
Exercise price of stock options	20.16	18.41
Price of the underlying stocks at the grant date	19.00	18.08
Estimated volatility of the share price	28.65%~32.18%	29.14%~34.76%
Estimated dividend yields	2.03%	1.72%
Risk-free interest rate	2.92%~3.06%	2.75%~2.95%
Validity period of options	The validity period of options is from the registration date of granting to the date of exercise or cancellation of all options in each batch and shall not exceed 5 years.	

The estimated volatility is based on the volatility of the Group's share price over the last 2.5, 3.5 and 4.5 years.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the consolidated income statement for the period from 1 January 2026 to 30 June 2026				
	31 December 2025	Converted from other comprehensive income into retained earnings	30 June 2026	Amount before income tax	Less: other comprehensive income transferred out for the period	Less: Income tax expenses	Attributable to the Company after tax	Attributable to minority shareholders after tax
Other comprehensive income that cannot be reclassified subsequently to profit or loss								
Changes in fair value of investments in other equity instruments	(55,167,947.37)	-	(66,897,291.06)	(11,729,343.69)	-	-	(11,729,343.69)	-
Other comprehensive income that will be reclassified to profit or loss								
Share of the other comprehensive income under the equity method that will be reclassified to profit and loss	(4,340,268.61)	-	(4,514,627.25)	(174,358.64)	-	-	(174,358.64)	-
Effective portion of hedging instruments in a cash flow hedge	(2,637,115.70)	-	(2,044,759.90)	592,355.80	-	-	592,355.80	-
Allowance for credit impairment of receivables financing	6,790,898.07	-	5,317,703.22	4,941,481.10	(6,790,898.07)	382,636.03	(1,473,194.85)	6,413.91
Translation differences arising on translation of financial statements denominated in foreign currencies	(477,617,226.33)	-	(497,921,551.78)	(21,112,683.63)	-	-	(20,304,325.45)	(808,358.18)
Total	(532,971,659.94)	-	(566,060,526.77)	(27,482,549.06)	(6,790,898.07)	382,636.03	(33,088,866.83)	(801,944.27)

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. Other comprehensive income (continued)

	Other comprehensive income in the balance sheet			Other comprehensive income in the consolidated income statement for the period from 1 January 2025 to 30 June 2025				
	31 December 2024	Converted from other comprehensive income into retained earnings	30 June 2025	Amount before income tax	Less: other comprehensive income transferred out for the period	Less: Income tax expenses	Attributable to the Company after tax	Attributable to minority shareholders after tax
Other comprehensive income that cannot be reclassified subsequently to profit or loss								
Changes in fair value of investments in other equity instruments	(43,952,512.15)	–	(53,314,510.67)	(9,361,998.52)	–	–	(9,361,998.52)	–
Other comprehensive income that will be reclassified to profit or loss								
Share of the other comprehensive income under the equity method that will be reclassified to profit and loss	(4,399,112.98)	–	(4,346,855.90)	52,257.08	–	–	52,257.08	–
Effective portion of hedging instruments in a cash flow hedge	7,449,071.88	–	6,597,549.90	(851,521.98)	–	–	(851,521.98)	–
Allowance for credit impairment of receivables financing	6,003,223.17	–	5,785,089.69	5,710,551.08	(6,003,223.17)	73,168.02	(218,133.48)	(1,370.59)
Translation differences arising on translation of financial statements denominated in foreign currencies	(499,380,595.80)	–	(484,839,227.15)	30,061,525.80	–	–	14,541,368.65	15,520,157.15
Total	(534,279,925.88)	–	(530,117,954.13)	25,610,813.46	(6,003,223.17)	73,168.02	4,161,971.75	15,518,786.56

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

46. Surplus reserve

	31 December 2025	Increase in the current period	Decrease in the current period	**30 June 2026**
Statutory surplus reserve	2,189,186,256.07	–	–	**2,189,186,256.07**
Discretionary surplus	117,763,127.56	–	–	**117,763,127.56**
Total	2,306,949,383.63	–	–	**2,306,949,383.63**

	31 December 2024	Increase in the current period	Decrease in the current period	30 June 2025
Statutory surplus reserve	2,189,186,256.07	–	–	2,189,186,256.07
Discretionary surplus	117,763,127.56	–	–	117,763,127.56
Total	2,306,949,383.63	–	–	2,306,949,383.63

According to the Company Law of the People's Republic of China and Articles of Association, the Company makes appropriation to statutory surplus reserve at 10% of the net profit for the year, and may cease the appropriation when the accumulated statutory surplus reserve reaches 50% and more of the registered capital. The statutory surplus reserve may be used to make up for losses or increase the share capital upon approval. For the current period, the Company makes no more appropriation to surplus reserve (For the period from 1 January 2025 to 30 June 2025: Nil).

47. Retained profits

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Retained profits at the beginning of the period	**40,721,868,176.60**	36,547,207,403.71
Add: Net profit attributable to shareholders of the Company	**3,504,447,475.63**	4,458,864,876.61
Less: Appropriation to statutory surplus reserve	**–**	–
Dividends declared *(1)*	**(1,297,926,633.15)**	(1,075,424,924.61)
Others	**–**	(15,702,702.19)
Retained profits at the end of the period	**42,928,389,019.08**	39,914,944,653.52

(1) On 26 June 2026, through consideration and approval at the Company's Annual General Meeting of year 2025, based on the total share capital on the date of equity distribution registration, cash dividends of RMB1,297,926,633.15 were distributed to all shareholders at RMB0.35 per share (including tax).

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Operating income and operating costs

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Income from main operating activities	**146,866,098,976.11**	141,111,630,865.92
Income from other operating activities	**603,630,419.09**	481,151,636.87
Total	**147,469,729,395.20**	141,592,782,502.79

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Costs of main operating activities	**130,960,077,012.88**	126,401,542,369.91
Costs of other operating activities	**249,359,623.56**	258,518,228.78
Total	**131,209,436,636.44**	126,660,060,598.69

(1) *Income from main operating activities and costs of main operating activities*

	For the period from 1 January 2026 to 30 June 2026		For the period from 1 January 2025 to 30 June 2025	
	Income from main operating activities	**Costs of main operating activities**	Income from main operating activities	Costs of main operating activities
Domestic sales	**144,461,413,253.20**	**129,232,918,093.92**	139,069,119,631.78	124,794,613,152.87
Foreign sales	**2,404,685,722.91**	**1,727,158,918.96**	2,042,511,234.14	1,606,929,217.04
Total	**146,866,098,976.11**	**130,960,077,012.88**	141,111,630,865.92	126,401,542,369.91

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Operating income and operating costs (continued)

(2) Income from main operating activities and costs of main operating activities are analysed by industry as follows:

	For the period from 1 January 2026 to 30 June 2026		For the period from 1 January 2025 to 30 June 2025	
	Income from main operating activities	**Costs of main operating activities**	Income from main operating activities	Costs of main operating activities
Production	**13,186,349,381.77**	**5,309,502,571.33**	12,160,381,107.04	5,376,310,988.39
Distribution	**134,411,106,586.92**	**126,742,412,668.99**	129,563,548,476.20	122,057,100,240.39
Retail	**4,091,938,471.26**	**3,687,065,250.90**	4,208,274,231.11	3,729,819,143.07
Others	**161,935,505.18**	**124,150,381.69**	114,419,578.44	87,227,132.87
Elimination	**(4,985,230,969.02)**	**(4,903,053,860.03)**	(4,934,992,526.87)	(4,848,915,134.81)
Total	**146,866,098,976.11**	**130,960,077,012.88**	141,111,630,865.92	126,401,542,369.91

The Company and its subsidiaries are mainly engaged in sale of products and recognise revenue when control of goods has been transferred to customers.

The Company and its subsidiaries primarily generate other operating income from services provided to third parties, which is recognised over a period of time based on the progress of the completed services.

49. Taxes and levies

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
City maintenance and construction tax	**161,327,695.99**	146,290,138.95
Education surcharge	**127,778,646.06**	115,165,320.33
Stamp duty	**83,419,530.41**	80,393,040.46
Property tax	**72,909,927.44**	53,888,429.18
Land use tax	**14,117,823.89**	13,823,043.05
Others	**4,426,899.30**	6,093,812.29
Total	**463,980,523.09**	415,653,784.26

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Selling expenses

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Promotion and advertising costs	**2,655,883,508.53**	2,284,625,166.06
Employee benefits expenses	**2,338,124,068.61**	2,223,446,574.41
Travelling and meeting expenses	**427,185,835.16**	349,193,418.82
Depreciation of right-of-use assets	**171,182,226.23**	168,118,074.86
Amortisation of intangible assets	**128,947,134.64**	91,736,160.84
Depreciation of fixed assets	**114,206,173.48**	99,848,731.89
Storage costs	**112,318,123.22**	108,698,339.33
Rental fees	**84,150,678.23**	89,386,877.76
Office expenses	**66,019,307.35**	95,670,340.02
Others	**440,180,321.78**	654,264,284.05
Total	**6,538,197,377.23**	6,164,987,968.04

51. Administrative expenses

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Employee benefits expenses	**1,587,752,086.80**	1,593,632,428.56
Depreciation of fixed assets	**194,136,529.45**	205,905,902.45
Depreciation of right-of-use assets	**136,943,114.66**	105,618,757.44
Travelling and meeting expenses	**90,005,927.37**	105,907,166.33
Amortisation of intangible assets	**79,120,726.85**	77,466,150.09
Office expenses	**61,961,925.79**	66,865,042.62
Maintenance expenses	**33,250,547.23**	43,892,014.29
Rental fees	**17,076,480.54**	47,999,119.18
Others	**539,303,219.05**	415,167,754.74
Total	**2,739,550,557.74**	2,662,454,335.70

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

52. R&D expenses

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Employee benefits expenses	**413,469,962.68**	434,708,879.42
Technical development expenses	**176,474,073.55**	161,603,439.56
Depreciation and amortisation	**100,510,155.19**	142,171,102.42
Materials consumption fee	**79,769,411.10**	89,723,494.98
Test fees	**88,470,332.00**	39,952,681.36
Others	**112,167,221.16**	90,789,809.13
Total	**970,861,155.68**	958,949,406.87

53. Financial expenses

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Loan interest expenses *(1)*	**622,463,940.47**	782,366,543.04
Debenture interest expenses	**44,897,697.87**	58,803,413.25
Lease liabilities interest expenses	**38,670,360.60**	46,517,810.27
	706,031,998.94	887,687,766.56
Less: Interest income	**(84,939,789.19)**	(176,380,262.05)
Exchange losses	**46,183,390.18**	8,698,261.39
Others	**27,233,000.08**	29,768,950.73
Total	**694,508,600.01**	749,774,716.63

(1) The Group recognised the cash obtained from the discount of notes receivable that did not satisfy the derecognition criteria as short-term borrowings (Note (IV)27), calculated the interest expense according to the effective interest rate method and included it in the loan interest expenses.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

54. Impairment losses of assets

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Loss on (reversal of) decline in value of inventories	**14,972,418.97**	(77,208,569.91)
Impairment loss on fixed assets	**931,138.37**	25,648,344.88
Impairment loss on intangible assets	**12,141,610.98**	49,434,738.75
Impairment loss on construction in progress	**–**	124,820,000.87
Impairment loss on goodwill	**–**	164,543,389.88
Impairment loss on bearer biological assets	**–**	122,840,559.42
Total	**28,045,168.32**	410,078,463.89

55. Impairment losses of credit

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Impairment loss on accounts receivable	**482,442,055.74**	437,914,039.73
Impairment loss (gain) on other receivables	**35,406,869.73**	(3,688,581.83)
Impairment gain on long-term receivables	**(7,336,569.88)**	(6,529,923.08)
Impairment gain on notes receivable	**(836,297.36)**	(3,431,981.01)
Bad debt gain on receivables financing	**(1,849,416.97)**	(292,672.09)
Total	**507,826,641.26**	423,970,881.72

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

56. Other income

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Government grants related to assets	**16,982,073.69**	20,381,730.15
Other government grants and subsidies	**296,527,739.65**	293,314,219.99
Total	**313,509,813.34**	313,695,950.14

57. Investment income

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Income from long-term equity investments under equity method	**48,792,099.87**	380,664,499.15
Dividend income from holding other non-current financial assets	**6,312,444.53**	269,100.00
Investment gain on disposal of subsidiaries, associates and joint ventures and other business units	**862,099,026.37**	2,953,335,553.61
Loss on discount of receivables financing	**(31,331,410.91)**	(20,454,522.59)
Loss on derecognition of financial assets measured at amortised cost *(1)*	**(62,770,648.60)**	(73,800,728.05)
Others	**4,177,838.83**	17,319,198.25
Total	**827,279,350.09**	3,257,333,100.37

(1) As stated in Note (IV) 5(3), the Group conducted non-recourse factoring for a few accounts receivable. The loss included in investment income for the period from 1 January 2026 to 30 June 2026 was RMB62,770,648.60 (For the period from 1 January 2025 to 30 June 2025: RMB73,800,728.05).

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

58. Gains on changes in fair value

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Structural deposits	**93,561,210.79**	83,560,578.38
Foreign exchange swap contracts	**(2,815,732.15)**	21,660.97
Other non-current financial assets	**(96,906,196.22)**	(6,950,510.17)
Forward exchange contracts	**8,112,114.02**	(879,895.45)
Total	**1,951,396.44**	75,751,833.73

59. Gains on disposal of assets

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025	Amount classified to non-recurring profit or loss for the period from 1 January 2026 to 30 June 2026
Gains on disposal of right-of-use assets	**12,351,515.98**	–	12,351,515.98
Gains on disposal of fixed assets and intangible assets	**162,719,769.57**	37,297,500.40	162,719,769.57
Others	**4,628,533.04**	2,688,892.92	4,628,533.04
Total	**179,699,818.59**	39,986,393.32	179,699,818.59

60. Non-operating income

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025	Amount classified to non-recurring profit or loss for the period from 1 January 2026 to 30 June 2026
Penalty and compensation from suppliers	**7,262,228.01**	2,716,257.00	7,262,228.01
Others	**29,676,841.18**	19,121,012.63	29,676,841.18
Total	**36,939,069.19**	21,837,269.63	36,939,069.19

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

61. Non-operating expenses

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025	Amount classified to non-recurring profit or loss for the period from 1 January 2026 to 30 June 2026
Penalty cost	**2,108,525.04**	7,490,979.78	2,108,525.04
Donation	**6,078,376.23**	8,387,173.17	6,078,376.23
Late fee expense	**12,989,573.95**	5,855,482.60	12,989,573.95
Others	**24,142,750.14**	12,902,555.90	24,142,750.14
Total	**45,319,225.36**	34,636,191.45	45,319,225.36

62. Income tax expenses

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Current income tax calculated according to tax law and related regulations	**1,478,325,355.16**	1,248,470,059.68
Deferred income tax	**(188,598,710.48)**	577,566,612.76
Total	**1,289,726,644.68**	1,826,036,672.44

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

62. Income tax expenses (continued)

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Total profit	**5,631,382,957.72**	6,820,820,702.73
Income tax expenses calculated at applicable tax rate	**1,407,845,739.43**	1,705,205,175.68
Effect of favourable tax rates	**(249,001,635.31)**	(210,628,274.77)
Income not subject to tax	**(96,405,531.10)**	(120,329,145.20)
Costs, expenses and losses not deductible for tax purposes	**339,652,705.22**	212,768,880.76
Additional deduction	**(54,044,446.20)**	(34,162,204.67)
Utilisation of deductible losses previously not recognised as deferred tax assets	**(182,416,632.13)**	(12,961,999.56)
Deductible losses and temporary differences for which no deferred tax assets were recognised	**124,096,444.77**	286,144,240.20
Income tax expenses	**1,289,726,644.68**	1,826,036,672.44

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

63. Earnings per share

(1) *Basic earnings per share*

Basic earnings per share are calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Consolidated net profit attributable to ordinary shareholders of the Company	**3,504,447,475.63**	4,458,864,876.61
Weighted average numbers of the Company's ordinary shares outstanding	**3,708,361,809.00**	3,708,262,536.17
Basic earnings per share	**0.95**	1.20

(2) *Diluted earnings per share*

Diluted earnings per share are calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding. For the period from 1 January 2026 to 30 June 2026, the Company has no potentially diluted ordinary shares (For the period from 1 January 2025 to 30 June 2025: no potentially diluted ordinary shares). The diluted and basic earnings per share are 0.95.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

64. Notes to items in the cash flow statement

The Group's significant cash flow items are set out below:

(1) Other cash receipts relating to operating activities

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Guarantees, deposits, current accounts and advances	**2,023,942,793.37**	1,722,578,286.79
Interest income	**92,034,515.18**	181,116,844.50
Special subsidy and government grants	**368,595,324.15**	346,907,176.15
Non-operating income	**33,286,194.72**	11,308,105.22
Others	**38,849,490.85**	33,235,906.70
Total	**2,556,708,318.27**	2,295,146,319.36

(2) Other cash payments relating to operating activities

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Daily expenses	**3,584,988,721.99**	3,942,601,368.36
Guarantees, deposits, current accounts and advances	**2,678,848,307.86**	2,700,258,366.06
Bank charges	**21,656,483.91**	25,895,654.86
Non-operating expenses	**40,217,858.05**	33,837,377.70
Others	**52,331,106.20**	69,400,539.84
Total	**6,378,042,478.01**	6,771,993,306.82

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

64. Notes to items in the cash flow statement (continued)

(3) Cash receipts from disposals and recovery of investments

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Cash receipts from redemption of held-for-trading financial assets	**24,013,245,000.00**	36,312,602,000.00
Cash receipts from disposal of associates	**1,023,142,000.00**	–
Others	**4,006,817.51**	–
Total	**25,040,393,817.51**	36,312,602,000.00

(4) Cash payments to acquire investments

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Cash payments to acquire held-for-trading financial assets	**23,527,145,000.00**	36,027,696,000.00
Investment and additional capital contribution to associates and joint ventures	**278,604,556.72**	718,840.00
Total	**23,805,749,556.72**	36,028,414,840.00

(5) Other cash receipts relating to investing activities

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Withdrawal of time deposits due over three months	**1,342,341,295.91**	1,108,348,675.99
Others	**335,430.58**	16,832,199.52
Total	**1,342,676,726.49**	1,125,180,875.51

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

64. Notes to items in the cash flow statement (continued)

(6) Other cash payments relating to investing activities

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Time deposits due over three months	**1,430,000,000.00**	1,151,755,000.00
Total	**1,430,000,000.00**	1,151,755,000.00

(7) Other cash receipts relating to financing activities

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Subsidiaries' borrowings from their minority shareholders	**30,310,263.93**	21,548,086.40
Others	–	155,150,000.00
Total	**30,310,263.93**	176,698,086.40

(8) Other cash payments relating to financing activities

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Subsidiaries' repayment to their shareholders	**35,394,737.93**	34,243,995.75
Cash payments for settlement of lease liabilities	**358,876,427.56**	334,335,756.49
Acquisition of minority interests	**9,180,780.00**	135,676,971.94
Repayment of amounts due to related parties	–	34,765,844.25
Total	**403,451,945.49**	539,022,568.43

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

65. Supplementary information to the cash flow statement

(1) *Supplementary information to the cash flow statement*

Reconciliation from net profit to cash flows from operating activities:

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Net profit	**4,341,656,313.04**	4,994,784,030.29
Add: Impairment losses of assets	**28,045,168.32**	410,078,463.89
Impairment losses of credit	**507,826,641.26**	423,970,881.72
Depreciation of right-of-use assets	**355,740,800.64**	341,740,005.61
Depreciation of fixed assets and investment properties	**754,363,642.25**	767,496,142.84
Amortisation of intangible assets	**324,159,569.06**	255,283,712.67
Amortisation of long-term prepaid expenses	**84,318,125.33**	98,405,948.12
Depreciation of biological assets	**275,425.17**	2,043,836.37
Gain on disposal of fixed assets, intangible assets and other long-term assets	**(179,699,818.59)**	(39,986,393.32)
Gains on changes in fair value	**(1,951,396.44)**	(75,751,833.73)
Financial expenses	**692,661,912.58**	894,866,769.55
Investment income	**(921,381,409.60)**	(3,353,837,518.88)
(Increase) in deferred tax assets	**(224,320,335.41)**	(41,775,560.74)
Increase in deferred tax liabilities	**38,982,122.59**	614,055,777.38
Decrease (increase) in inventories	**2,635,897,136.23**	(727,190,985.67)
(Increase) in operating receivables	**(6,504,749,025.29)**	(7,208,369,490.15)
Increase in operating payables	**2,517,684,376.96**	3,633,443,202.94
Net cash flow from operating activities	**4,449,509,248.10**	989,256,988.89

Net changes in cash and cash equivalents

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Closing balance of cash and cash equivalents	**32,284,104,926.05**	35,369,868,617.68
Less: Opening balance of cash and cash equivalents	**28,398,360,540.82**	31,881,272,794.87
Net increase in cash and cash equivalents	**3,885,744,385.23**	3,488,595,822.81

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

65. Supplementary information to the cash flow statement (continued)

(2) *Acquisition of subsidiaries*

Price of acquiring the subsidiaries for the current period.

Shanghai Hutchison Pharmaceutical Co., Ltd.	4,324,940,338.28

(3) *Changes in liabilities arising from financing activities*

Item	31 December 2025	Increase in the current period		Decrease in the current period		30 June 2026
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Bank borrowings (including amounts due within one year)	50,453,071,247.44	32,255,426,049.54	1,663,430,873.36	33,444,545,887.74	–	**50,927,382,282.60**
SCP (Including amounts due within one year)	5,036,081,369.86	5,999,628,055.56	44,897,697.87	5,059,450,958.91	–	**6,021,156,164.38**
Lease liabilities (Including amounts due within one year)	1,734,747,302.16	–	638,787,529.87	358,876,427.56	57,948,292.94	**1,956,710,111.53**
Total	57,223,899,919.46	38,255,054,105.10	2,347,116,101.10	38,862,873,274.21	57,948,292.94	**58,905,248,558.51**

(4) *Cash and cash equivalents*

	30 June 2026	31 December 2025
Cash	**32,284,104,926.05**	28,398,360,540.82
Including: Cash on hand	**1,830,767.64**	1,595,897.72
Bank deposits that can be readily drawn on demand	**32,282,274,158.41**	28,396,764,643.10
Cash and cash equivalents at the end of the period	**32,284,104,926.05**	28,398,360,540.82

As stated in Note (IV) 1, at 30 June 2026, other cash and bank balances of RMB4,288,863,587.78 (31 December 2025: RMB4,323,402,810.76), were not classified as cash and cash equivalents.

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

66. Foreign currency monetary items

	30 June 2026		
	Balance in foreign currency	Exchange rate	Balance in RMB
Cash and bank balances –			
USD	16,858,524.95	6.8109	114,821,727.58
EUR	2,499,728.83	7.7671	19,415,643.80
HKD	121,966,766.96	0.8686	105,940,333.78
AUD	4,250,483.91	4.6804	19,893,964.89
SDG	621,312,982.12	0.0113	7,020,836.70
Others	54,558,386.83		24,961,222.86
			292,053,729.61
Accounts receivable –			
USD	11,222,029.66	6.8109	76,432,121.81
EUR	1,465,831.48	7.7671	11,385,259.69
HKD	1,916,373.36	0.8686	1,664,561.90
AUD	21,459,443.88	4.6804	100,438,781.14
SDG	2,741,098,983.94	0.0113	30,974,418.52
NZD	18,223,721.23	3.8414	70,004,602.73
Others	49,044,035.80		8,422,719.01
			299,322,464.80
Other receivables –			
USD	459,208.10	6.8109	3,127,620.45
EUR	3,462,083.23	7.7671	26,890,346.66
HKD	3,541,594.84	0.8686	3,076,229.28
AUD	4,426,176.14	4.6804	20,716,274.81
Others	2,932,862.44		2,173,740.98
			55,984,212.18
Short-term borrowings –			
USD	73,800,000.00	6.8109	502,644,420.00
AUD	65,949,252.78	4.6804	308,668,882.71
THB	1,418,215.40	0.2042	289,599.58
			811,602,902.29

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

66. Foreign currency monetary items (continued)

	30 June 2026		
	Balance in foreign currency	Exchange rate	Balance in RMB
Accounts payable –			
USD	12,980,140.28	6.8109	88,406,437.43
EUR	3,639,568.14	7.7671	28,268,889.70
AUD	3,721,366.05	4.6804	17,417,481.66
NZD	18,146,865.06	3.8414	69,709,367.44
Others	6,545,427.76		275,202.51
			204,077,378.74
Other payables –			
HKD	24,791,704.08	0.8686	21,534,074.16
SDG	393,495,481.79	0.0113	4,446,498.94
NZD	11,491,827.32	3.8414	44,144,705.47
AUD	12,703,482.26	4.6804	59,457,378.37
Others	808,370.30		2,354,056.95
			131,936,713.89
Lease liabilities due within one year –			
USD	159,838.18	6.8109	1,088,641.86
NZD	4,328,301.33	3.8414	16,626,736.73
AUD	306,341.47	4.6804	1,433,800.62
			19,149,179.21
Lease liabilities –			
NZD	59,896,991.21	3.8414	230,088,302.03
AUD	127,867.49	4.6804	598,471.00
			230,686,773.03

Foreign currencies in which the above monetary items are denominated refer to all currencies other than RMB (the scope of which is different from those in Note (XI) 1(1)).

(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

67. Lease

(1) *The Group as lessee*

Lease expenses for short-term leases or low-value assets that are treated under simplified methods:

Rental fees for short-term leases and low-value leases that are treated under simplified methods and recognised in profit or loss for the period from 1 January 2026 to 30 June 2026 amounted to RMB175,854,175.29 (For the period from 1 January 2025 to 30 June 2025: RMB167,641,029.24).

As at 30 June 2026, the Group's future minimum lease payable for short-term leases and low-value asset leases that are treated under simplified methods amounted to RMB99,603,939.61 and RMB479,922.58 (31 December 2025: RMB95,333,315.38 and RMB251,386.76), respectively, both of which are payable within one year.

For the period from 1 January 2026 to 30 June 2026, the total cash outflows paid by the Group related to leases amounted to RMB534,730,602.85 (for the period from 1 January 2025 to 30 June 2025: RMB501,976,785.73), and the cash outflows were included in operating activities, except for the amount paid for the lease liabilities which was included in financing activities.

The Group has leased several assets, mainly including buildings and machinery equipment. The lease terms are negotiated on an individual basis, encompassing various clauses and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the contract's definition and identifies the period during which the contract is enforceable.

As at 30 June 2026, apart from the deposits paid by the Group to the lessors as security interests for the leased assets, the lease agreements do not include any other security provisions. The right-of-use assets cannot be used for purposes such as collateral for borrowing or guarantees.

(2) *The Group as lessor*

The undiscounted cash amount of lease payments receivable by the Group as lessor after the balance sheet date is summarised below:

	30 June 2026	31 December 2025
Within 1 year	**22,295,302.24**	19,334,797.49
1 to 2 years	**18,833,268.45**	18,001,089.50
2 to 5 years	**34,987,745.70**	35,201,766.98
Over 5 years	**18,754,831.84**	22,840,910.19
	94,871,148.23	95,378,564.16

The business operations of the Group as a lessor are primarily related to the leasing of buildings and structures. The Group believes that the unsecured balance of these assets does not pose a significant risk to the Group.

(V) EQUITY IN OTHER ENTITIES

1. Equity in significant subsidiaries

(1) The structure of the Group

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion (%)		Acquisition method
					Direct	Indirect	
Shanghai Pharma Co., Ltd.	Shanghai	Shanghai	Sales of pharmaceutical products	5,000,000,000.00	100.00	–	Subsidiaries established through establishment or investment
Shanghai Pharma Sales Co., Ltd.	Shanghai	Shanghai	Sales of pharmaceutical products	50,000,000.00	100.00	–	Subsidiaries established through establishment or investment
China International Pharmaceutical (Holding) Corporation Limited	Hong Kong	Hong Kong	Sales of pharmaceutical products	HKD21,160,000.00	100.00	–	Subsidiaries established through establishment or investment
SPH Sine Pharmaceutical Factory Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	1,191,611,911.81	100.00	–	Subsidiaries obtained through business combinations involving enterprises under common control
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	323,800,000.00	100.00	–	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	545,800,000.00	65.13	34.87	Subsidiaries established through establishment or investment
SPH Changzhou Pharmaceutical Co., Ltd.	Changzhou	Changzhou	Production and sales of pharmaceutical products	157,580,506.00	57.36	18.53	Subsidiaries obtained through business combinations involving enterprises under common control
SPH New Asia Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	1,052,429,132.53	96.90	–	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	Changzhou	Changzhou	Production and sales of pharmaceutical products	14,946,380.00	100.00	–	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai TCM Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	1,666,070,000.00	100.00	–	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Hutchison Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	229,000,000.00	10.00	50.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai Leiyunshang Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	465,070,000.00	–	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhonghua Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	93,641,789.00	100.00	–	Subsidiaries obtained through business combinations involving enterprises under common control

(V) EQUITY IN OTHER ENTITIES (continued)

1. Equity in significant subsidiaries (continued)

(1) *The structure of the Group (continued)*

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion (%)		Acquisition method
					Direct	Indirect	
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Qingdao	Qingdao	Production and sales of pharmaceutical products	93,000,000.00	67.52	–	Subsidiaries obtained through business combinations involving enterprises under common control
Chia Tai Qingchunbao Pharmaceutical Co. Ltd.	Huzhou	Huzhou	Production and sales of pharmaceutical products	128,500,000.00	20.00	55.00	Subsidiaries obtained through business combinations involving enterprises under common control
Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Hangzhou	Hangzhou	Production and sales of pharmaceutical products	135,000,000.00	–	51.01	Subsidiaries obtained through business combinations involving enterprises under common control
Xiamen TCM Factory Co., Ltd.	Xiamen	Xiamen	Production and sales of pharmaceutical products	200,000,000.00	–	61.00	Subsidiaries obtained through business combinations involving enterprises under common control
Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.	Benxi	Benxi	Production and sales of pharmaceutical products	102,000,000.00	55.00	–	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sunve Bio-Tech Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	USD15,343,300	–	100.00	Subsidiaries established through establishment or investment
Guangdong Techpool Biochemical Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Production and sales of pharmaceutical products	100,000,000.00	39.28	27.86	Subsidiaries obtained through business combinations not involving enterprises under common control
Zeus Investment Limited	Hong Kong	Hong Kong	Equity investment	AUD319,208,249.99	–	59.61	Subsidiaries established through establishment or investment
Shanghai Medical Instruments Co., Ltd.	Shanghai	Shanghai	Production and sales of medical instruments	350,000,000.00	99.21	0.79	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sine Jinzhu Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	50,000,000.00	–	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Pharmaceutical Import and Export Co., Ltd.	Shanghai	Shanghai	Sales of pharmaceutical products	90,140,000.00	100.00	–	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Shangyao Ruier Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	100,000,000.00	100.00	–	Subsidiaries established through establishment or investment
Shanghai Innovation Center for Biopharmaceuticals	Shanghai	Shanghai	Production and sales of pharmaceutical products	500,000,000.00	48.08	–	Subsidiaries established through establishment or investment

(V) EQUITY IN OTHER ENTITIES (continued)

1. Equity in significant subsidiaries (continued)

(1) The structure of the Group (continued)

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion (%)		Acquisition method
					Direct	Indirect	
Shanghai Sine Tianping Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	154,700,000.00	–	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	100,000,000.00	–	89.92	Subsidiaries obtained through business combinations involving enterprises under common control
Shandong Sine Pharmaceutical Co., Ltd.	Dezhou	Dezhou	Production and sales of pharmaceutical products	177,406,158.51	–	67.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai SPH New Asiatic Minghang Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	57,500,000.00	–	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Chongqing Huiyuan Pharmaceutical Co., Ltd.	Chongqing	Chongqing	Production and sales of pharmaceutical products	23,809,522.00	–	100.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai SPH Zhong Xi Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	148,200,000.00	–	90.00	Subsidiaries established through establishment or investment
Shanghai SPH Hua Yu Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	270,600,000.00	–	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai SPH Shen Xiang Health Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	150,000,000.00	–	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
SHP Xingling Sci.&Tech. Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	80,000,000.00	–	86.74	Subsidiaries obtained through business combinations involving enterprises under common control
Zhejiang Jiuxu Pharmaceutical Co., Ltd.	Jinhua	Jinhua	Production and sales of pharmaceutical products	25,000,000.00	–	51.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Changzhou Pharmaceutical Factory Co., Ltd.	Changzhou	Changzhou	Production and sales of pharmaceutical products	108,000,000.00	–	77.78	Subsidiaries obtained through business combinations involving enterprises under common control
Chifeng Aike Pharmaceutical Technology Co., Ltd.	Chifeng	Chifeng	Production and sales of pharmaceutical products	40,900,000.00	–	58.19	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Jiangsu Co., Ltd.	Wuxi	Wuxi	Sales of pharmaceutical products	119,224,505.00	–	98.11	Subsidiaries obtained through business combinations not involving enterprises under common control

(V) EQUITY IN OTHER ENTITIES (continued)

1. Equity in significant subsidiaries (continued)

(1) The structure of the Group (continued)

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion (%)		Acquisition method
					Direct	Indirect	
SPH Shandong Pharmaceutical Co., Ltd.	Jinan	Jinan	Sales of pharmaceutical products	200,000,000.00	–	75.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai Pharma Zhejiang Co., Ltd.	Hangzhou	Hangzhou	Sales of pharmaceutical products	106,780,000.00	–	67.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Liaoning Pharmaceutical Foreign Trading Co., Ltd.	Shenyang	Shenyang	Sales of pharmaceutical products	282,012,500.00	53.86	–	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH Guangdong Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Sales of pharmaceutical products	76,880,200.00	–	94.91	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH KDL Health Shanghai Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Sales of pharmaceutical products	98,634,700.00	–	100.00	Subsidiaries established through establishment or investment
Shanghai Huashi Pharmacy Co., Ltd.	Shanghai	Shanghai	Retailing of pharmaceuticals	350,000,000.00	–	100.00	Subsidiaries established through establishment or investment
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd.	Chengdu	Chengdu	Sales of pharmaceutical products	300,000,000.00	–	51.00	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH Hubei Pharmaceutical Co., Ltd.	Wuhan	Wuhan	Sales of pharmaceutical products	100,000,000.00	–	60.00	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH (Shaanxi) Pharmaceutical Co., Ltd.	Xi'an	Xi'an	Sales of pharmaceutical products	200,000,000.00	–	100.00	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH (Henan) Pharmaceutical Co., Ltd.	Zhengzhou	Zhengzhou	Sales of pharmaceutical products	100,000,000.00	–	100.00	Subsidiaries obtained through business combinations not involving enterprises under common control

Note 1: Except SPH Changzhou Pharmaceutical Co., Ltd., SPH Qingdao Guofeng Pharmaceutical Co., Ltd., Guangdong Techpool Biochemical Pharmaceutical Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co., Ltd., SHP Xingling Sci.&Tech. Pharmaceutical Co., Ltd., Shanghai Medical Instruments Co., Ltd., Chifeng Aike Pharmaceutical Technology Co., Ltd. and SPH Jiangsu Co., Ltd., whose corporate category is incorporated company by shares, all of the above-mentioned subsidiaries are limited liability companies. As at 30 June 2026, none of the subsidiaries of the Company has issued bonds.

(V) EQUITY IN OTHER ENTITIES (continued)

1. Equity in significant subsidiaries (continued)

(2) *Subsidiaries with significant minority interests*

The Group has comprehensively considered factors such as whether the subsidiary is a listed company, the proportion of minority shareholder equity to the consolidated shareholder equity of the Group, and the proportion of minority shareholder gains and losses to the consolidated net profit of the Group. The subsidiaries with significant minority shareholder equity are determined as follows:

Name of significant subsidiaries	Shareholding proportion of minority interests (%)	Comprehensive income attributable to minority interests for the period from 1 January 2026 to 30 June 2026	Dividends distributed to minority interests for period from 1 January 2026 to 30 June 2026	Minority interests as at 30 June 2026
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	24.11	56,216,728.26	22,260,000.00	1,239,950,956.91
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd. and its subsidiaries	49.00	25,248,001.69	–	1,089,909,711.35
Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries	40.00	166,886,148.32	143,632,205.01	1,493,346,305.55

(V) EQUITY IN OTHER ENTITIES (continued)

1. Equity in significant subsidiaries (continued)

(2) Subsidiaries with significant minority interests (continued)

The key financial information of the above significant non-wholly-owned subsidiaries is as follows:

	30 June 2026					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. And its subsidiaries	**3,938,142,988.66**	**1,837,562,100.46**	**5,775,705,089.12**	**(2,303,148,285.26)**	**(212,599,680.81)**	**(2,515,747,966.07)**
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd. and its subsidiaries	**2,797,141,742.38**	**458,880,706.70**	**3,256,022,449.08**	**(1,045,897,088.58)**	**(9,330,581.45)**	**(1,055,227,670.03)**
Shanghai Hutchison Pharmaceutical Co., Ltd. And its subsidiaries	**1,568,794,998.86**	**3,844,082,637.24**	**5,412,877,636.10**	**(1,146,016,295.10)**	**(533,495,577.12)**	**(1,679,511,872.22)**

	31 December 2025					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	3,738,983,836.17	1,812,245,815.96	5,551,229,652.13	(2,111,578,036.64)	(286,175,944.32)	(2,397,753,980.96)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd. and its subsidiaries	2,793,759,884.43	483,827,361.90	3,277,587,246.33	(1,119,255,571.48)	(7,564,617.19)	(1,126,820,188.67)
Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries	1,656,467,044.76	3,989,901,560.70	5,646,368,605.46	(1,421,781,188.03)	(549,356,510.36)	(1,971,137,698.39)

Note 1: As at 30 June 2026, the equity and comprehensive income of SPH Changzhou Pharmaceutical Co., Ltd. attributable to minority interests presented in the consolidated financial statements were RMB598,201,732.17 and RMB33,100,917.67, respectively.

Note 2: As at 30 June 2026, the equity and comprehensive income of SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd. attributable to minority interests presented in the consolidated financial statements were RMB22,588,763.95 and RMB1,440,035.70, respectively.

(V) EQUITY IN OTHER ENTITIES (continued)

1. Equity in significant subsidiaries (continued)

(2) Subsidiaries with significant minority interests (continued)

The key financial information of the above significant non-wholly-owned subsidiaries is as follows: (continued)

	For the period from 1 January 2026 to 30 June 2026			
	Operating income	Net profit	Total comprehensive income	Net cash flow from operating activities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	**3,202,580,926.02**	**129,125,477.90**	**128,977,361.41**	**47,702,546.40**
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd. and its subsidiaries	**2,743,427,054.63**	**50,014,944.79**	**50,027,721.39**	**(7,040,207.70)**
Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries	**1,771,307,381.91**	**417,215,370.59**	**417,215,370.59**	**527,491,766.35**

	For the period from 1 January 2025 to 30 June 2025			
	Operating income	Net profit (loss)	Total comprehensive income	Net cash flow from operating activities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	3,242,648,515.16	122,965,453.03	122,851,712.49	(32,596,748.51)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd. and its subsidiaries	2,548,715,822.41	47,961,915.03	47,967,508.22	(27,405,371.75)
Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries *(i)*	518,381,366.82	(80,315,222.24)	(80,315,222.24)	82,028,344.56

(i) On 25 April 2025, the Group obtained control of Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries (Hereinafter referred to as "Hutchison Pharmaceutical") and included it in the scope of consolidation of the consolidated financial statements. Therefore, the disclosed period is from 25 April 2025 to 30 June 2025.

(V) EQUITY IN OTHER ENTITIES (continued)

2. Equity in joint ventures and associates

(1) *Summarised basic information of significant joint ventures and associates*

The Group identifies significant associates, as set out below:

	Place of operation	Place of incorporation	Nature of business	Strategic for group activities	Shareholding proportion (%)	
					Direct	Indirect
Associates – Shanghai Roche Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	Yes	–	30.00

(2) *Summarised financial information of significant associates*

RMB'000

	30 June 2026	31 December 2025
	Shanghai Roche Pharmaceutical Co., Ltd.	Shanghai Roche Pharmaceutical Co., Ltd.
Current assets	**5,005,190**	5,555,314
Non-current assets	**1,675,789**	1,744,385
Total assets	**6,680,979**	7,299,699
Current liabilities	**2,812,013**	3,458,940
Non-current liabilities	**38,460**	47,175
Total liabilities	**2,850,473**	3,506,115
Owners' equity	**3,830,506**	3,793,584
Share of net assets in proportion of shareholdings *(i)*	**1,149,152**	1,138,075
Carrying amount of equity investments in associates	**1,149,152**	1,138,075
Fair value of investments in associates with quoted price	**N/A**	N/A

(V) EQUITY IN OTHER ENTITIES (continued)

2. Equity in joint ventures and associates (continued)

(2) Summarised financial information of significant associates (continued)

RMB'000

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
	Shanghai Roche Pharmaceutical Co., Ltd.	Shanghai Roche Pharmaceutical Co., Ltd.
Operating income	**3,234,678**	4,892,206
Net profit	**26,312**	282,151
Total comprehensive income	**26,312**	282,151
Dividends declared by the associates to the Group	**–**	–

(i) The Group calculates share of assets in proportion of the shareholdings based on the amount attributable to the parent company of associates in their consolidated financial statements. The impacts of fair value of identifiable assets and liabilities of associates at the time of acquisition and the unification of accounting policies are considered for the amount in the consolidated financial statements of associates. None of the assets involved in transactions between the Group and its associates constitute business.

(V) EQUITY IN OTHER ENTITIES (continued)

2. Equity in joint ventures and associates (continued)

(3) Summarised financial information of non-significant joint ventures and associates

RMB'000

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Joint ventures:		
Total carrying amount of investments	**807,139**	728,127
Total of the following by shareholding ratio		
Net profit *(i)*	**9,671**	183,816
Total comprehensive income	**9,671**	183,816
Associates:		
Total carrying amount of investments	**5,009,294**	4,716,290
Total of the following by shareholding ratio		
Net profit *(i)*	**28,586**	70,529
Other comprehensive income *(i)*	**(174)**	52
Total comprehensive income	**28,412**	70,581

(i) The impacts of fair value of identifiable assets and liabilities at the time of investment and the unification of accounting policies are considered for the net profit and other comprehensive income.

(VI) SEGMENT INFORMATION

The Group derives its business primarily from the PRC and determines its operating segments on a business perspective. Different businesses require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each operating segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 4 reportable segments as follows:

- Production segment, which is mainly engaged in research and development, production and sales of a broad range of pharmaceutical and healthcare products;
- Distribution segment, which is mainly engaged in distribution, warehousing, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers;
- Retail segment, which is mainly engaged in operation of a network of retail pharmacy stores; and
- Other segment, which is mainly engaged in other businesses.

Inter-segment transfer prices are measured by reference to selling prices to third parties. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

(VI) SEGMENT INFORMATION (continued)

(1) Segment information for the period from 1 January 2026 to 30 June 2026 and at 30 June 2026 is as follows:

	Production	Distribution	Retail	Other	Elimination	Total
Operating income	13,186,349,381.77	134,411,106,586.92	4,091,938,471.26	864,044,139.90	(5,083,709,184.65)	147,469,729,395.20
Including: External income	11,305,761,088.14	131,402,194,653.18	4,091,706,906.20	670,066,747.68	-	147,469,729,395.20
Inter-segment income	1,880,588,293.63	3,008,911,933.74	231,565.06	193,977,392.22	(5,083,709,184.65)	-
Less: Operating costs	(5,309,502,571.33)	(126,742,412,668.99)	(3,687,065,250.90)	(434,636,024.80)	4,964,179,879.58	(131,209,436,636.44)
Taxes and levies	(178,450,826.50)	(261,606,821.86)	(10,371,293.50)	(13,551,581.23)	-	(463,980,523.09)
Selling expenses	(3,874,662,852.33)	(2,456,821,059.02)	(249,647,994.31)	(25,349,524.18)	68,284,052.61	(6,538,197,377.23)
Administrative expenses	(1,026,823,353.87)	(1,288,682,396.51)	(89,788,553.41)	(354,608,150.24)	20,351,896.29	(2,739,550,557.74)
R&D expenses	(970,861,155.68)	-	-	-	-	(970,861,155.68)
Segment profit	1,826,048,622.06	3,661,583,640.54	55,065,379.14	35,898,859.45	(30,893,356.17)	5,547,703,145.02
Unallocated:						
Financial expenses						(694,508,600.01)
Impairment losses of assets						(28,045,168.32)
Impairment losses of credit						(507,826,641.26)
Add: Gains on changes in fair value						1,951,396.44
Investment income						827,279,350.09
Other income						313,509,813.34
Gains on disposal of assets						179,699,818.59
Operating profit						5,639,763,113.89
Depreciation and amortisation	856,414,180.62	533,510,029.87	45,535,678.58	83,397,673.38	-	1,518,857,562.45
Capital expenditures	329,797,311.69	329,862,645.65	47,351,099.38	1,928,117.13	-	708,939,173.85
Long-term equity investments – associates – net	2,964,405,845.67	1,847,661,635.95	70,495,583.71	1,275,882,277.08	-	6,158,445,342.41
Long-term equity investments – joint ventures – net	130,034,934.79	504,787,094.57	-	172,316,933.87	-	807,138,963.23
Other assets	44,203,989,236.12	170,957,838,930.61	2,952,926,149.26	41,102,653,242.39	(27,277,942,769.67)	231,939,464,788.71
Unallocated:						
Deferred tax assets						1,864,369,354.88
Total assets						240,769,418,449.23
Liabilities	23,347,247,919.98	130,308,989,171.11	2,308,858,968.05	26,533,486,144.79	(37,494,605,447.28)	145,003,976,756.65
Unallocated:						
Deferred tax liabilities						1,984,063,259.81
Income tax payable						995,598,614.01
Total liabilities						147,983,638,630.47

(VI) SEGMENT INFORMATION (continued)

(2) Segment information for the period from 1 January 2025 to 30 June 2025 and at 31 December 2025 is as follows:

	Production	Distribution	Retail	Other	Elimination	Total
Operating income	12,160,381,107.04	129,563,548,476.20	4,208,274,231.11	704,872,268.07	(5,044,293,579.63)	141,592,782,502.79
Including: External income	10,261,269,230.33	126,722,202,438.40	4,186,149,618.51	423,161,215.55	–	141,592,782,502.79
Inter-segment income	1,899,111,876.71	2,841,346,037.80	22,124,612.60	281,711,052.52	(5,044,293,579.63)	–
Less: Operating costs	(5,376,310,988.39)	(122,057,100,240.39)	(3,729,819,143.07)	(419,697,208.07)	4,922,866,981.23	(126,660,060,598.69)
Taxes and levies	(143,750,551.57)	(248,477,523.70)	(10,680,476.54)	(12,745,232.45)	–	(415,653,784.26)
Selling expenses	(3,434,511,248.24)	(2,448,781,369.72)	(310,216,109.02)	(24,896,620.86)	53,417,379.80	(6,164,987,968.04)
Administrative expenses	(1,077,195,069.76)	(1,255,937,131.73)	(121,805,693.64)	(230,663,127.69)	23,146,687.12	(2,662,454,335.70)
R&D expenses	(958,949,406.87)	–	–	–	–	(958,949,406.87)
Segment profit	1,169,663,842.21	3,553,252,210.66	35,752,808.84	16,870,079.00	(44,862,531.48)	4,730,676,409.23
Unallocated:						
Financial expenses						(749,774,716.63)
Impairment losses of assets						(410,078,463.89)
Impairment losses of credit						(423,970,881.72)
Add: Gains on changes in fair value						75,751,833.73
Investment income						3,257,333,100.37
Other income						313,695,950.14
Gains on disposal of assets						39,986,393.32
Operating profit						6,833,619,624.55
Depreciation and amortisation	659,373,089.80	667,512,465.00	55,826,411.02	82,257,679.79	–	1,464,969,645.61
Capital expenditures	530,731,170.19	284,032,978.35	10,620,206.11	100,541,735.13	–	925,926,089.78
Long-term equity investments – associates – net	3,053,154,455.19	1,850,120,301.30	48,541,145.02	1,323,409,221.46	–	6,275,225,122.97
Long-term equity investments – joint ventures – net	142,994,525.15	492,239,958.37	–	99,742,852.17	–	734,977,335.69
Other assets	47,720,437,530.25	164,481,414,545.60	2,996,326,013.34	40,164,422,008.75	(30,864,084,808.86)	224,498,515,289.08
Unallocated:						
Deferred tax assets						1,640,049,019.47
Total assets						233,148,766,767.21
Liabilities	23,767,326,401.56	125,536,525,053.65	2,256,621,475.49	25,936,492,611.17	(36,955,693,021.50)	140,541,272,520.37
Unallocated:						
Deferred tax liabilities						1,945,081,137.22
Income tax payable						875,119,386.02
Total liabilities						143,361,473,043.61

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. The parent company

(1) General information of the parent company

	Place of incorporation	Nature of business
Shanghai Pharma Group	No 92, Zhangjiang Road, Shanghai	Pharmaceutical products manufacture

The Company's ultimate controlling party is Shanghai Shangshi, incorporated in Shanghai.

(2) Registered capital and changes in registered capital of the parent company

	31 December 2025	Increase in the current period	Decrease in the current period	30 June 2026
Shanghai Pharma Group	3,158,720,000.00	–	–	**3,158,720,000.00**

(3) The percentages of shareholding and voting rights in the Company held by the parent company

	30 June 2026		31 December 2025	
	Shareholding proportion (%)	Voting rights proportion (%)	Shareholding proportion (%)	Voting rights proportion (%)
Shanghai Pharma Group	**19.32**	**19.32**	19.32	19.32

2. Subsidiaries

For basic and related information of significant subsidiaries, please refer to Note (V)1.

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Joint ventures and associates

Except for the important joint ventures and associates disclosed in Note (IV)14, the other joint ventures and associates that have related party transactions with the Group are as follows:

	Relationship with the Group
Shanghai Huaren Pharmaceutical Co., Ltd.	Associate
Shanghai Huayu Saffron Planting Professional Cooperative	Associate
Jiangsu Runtian Pharmaceutical Chain Pharmacy Co., Ltd.	Associate
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	Associate
Qingdao Tongdarong Industrial Co., Ltd.	Joint venture

4. Other related parties

	Relationship with the Group
Yunnan Baiyao Group Co., Ltd. and its subsidiaries	Shareholder with more than 5% of the Company's shares
Wing Fat Printing Limited and its subsidiaries	Controlled by the same ultimate controlling party
Shanghai Industrial Dongtan Investment & Development (Group) Co., Ltd.	Controlled by the same ultimate controlling party
Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership)	Significantly influenced by the ultimate controlling party

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related party transactions

Except for the items disclosed in other items of the financial statements, other related party transactions of the Group include:

(1) *Purchase and sales of goods, rendering and receipts of services*

Purchase of goods and receipts of services:

RMB'000

	Related party transaction	Pricing policies	Amount of transactions approved	Exceeding the transaction limit?	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Shanghai Roche Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	N/A	N/A	**288,223.26**	445,142.47
Yunnan Baiyao Group Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	700,000.00	No	**248,119.34**	282,839.62
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Purchase of goods	By negotiation	N/A	N/A	**200,924.97**	147,457.77
Sino-American Shanghai Squibb Pharmaceuticals Ltd. *(Note 1)*	Purchase of goods	By negotiation	N/A	N/A	**127,977.92**	207,917.79
Shanghai Pharma Health Commerce Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	N/A	N/A	**74,877.87**	98,903.13
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	N/A	N/A	**27,432.74**	47,821.92
Wing Fat Printing Limited and its subsidiaries	Purchase of goods	By negotiation	90,000.00	No	**26,409.73**	24,260.53
Shanghai Leiyunshang Northern Area Medicine General Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	N/A	N/A	**6,278.69**	11,967.01
Shanghai Sine Promod Pharmaceutical Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	N/A	N/A	**4,188.85**	6,488.22
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	Purchase of goods	By negotiation	N/A	N/A	**315.69**	6,569.53
Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries *(Note 2)*	Purchase of goods	By negotiation	N/A	N/A	**–**	140,072.18
Others	Purchase of goods and receipts of services	By negotiation	N/A	N/A	**31,686.09**	23,211.88
Total					**1,036,435.15**	1,442,652.05

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related party transactions (continued)

(1) Purchase and sales of goods, rendering and receipts of services (continued)

Purchase of goods and receipts of services: (continued)

Note 1: On 28 April 2026, Sino-American Shanghai Squibb Pharmaceuticals Ltd. had transferred out its equity; accordingly, the disclosed related-party transactions occurred prior to 28 April 2026.

Note 2: On 25 April 2025, the Group acquired control of Hutchison Pharmaceuticals and included it in the scope of consolidation of the consolidated financial statements; accordingly, the disclosed related-party transactions occurred prior to 25 April 2025.

Sales of goods and rendering of services:

RMB'000

	Related party transaction	Pricing policies	Amount of transactions approved	Exceeding the transaction limit?	**For the period from 1 January 2026 to 30 June 2026**	For the period from 1 January 2025 to 30 June 2025
Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	Sales of goods	By negotiation	N/A	N/A	**1,798,879.35**	2,118,456.43
Shanghai Pharma Health Commerce Co., Ltd. and its subsidiaries	Sales of goods	By negotiation	N/A	N/A	**1,188,481.73**	864,910.61
Yunnan Baiyao Group Co., Ltd. and its subsidiaries	Sales of goods	By negotiation	1,200,000.00	No	**363,239.33**	330,329.27
Beijing Lianxin Pharmaceutical Co., Ltd.	Sales of goods	By negotiation	N/A	N/A	**58,713.85**	67,673.85
Shanghai Leiyunshang Northern Area Medicine General Co., Ltd. and its subsidiaries	Sales of goods	By negotiation	N/A	N/A	**38,917.14**	29,000.10
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	Sales of goods	By negotiation	N/A	N/A	**22,872.84**	35,331.78
Shanghai Roche Pharmaceutical Co., Ltd.	Sales of goods	By negotiation	N/A	N/A	**17,019.11**	–
Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries (Note 1)	Sales of goods	By negotiation	N/A	N/A	**–**	38,097.00
Others	Sales of goods and rendering of services	By negotiation	N/A	N/A	**44,023.63**	15,963.58
Total					**3,532,146.98**	3,499,762.62

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related party transactions (continued)

(2) Leases

The rental income recognised by the Group as the lessor:

RMB'000

Lessee	Leased asset	**Rental income recognised for the period from 1 January 2026 to 30 June 2026**	Rental income recognised for the period from 1 January 2025 to 30 June 2025
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Buildings	**3,610.31**	3,714.60
Shanghai Pharma Group and its subsidiaries	Buildings	**2,670.28**	2,315.25
Total		**6,280.59**	6,029.85

The Group as lessee:

RMB'000

Lessor	Leased asset	**Lease payable for the period from 1 January 2026 to 30 June 2026**	Lease payable for the period from 1 January 2025 to 30 June 2025
Shanghai Pharma Group and its subsidiaries	Buildings	**18,509.75**	18,570.46

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related party transactions (continued)

(2) Leases (continued)

Right-of-use assets added by the Group as lessee during the period:

RMB'000

Lessor	Leased asset	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Shanghai Pharma Group and its subsidiaries	Buildings	**11,314.40**	5,899.47

Interest expense on lease liabilities assumed by the Group as lessee:

RMB'000

Lessor	Leased asset	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Shanghai Pharma Group and its subsidiaries	Buildings	**836.54**	670.15

(3) Research and development expenses

RMB'000

Services provider	Pricing principles of related party transactions	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Shanghai Huiyong Medicine Research Co., Ltd.	The amount incurred shall be determined through negotiation by both parties	**(2,015.09)**	754.72

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related party transactions (continued)

(4) Key management compensation

RMB'000

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Salary, bonus and other compensation	**5,008.76**	5,708.42

(5) Interest

Interest income

RMB'000

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Shanghai Industrial Group Finance Co., Ltd.	**11,689.89**	18,147.00

Interest expenses

RMB'000

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Shanghai Industrial Group Finance Co., Ltd.	**58,401.63**	63,665.14

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Related party transactions (continued)

(6) Deposits and borrowings

RMB'000

		For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Changes in deposit balances	Shanghai Industrial Group Finance Co., Ltd.	**(597,067.47)**	(1,582,648.72)
Loan received from related party	Shanghai Industrial Group Finance Co., Ltd.	**2,256,459.59**	2,300,579.13
Loan repayment to related parties	Shanghai Industrial Group Finance Co., Ltd.	**2,454,580.00**	2,044,580.25
	GEN8 (HK) LIMITED	**–**	34,765.84
	Total	**2,454,580.00**	2,079,346.09
Funds recovered from related parties	Shanghai Huaren Pharmaceutical Co., Ltd.	**335.43**	348.31

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

6. Balance of receivables and payables of related parties

RMB'000

		30 June 2026		31 December 2025	
		Gross carrying amount	**Bad debt allowance**	Gross carrying amount	Bad debt allowance
Accounts receivable	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	**863,784.41**	**(1,021.30)**	895,429.04	(1,144.85)
	Shanghai Pharma Health Commerce Co., Ltd. and its subsidiaries	**164,828.69**	**(441.88)**	235,628.34	(371.76)
	Jiangsu Runtian Pharmaceutical Chain Pharmacy Co., Ltd.	**141,312.95**	**(153.46)**	112,393.50	(119.90)
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	**84,371.47**	**(328.19)**	71,911.98	(243.74)
	Shanghai Leiyunshang Northern Area Medicine General Co., Ltd. and its subsidiaries	**27,901.11**	**(2,475.67)**	11,010.81	(661.98)
	Shanghai Roche Pharmaceutical Co., Ltd.	**19,284.42**	**(21.21)**	23,361.93	(27.01)
	Beijing Lianxin Pharmaceutical Co., Ltd.	**15,047.25**	**(55.67)**	15,095.93	(55.85)
	Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	**6,564.91**	**(2,253.76)**	9,531.15	(2,255.83)
	Others	**15,683.24**	**(1,801.50)**	24,563.77	(1,637.21)
	Total	**1,338,778.45**	**(8,552.64)**	1,398,926.45	(6,518.13)

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

6. Balance of receivables and payables of related parties (continued)

RMB'000

		30 June 2026		31 December 2025	
		Gross carrying amount	**Bad debt allowance**	Gross carrying amount	Bad debt allowance
Other receivables	Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	**22,540.00**	**–**	–	–
	Shanghai Huayu Saffron Planting Professional Cooperative	**17,703.81**	**(11,385.40)**	19,068.27	(11,385.40)
	Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	**16,800.00**	**–**	16,800.00	–
	Shanghai Roche Pharmaceutical Co., Ltd.	**14,095.19**	**(74.49)**	16,098.30	(382.08)
	Shanghai Shangyao Kangxinuo Biopharmaceutical Co., Ltd.	**123.01**	**(0.08)**	35,818.51	(35,818.51)
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	**–**	**–**	97.21	(0.50)
	Others	**16,892.38**	**(3,183.66)**	11,818.96	(1,482.05)
	Total	**88,154.39**	**(14,643.63)**	99,701.25	(49,068.54)
Prepayments	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	**4,226.03**	**–**	11,031.55	–
	Others	**369.76**	**–**	753.74	–
	Total	**4,595.79**	**–**	11,785.29	–

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

6. Balance of receivables and payables of related parties (continued)

RMB'000

		30 June 2026	31 December 2025
Accounts payable	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	**50,285.82**	98,795.06
	Wing Fat Printing Limited and its subsidiaries	**21,986.10**	17,955.60
	Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	**18,878.37**	24,327.10
	Shanghai Leiyunshang Northern Area Medicine General Co., Ltd. and its subsidiaries	**12,392.15**	12,834.08
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	**11,922.92**	15,165.86
	Shanghai Roche Pharmaceutical Co., Ltd.	**10,966.21**	101,896.48
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	**8,455.78**	6,693.88
	Shanghai Pharma Health Commerce Co., Ltd. and its subsidiaries	**2,303.19**	59,006.77
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	**–**	17,100.13
	Others	**15,570.24**	11,791.37
	Total	**152,760.78**	365,566.33
Notes payable	Shanghai Roche Pharmaceutical Co., Ltd.	**37,223.88**	25,435.53
	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	**18,959.40**	–
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	**1,927.03**	8,377.33
	Wing Fat Printing Limited and its subsidiaries	**712.80**	580.17
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	**–**	1,430.08
	Total	**58,823.11**	35,823.11

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

6. Balance of receivables and payables of related parties (continued)

RMB'000

		30 June 2026	31 December 2025
Other payables	Shanghai Shangshi	**394,020.63**	343,006.22
	Shanghai Pharma Group and its subsidiaries	**253,850.61**	86,854.08
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	**232,969.38**	79,875.22
	Shanghai Tandong	**65,450.00**	22,440.00
	Qingdao Tongdarong Industrial Co., Ltd.	**15,481.70**	15,481.70
	Shanghai Sine Promod Pharmaceutical Co., Ltd. And its subsidiaries	**16.82**	9,120.11
	Shanghai Industrial Dongtan Investment & Development (Group) Co., Ltd.	**–**	138,805.06
	Others	**9,950.25**	15,505.13
	Total	**971,739.39**	711,087.52
Other non-current liabilities due within one year	Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership)	**70,229.83**	70,229.83
Contract liabilities	Shanghai Pharma Health Commerce Co., Ltd. And its subsidiaries	**6,509.04**	12,370.85
	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	**3.19**	118.87
	Shanghai Xunyao Biotechnology Co., Ltd.	**–**	1,855.88
	Others	**1,341.83**	121.02
	Total	**7,854.06**	14,466.62

(VII) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

6. Balance of receivables and payables of related parties (continued)

RMB'000

		30 June 2026	31 December 2025
Lease liabilities	Shanghai Pharma Group and its subsidiaries	**49,201.72**	54,491.35
Employee benefits payable	Key management personnel	**5,708.86**	8,687.92
Short-term and long-term borrowings	Shanghai Industrial Group Finance Co., Ltd.	**4,523,615.64**	4,721,736.06
Cash and bank balances	Shanghai Industrial Group Finance Co., Ltd.	**4,248,534.35**	4,845,601.82

(VIII) CONTINGENCIES

The Group has no significant contingencies that need to be disclosed.

(IX) COMMITMENTS

1. Capital expenditure commitments

	30 June 2026	31 December 2025
Capital commitments that have been entered into but have not been recognised in the financial statements:		
– Commitment for acquisition and construction of long-term assets	**728,053,253.89**	769,279,564.92
– External investment commitment		
Including: Unrecognised commitments related to investments in associates and joint ventures	**865,359,018.20**	940,359,018.20
Total	**1,593,412,272.09**	1,709,638,583.12

(X) EVENTS AFTER THE BALANCE SHEET DATE

Explanation of distribution of profits

According to the resolution of Board of Director dated 27 August 2026, the Board of Directors proposes to distribute cash dividends of RMB1.00 per 10 shares (inclusive of tax) to all shareholders.

(XI) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's operating activities expose it to a variety of financial risks: market risk (primarily including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

1. Market risk

(1) *Currency risk*

The Group's major operating activities are carried out in Mainland of China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to USD and HKD. The Group continuously monitors the size of the Group's transactions, assets and liabilities denominated in foreign currencies to minimise exposure to foreign exchange risk.

As at 30 June 2026 and 31 December 2025, the foreign currency financial assets and the financial liabilities, which are held by intra-group companies intra-group companies that adopt RMB as their functional currency, are translated to RMB as follows:

	30 June 2026		
	USD and HKD	Others	Total
Financial assets denominated in foreign currency –			
Cash and bank balances	81,700,226.12	27,905,657.86	109,605,883.98
Accounts receivable	75,662,320.92	31,530,634.43	107,192,955.35
Total	157,362,547.04	59,436,292.29	216,798,839.33
Financial liabilities denominated in foreign currency –			
Accounts payable	50,996,463.60	30,854,800.77	81,851,264.37
Total	50,996,463.60	30,854,800.77	81,851,264.37

(XI) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Market risk (continued)

(1) Currency risk (continued)

	31 December 2025		
	USD and HKD	Others	Total
Financial assets denominated in foreign currency –			
Cash and bank balances	90,145,285.92	29,208,530.10	119,353,816.02
Accounts receivable	24,745,853.78	1,160,381.95	25,906,235.73
Total	114,891,139.70	30,368,912.05	145,260,051.75
Financial liabilities denominated in foreign currency –			
Accounts payable	64,438,467.39	1,540,034.63	65,978,502.02
Total	64,438,467.39	1,540,034.63	65,978,502.02

As at 30 June 2026, for the Group's various financial assets and liabilities denominated in USD and HKD, if the USD and HKD strengthen/weaken by 5% against the RMB with all other variables held constant, the Group's profit before income tax would have been lower/higher by approximately RMB5,318,304.17 (31 December 2025: lower/higher by approximately RMB2,522,633.62).

(2) Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing debts, including short-term borrowings, borrowings due within one year and long-term bank borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2026, the Group's short-term, due within one year and long-term interest-bearing debts mainly include floating rate contracts, amounting to RMB4,492,423,975.92 (31 December 2025: RMB2,567,605,038.65).

Increases in interest rates will increase the cost of new interest-bearing debts and the interest expenses with respect to the Group's outstanding floating rate interest-bearing debts, and therefore could have a material adverse effect on the Group's financial performance. The Management makes adjustments timely with reference to the latest market conditions. For the period from 1 January 2026 to 30 June 2026 and for the period from 1 January 2025 to 30 June 2025, the Group did not enter into any interest rate swap agreements.

(XI) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

1. Market risk (continued)

(2) Interest rate risk (continued)

As at 30 June 2026, if interest rates on the floating rate borrowings rise/fall by 10% while holding all other variables constant, the Group's profit before tax would decrease/increase by approximately RMB5,829,951.32 (31 December 2025: approximately RMB6,253,625.25).

(3) Other price risk

The Group's other price risk arises mainly from other non-current financial assets and other equity instruments held by the Group.

As at 30 June 2026, if the price of above various investments rise/fall by 10% with all other variables held constant, the Group's profit before tax would increase/decrease by approximately RMB144,783,216.47 (31 December 2025: approximately RMB154,531,071.35), other comprehensive income would increase/decrease by approximately RMB2,095,456.18 (31 December 2025: approximately RMB3,268,390.55).

2. Credit risk

The Group's credit risk mainly arises from bank deposits, notes receivable, accounts receivable, other receivables, financial guarantee contracts, receivables financing, long-term receivables, etc.

The Group expects that there is no significant credit risk associated with bank deposits and on hand since they are deposited at state-owned banks, finance company and other medium or large size listed banks with good reputation and high credit rating. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group has policies to limit the credit exposure on notes receivable, accounts receivable, other receivables, receivables financing and long-term receivables, the Group sets relevant policies to control credit risk exposure. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

In addition, financial guarantees and loan commitments may pose risks due to the default of the counterparty. The Group has established strict application and approval requirements for financial guarantees and loan commitments, taking into account a comprehensive set of information including internal and external credit ratings. The Group continuously monitors the credit risk exposure, changes in the credit ratings of counterparties, and other relevant information to ensure that the overall credit risk remains within a controllable range.

As at 30 June 2026, the Group has no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2025: Nil).

(XI) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Liquidity risk

Each subsidiary within the Group is responsible for its own cash flow forecasts. On the basis of summarizing the cash flow forecasts of subsidiaries, the finance department of the headquarters continuously monitors short-term and long-term funding requirements at the Group level to ensure that adequate cash reserves and readily realisable marketable securities are maintained, and continuously monitors compliance with the borrowing agreements and obtains commitments from major financial institutions to provide sufficient standby funds to meet both short-term and long-term funding requirements.

As at the balance sheet date, the financial liabilities of the Group are presented below based on the undiscounted contractual cash flows by maturity date:

	30 June 2026				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	46,528,516,265.24	–	–	–	46,528,516,265.24
Derivative financial liabilities	18,954,922.41	–	–	–	18,954,922.41
Notes payable	6,979,977,892.10	–	–	–	6,979,977,892.10
Accounts payable	56,604,672,321.33	–	–	–	56,604,672,321.33
Other payables	18,092,756,678.90	–	–	–	18,092,756,678.90
Long-term borrowings due within one year	1,121,799,288.13	–	–	–	1,121,799,288.13
Lease liabilities due within one year	588,376,435.55	–	–	–	588,376,435.55
Stock repurchase option due within one year	98,851,631.25	–	–	–	98,851,631.25
Other current liabilities	6,021,156,164.38	–	–	–	6,021,156,164.38
Long-term borrowings	–	1,253,160,859.60	324,428,870.00	1,699,476,999.63	3,277,066,729.23
Lease liabilities	–	585,367,154.55	767,236,086.78	563,393,215.99	1,915,996,457.32
Long-term payables	–	9,000,000.00	–	–	9,000,000.00
Borrowing interests	306,806,032.20	54,767,378.66	152,736,909.67	382,794,285.77	897,104,606.30
Total	136,361,867,631.49	1,902,295,392.81	1,244,401,866.45	2,645,664,501.39	142,154,229,392.14

(XI) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

3. Liquidity risk (continued)

As at the balance sheet date, the financial liabilities of the Group are presented below based on the undiscounted contractual cash flows by maturity date: (continued)

	31 December 2025				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	44,091,821,016.96	–	–	–	44,091,821,016.96
Derivative financial liabilities	13,294,428.53	–	–	–	13,294,428.53
Notes payable	8,810,206,222.12	–	–	–	8,810,206,222.12
Accounts payable	52,594,352,033.44	–	–	–	52,594,352,033.44
Other payables	16,731,913,987.12	–	–	–	16,731,913,987.12
Long-term borrowings due within one year	2,125,374,630.45	–	–	–	2,125,374,630.45
Lease liabilities due within one year	695,718,752.77	–	–	–	695,718,752.77
Stock repurchase option due within one year	98,851,631.25	–	–	–	98,851,631.25
Other current liabilities	5,036,081,369.86	–	–	–	5,036,081,369.86
Long-term borrowings	–	2,439,330,121.83	111,274,740.00	1,685,270,738.20	4,235,875,600.03
Lease liabilities	–	434,747,462.53	446,174,917.75	430,889,892.75	1,311,812,273.03
Long-term payables	–	–	9,000,000.00	–	9,000,000.00
Borrowing interests	321,107,365.09	57,182,509.45	150,116,117.57	412,220,482.34	940,626,474.45
Total	130,518,721,437.59	2,931,260,093.81	716,565,775.32	2,528,381,113.29	136,694,928,420.01

As at the balance sheet date, the Group has no financial guarantees provided to external parties.

Bank and other borrowings are analysed by repayment terms as follows:

	30 June 2026		31 December 2025	
	Bank borrowings	**Other borrowings**	Bank borrowings	Other borrowings
Within 1 year	**47,650,315,553.37**	**6,021,156,164.38**	46,217,195,647.41	5,036,081,369.86
1 to 2 years	**1,253,160,859.60**	**–**	2,439,330,121.83	–
2 to 5 years	**324,428,870.00**	**–**	111,274,740.00	–
Over 5 years	**1,699,476,999.63**	**–**	1,685,270,738.20	–
	50,927,382,282.60	**6,021,156,164.38**	50,453,071,247.44	5,036,081,369.86

(XII) FAIR VALUE DISCLOSURES

The level of fair value measurement results is determined by the lowest level of inputs that are significant to the fair value measurement as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

1. Assets and liabilities measured at fair value on a recurring basis

As at 30 June 2026, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets – Forward exchange contracts	–	7,530,453.55	–	7,530,453.55
Foreign exchange swap contracts	–	–	–	–
Held-for-trading financial assets	–	–	9,416,880,703.56	9,416,880,703.56
Receivables financing	–	–	1,942,680,670.90	1,942,680,670.90
Other non-current financial assets	3,687,386.38	–	1,444,144,778.31	1,447,832,164.69
Investments in other equity instruments	20,954,561.79	–	–	20,954,561.79
Total financial assets	24,641,948.17	7,530,453.55	12,803,706,152.77	12,835,878,554.49

As at 30 June 2026, the financial liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities – Forward exchange contracts	–	18,954,922.41	–	18,954,922.41
Stock repurchase option	–	–	98,851,631.25	98,851,631.25
Total financial liabilities	–	18,954,922.41	98,851,631.25	117,806,553.66

(XII) FAIR VALUE DISCLOSURES (continued)

1. Assets and liabilities measured at fair value on a recurring basis (continued)

As at 31 December 2025, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets –				
Forward exchange contracts	–	721,010.06	–	721,010.06
Foreign exchange swap contracts	–	–	–	–
Held-for-trading financial assets	–	–	10,360,938,931.51	10,360,938,931.51
Receivables financing	–	–	2,528,730,548.02	2,528,730,548.02
Other non-current financial assets	4,157,628.50	–	1,541,153,084.95	1,545,310,713.45
Investments in other equity instruments	32,683,905.48	–	–	32,683,905.48
Total financial assets	36,841,533.98	721,010.06	14,430,822,564.48	14,468,385,108.52

As at 31 December 2025, the financial liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities –				
Forward exchange contracts	–	13,294,428.53	–	13,294,428.53
Stock repurchase option	–	–	98,851,631.25	98,851,631.25
Total financial liabilities	–	13,294,428.53	98,851,631.25	112,146,059.78

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There was no transfer between Level 1 and Level 2 for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include expected return, estimated discount rate, EV, EBIT, stock volatility, etc.

(XII) FAIR VALUE DISCLOSURES (continued)

1. Assets and liabilities measured at fair value on a recurring basis (continued)

The changes in Level 3 assets and liabilities are as follows:

						Gain or loss for the current period			
	31 December 2025	Increase	Decrease	Transfer into Level 3	Transfer out of Level 3	Gain or loss recognised in profit or loss	Gain or loss recognised in other comprehensive income	30 June 2026	Changes in unrealised gains or losses included in profit or loss for the period from 1 January 2026 to 30 June 2026 with respect to assets still held as at 30 June 2026 – gains or losses on changes in fair value
Held-for-trading financial assets	10,360,938,931.51	3,813,900,000.00	(4,851,519,438.74)	–	–	93,561,210.79	–	**9,416,880,703.56**	**42,041,772.05**
Receivables financing	2,528,730,548.02	37,559,516,924.89	(38,114,235,391.10)	–	–	(31,331,410.91)	–	**1,942,680,670.90**	**-**
Other non-current financial assets	1,541,153,084.95	–	(572,352.54)	–	–	(96,435,954.10)	–	**1,444,144,778.31**	**(96,435,954.10)**
Stock repurchase option	(98,851,631.25)	–	–	–	–	–	–	**(98,851,631.25)**	**-**
Total	14,331,970,933.23	41,373,416,924.89	(42,966,327,182.38)	–	–	(34,206,154.22)	–	**12,704,854,521.52**	**(54,394,182.05)**

(XII) FAIR VALUE DISCLOSURES (continued)

1. Assets and liabilities measured at fair value on a recurring basis (continued)

Information about the Level 3 fair value measurement is as follows:

	Fair value as at 30 June 2026	Valuation technique	Inputs Name	Inputs Scope	Inputs Relationship with fair value	Inputs Observable/ Unobservable
Held-for-trading financial assets	**9,416,880,703.56**	Discounted cash flow	Expected return rate	1.85%-1.97%	Positive	Unobservable
Receivables financing	**1,942,680,670.90**	Discounted cash flow	Estimated discount rate	0.05%-3.00%	Negative	Unobservable
Other non-current financial assets	**1,444,144,778.31**	Market method	EV/EBIT, EV/S, etc.	0.23-9.38	Positive	Unobservable
Stock repurchase option due within one year	**98,851,631.25**	Equity value distribution method	Stock volatility	27.80%-56.53%	Positive	Unobservable

	Fair value as at 31 December 2025	Valuation technique	Inputs Name	Inputs Scope	Inputs Relationship with fair value	Inputs Observable/ Unobservable
Held-for-trading financial assets	10,360,938,931.51	Discounted cash flow	Expected return rate	1.85%-1.97%	Positive	Unobservable
Receivables financing	2,528,730,548.02	Discounted cash flow	Estimated discount rate	0.05%-3.00%	Negative	Unobservable
Other non-current financial assets	1,541,153,084.95	Market method	EV/EBIT, EV/S, etc.	0.23-9.38	Positive	Unobservable
Stock repurchase option due within one year	98,851,631.25	Equity value distribution method	Stock volatility	27.80%-56.53%	Positive	Unobservable

(XII) FAIR VALUE DISCLOSURES (continued)

1. Assets and liabilities measured at fair value on a recurring basis (continued)

Information about the Level 2 fair value measurement is as follows:

	Fair value as at 30 June 2026	Valuation technique	Observable inputs	
			Name	Scope/weighted average value
Assets Derivative financial assets – Forward exchange contracts	**7,530,453.55**	Market method	Exchange rate	AUDUSD: 0.6923-0.7097 USDCNY: 6.7740-6.9621 AUDEUR: 0.5945-0.5987 AUDNZD: 0.8317-0.8334
Liabilities Derivative financial liabilities – Forward exchange contracts	**18,954,922.41**	Market method	Exchange rate	AUDUSD: 0.6438-0.6648 AUDEUR: 0.5462-0.5540 AUDNZD: 0.8343-0.9215 CNYUSD: 6.8210-6.9034

(XII) FAIR VALUE DISCLOSURES (continued)

1. Assets and liabilities measured at fair value on a recurring basis (continued)

Information about the Level 2 fair value measurement is as follows (continued)

			Observable inputs	
	Fair value as at 31 December 2025	Valuation technique	Name	Scope/weighted average value
Assets				
Derivative financial assets – Forward exchange contracts	721,010.06	Market method	Exchange rate	AUDUSD: 0.6284-0.6690 USDCNY: 6.9220-7.0658 HKDCNY: 0.8996-0.9136
Liabilities				
Derivative financial liabilities – Forward exchange contracts	13,294,428.53	Market method	Exchange rate	AUDNZD: 0.8832-0.9432

2. Assets measured at fair value on a non-recurring basis

The Group's assets measured at fair value on a non-recurring basis are the assets of acquiree at the acquisition date under business combinations not involving enterprises under common control.

3. Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities not measured at fair value mainly include cash and bank balances, notes receivable, accounts receivable, other receivables, long-term receivables, short-term borrowings, notes payable, accounts payable, other payables, other current liabilities, long-term payables, long-term borrowings, long-term borrowings due within one year and long-term payables due within one year, etc.

As at 30 June 2026 and 31 December 2025, the carrying amount of long-term receivables and non-current borrowings is a reasonable approximation of their fair value. The fair value of long-term receivables, long-term payables and long-term borrowings is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

(XIII) CAPITAL MANAGEMENT

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is total owners' equity plus net debt. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (as shown in the consolidated statement of financial position including short-term borrowings, non-current liabilities due within one year, other current liabilities, long-term borrowings, long-term payables and lease liabilities) less cash and cash equivalents.

As at 30 June 2026 and 31 December 2025, the Group's gearing ratios are as follows:

	30 June 2026 (%)	31 December 2025 (%)
Gearing ratio	**22.36**	24.37

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

	30 June 2026	31 December 2025
Accounts receivable	**121,529,177.94**	122,096,966.98
Less: Bad debt allowance	**(119,851,808.14)**	(119,851,808.14)
Total	**1,677,369.80**	2,245,158.84

(1) *The ageing analysis of accounts receivable based on recording date is as follows:*

	30 June 2026	31 December 2025
Within 1 year	**1,677,369.80**	2,245,158.84
Over 3 years	**119,851,808.14**	119,851,808.14
Total	**121,529,177.94**	122,096,966.98

(2) *As at 30 June 2026, the top five accounts receivable based on the balance of the debtors are summarised and analysed as follows:*

	Balance	Amount of bad debt allowance	% of total balance of accounts receivable
Total top five accounts receivable	**39,911,209.13**	**(39,911,209.13)**	**32.84**

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

1. Accounts receivable (continued)

(3) As at 30 June 2026, accounts receivable for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Lifetime ECL rate (%)	Amount of bad debt allowance	Reasons
Accounts receivable 1	**11,546,794.10**	**100.00**	**(11,546,794.10)**	**Upon assessment, it is expected to be unrecoverable**
Accounts receivable 2	**10,013,149.47**	**100.00**	**(10,013,149.47)**	**Upon assessment, it is expected to be unrecoverable**
Accounts receivable 3	**8,634,602.83**	**100.00**	**(8,634,602.83)**	**Upon assessment, it is expected to be unrecoverable**
Accounts receivable 4	**5,546,970.95**	**100.00**	**(5,546,970.95)**	**Upon assessment, it is expected to be unrecoverable**
Others	**84,110,290.79**	**100.00**	**(84,110,290.79)**	**Upon assessment, it is expected to be unrecoverable**
Total	**119,851,808.14**		**(119,851,808.14)**	

2. Other receivables

	30 June 2026	31 December 2025
Amounts due from subsidiaries	**15,669,009,814.84**	15,874,369,904.56
Guarantees (including deposits)	**5,621,528.13**	7,436,140.80
Dividends receivable	**123,716,042.74**	123,716,042.74
Interest receivable	**82,898,732.90**	84,384,470.97
Receivables from enterprises	**–**	119,877,955.64
Others	**257,141,035.97**	257,141,035.97
Gross carrying amount	**16,138,387,154.58**	16,466,925,550.68
Less: Bad debt allowance	**(267,416,804.30)**	(267,606,853.66)
Carrying amount	**15,870,970,350.28**	16,199,318,697.02

The Company has no funds pooled with other parties and classified as other receivables due to centralised fund management.

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

(1) The ageing analysis of other receivables is as follows:

	30 June 2026	31 December 2025
Within 1 year	**8,256,366,572.66**	8,645,011,743.14
1 to 2 years	**1,496,553,006.32**	1,813,538,459.64
2 to 3 years	**737,659,499.92**	466,385,309.82
Over 3 years	**5,647,808,075.68**	5,541,990,038.08
Total	**16,138,387,154.58**	16,466,925,550.68

(2) Loss allowance and movements in gross carrying amount

The bad debt allowance for other receivables is analysed by category as follows:

	30 June 2026				31 December 2025			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis *(i)*	**257,141,035.97**	**1.59**	**(257,141,035.97)**	**100.00**	257,141,035.97	1.56	(257,141,035.97)	100.00
Bad debt allowance made on a portfolio basis *(ii)*	**15,881,246,118.61**	**98.41**	**(10,275,768.33)**	**0.06**	16,209,784,514.71	98.44	(10,465,817.69)	0.06
Total	**16,138,387,154.58**	**100.00**	**(267,416,804.30)**	**1.66**	16,466,925,550.68	100.00	(267,606,853.66)	1.63

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

(2) *Loss allowance and movements in gross carrying amount (continued)*

As at 30 June 2026 and 31 December 2025, the Company has no other receivables at stage 2. The other receivables at stage 1 and stage 3 are analysed as follows:

(i) As at 30 June 2026, other receivables for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Stage 3 – Lifetime ECL rate (%)	Bad debt allowance	Reasons
Other receivables 1	120,000,000.00	100.00	(120,000,000.00)	It is expected to be unrecoverable
Other receivables 2	33,375,018.03	100.00	(33,375,018.03)	It is expected to be unrecoverable
Other receivables 3	26,030,686.00	100.00	(26,030,686.00)	It is expected to be unrecoverable
Other receivables 4	22,000,000.00	100.00	(22,000,000.00)	It is expected to be unrecoverable
Others	55,735,331.94	100.00	(55,735,331.94)	It is expected to be unrecoverable
Total	257,141,035.97		(257,141,035.97)	

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

(2) Loss allowance and movements in gross carrying amount (continued)

(i) As at 31 December 2025, other receivables for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Stage 3 – Lifetime ECL rate (%)	Bad debt allowance	Reasons
Other receivables 1	120,000,000.00	100.00	(120,000,000.00)	It is expected to be unrecoverable
Other receivables 2	33,375,018.03	100.00	(33,375,018.03)	It is expected to be unrecoverable
Other receivables 3	26,030,686.00	100.00	(26,030,686.00)	It is expected to be unrecoverable
Other receivables 4	22,000,000.00	100.00	(22,000,000.00)	It is expected to be unrecoverable
Others	55,735,331.94	100.00	(55,735,331.94)	It is expected to be unrecoverable
Total	257,141,035.97		(257,141,035.97)	

(ii) As at 30 June 2026 and 31 December 2025, other receivables for which bad debt allowance is made on a portfolio basis are analysed as follows:

	30 June 2026			31 December 2025		
	Gross carrying amount	Bad debt allowance		Gross carrying amount	Bad debt allowance	
	Amount	Amount	Proportion (%)	Amount	Amount	Proportion (%)
Stage 1 – 12-month ECL (portfolio)						
Amounts due from subsidiaries	**15,669,009,814.84**	**(10,034,347.11)**	**0.06**	15,874,369,904.56	(10,165,858.56)	0.06
Guarantees (including deposits)	**5,621,528.13**	**(109,106.26)**	**1.94**	7,436,140.80	(166,643.65)	2.24
Receivables from enterprises	**–**	**–**	**–**	119,877,955.64	(49.07)	0.00
Dividends receivable	**123,716,042.74**	**(79,227.08)**	**0.06**	123,716,042.74	(79,227.08)	0.06
Interest receivable	**82,898,732.90**	**(53,087.88)**	**0.06**	84,384,470.97	(54,039.33)	0.06
Total	**15,881,246,118.61**	**(10,275,768.33)**		16,209,784,514.71	(10,465,817.69)	

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

(3) As at 30 June 2026, the top five other receivables categorised by debtor are analysed as follows

	Nature	Balance	Ageing	Proportion to total balance of other receivables (%)	Bad debt allowance
Other receivables 1	Amounts due from subsidiaries	2,700,000,000.00	Within one year to over two years	16.73	(1,729,065.04)
Other receivables 2	Amounts due from subsidiaries	2,159,252,152.43	Within one year to over two years	13.38	(1,382,773.11)
Other receivables 3	Amounts due from subsidiaries	1,280,000,000.00	Within one year to over two years	7.93	(819,704.91)
Other receivables 4	Amounts due from subsidiaries	1,207,778,482.25	Within one year to over two years	7.48	(773,454.65)
Other receivables 5	Amounts due from subsidiaries	962,268,956.13	Within one year to over two years	5.96	(616,231.71)
Total		8,309,299,590.81		51.48	(5,321,229.42)

3. Long-term equity investments

	30 June 2026	31 December 2025
Subsidiaries *(1)*	**30,289,683,979.78**	30,281,635,081.78
Associates *(2)*	**2,379,959,710.13**	2,589,955,174.98
Joint ventures *(3)*	**25,428,136.44**	25,428,136.44
Less: Provision for impairment of long-term equity investments	**(185,895,633.03)**	(185,895,633.03)
Total	**32,509,176,193.32**	32,711,122,760.17

The Company is not subject to significant restriction on realisation of long-term investments.

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Long-term equity investments (continued)

(1) *Subsidiaries*

	31 December 2025	Changes for the period					30 June 2026	Impairment provision		Cash dividends declared in the current period
		Investment made in the current year	Decrease in investments	Impairment provision	Disposal	Others		30 June 2026	31 December 2025	
SIIC Medical Science and Technology (Group) Limited	7,157,607,012.94	–	–	–	–	–	**7,157,607,012.94**	**–**	–	–
Shanghai Pharmaceuticals (HK) Investment Limited	5,356,871,105.07	–	–	–	–	–	**5,356,871,105.07**	**–**	–	–
Shanghai Pharma Co., Ltd.	4,785,138,992.45	–	–	–	–	–	**4,785,138,992.45**	**–**	–	–
Shanghai TCM Co., Ltd.	1,896,158,274.10	–	–	–	–	–	**1,896,158,274.10**	**–**	–	446,562,471.84
SPH Sine Pharmaceutical Factory Co., Ltd.	1,418,321,561.86	–	–	–	–	–	**1,418,321,561.86**	**–**	–	282,090,000.00
SPH New Asia Pharmaceutical Co., Ltd.	1,225,981,233.99	–	–	–	–	–	**1,225,981,233.99**	**–**	–	–
Shanghai SPH Biomedical Co., Ltd.	1,264,297,158.83	–	–	–	–	–	**1,264,297,158.83**	**–**	–	–
Shanghai Hutchison Pharmaceutical Co., Ltd.	952,710,790.60	–	–	–	–	–	**952,710,790.60**	**–**	–	35,908,051.25
Liaoning Pharmaceutical Foreign Trading Co., Ltd.	597,322,888.99	–	–	–	–	–	**597,322,888.99**	**–**	–	–
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	513,419,323.04	–	–	–	–	–	**513,419,323.04**	**–**	–	151,851,227.37
Guangdong Techpool Biochemical Pharmaceutical Co., Ltd.	492,732,445.39	–	–	–	–	–	**492,732,445.39**	**–**	–	–
Shanghai Medical Instruments Co., Ltd.	406,446,400.48	22,818,898.00	–	–	–	–	**429,265,298.48**	**–**	–	–
Shanghai Pharmaceutical (USA) INC.	451,535,156.30	–	–	–	–	–	**451,535,156.30**	**–**	–	–
SPH (Benxi) North Pharmaceuticals Co., Ltd.	380,000,000.00	–	–	–	–	–	**380,000,000.00**	**–**	–	–
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	424,866,971.62	–	–	–	–	–	**424,866,971.62**	**–**	–	187,240,000.00
Shanghai Innovation Center for Biopharmaceuticals	312,599,154.06	–	–	–	–	–	**312,599,154.06**	**–**	–	–
Shanghai Jiaolian Pharmaceutical R&D Co., Ltd.	305,315,023.99	–	–	–	–	–	**305,315,023.99**	**–**	–	–
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	259,918,653.79	–	–	–	–	–	**259,918,653.79**	**–**	–	–
SPH Changzhou Pharmaceutical Co., Ltd.	207,456,710.09	–	–	–	–	–	**207,456,710.09**	**–**	–	–

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Long-term equity investments (continued)

(1) Subsidiaries (continued)

	31 December 2025	Changes for the period: Investment made in the current year	Decrease in investments	Impairment provision	Disposal	Others	30 June 2026	Impairment provision: 30 June 2026	31 December 2025	Cash dividends declared in the current period
Shanghai Industrial United Holdings Pharmaceutical Co., Ltd.	167,500,000.00	–	–	–	–	–	**167,500,000.00**	**-**	–	–
Shanghai Shangyao Innovation Pharmaceutical Technology Co., Ltd.	101,417,608.00	–	–	–	–	–	**101,417,608.00**	**-**	–	–
Shanghai Zhonghua Pharmaceutical Co., Ltd.	101,049,509.15	–	–	–	–	–	**101,049,509.15**	**-**	–	–
Shanghai Shangyao Ruier Pharmaceutical Co., Ltd.	100,511,914.00	–	–	–	–	–	**100,511,914.00**	**-**	–	–
Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.	85,847,130.00	–	–	–	–	–	**85,847,130.00**	**-**	–	–
Shanghai Pharmaceutical Group Institute of Traditional Chinese Medicine Co., Ltd	75,020,000.00	4,500,000.00	–	–	–	–	**79,520,000.00**	**-**	–	–
Shanghai Pharmaceutical Group Industrial Marketing Management Co., Ltd.	19,270,000.00	–	–	–	(19,270,000.00)	–	**-**	**-**	–	–
SPH Biotherapeutics Limited	100,000,000.00	–	–	–	–	–	**100,000,000.00**	**-**	–	–
Others	1,122,320,063.04	–	–	–	–	–	**1,122,320,063.04**	**-**	–	172,235,483.04
Total	30,281,635,081.78	27,318,898.00	–	–	(19,270,000.00)	–	**30,289,683,979.78**	**-**	–	1,275,887,233.50

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Long-term equity investments (continued)

(2) Associates

	31 December 2025	Changes for the period									30 June 2026	Impairment provision	
		Additional investment	Decrease in investments	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared	Impairment provision	Disposal	Others		30 June 2026	31 December 2025
Shanghai Industrial Group Finance Co., Ltd.	572,968,801.96	-	-	15,630,929.19	-	-	-	-	-	5,916,191.15	594,515,922.30	-	-
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	285,120,725.08	-	-	4,969,755.15	(134,103.95)	15,318.48	-	-	-	-	289,971,694.76	-	-
Shanghai Biomedical M&A Private Equity Fund Partnership (Limited Partnership)	425,161,805.31	-	-	(84,326,897.80)	-	-	(5,021,307.92)	-	-	-	335,813,599.59	-	-
Shanghai Lianyi Investment Center (Limited Partnership)	225,186,128.74	-	(992,577.00)	47,549,401.08	-	-	(9,522,479.61)	-	-	-	262,220,473.21	-	-
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	171,949,604.60	-	-	(10,903,800.78)	-	-	-	-	(161,045,803.82)	-	-	-	-
Chengdu Wesker Biomedical Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-
Shanghai Ajinomoto Amino Acid Co., Ltd.	135,774,594.58	-	-	6,547,616.69	-	-	(6,506,092.57)	-	-	-	135,816,118.70	-	-
Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	109,735,787.68	-	-	3,736,313.74	-	-	-	-	-	-	113,472,101.42	-	-
Shanghai Good Health Capital LLP	74,772,936.89	-	-	(6,535,138.73)	-	-	(4,802,990.50)	-	-	-	63,434,807.66	-	-
Shanghai Shangshi Biomedical Innovation and Transformation Private Investment Fund LLP	116,311,574.53	-	-	238,298.19	-	-	-	-	-	-	116,549,872.72	-	-
West China Precision Medicine Industrial Innovation Center	93,528,357.20	-	-	(1,757,487.13)	-	-	-	-	-	-	91,770,870.07	-	-
Sichuan Greentech Bio-technology Co., Ltd.	67,621,309.03	-	-	1,132,767.06	-	-	-	-	-	-	68,754,076.09	-	-
Shanghai Chest Medical Instruments Co., Ltd.	58,870,334.76	-	-	4,330,019.53	-	-	(3,600,000.00)	-	-	-	59,600,354.29	-	-

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Long-term equity investments (continued)

(2) Associates (continued)

	31 December 2025	Changes for the period									30 June 2026	Impairment provision	
		Additional investment	Decrease in investments	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared	Impairment provision	Disposal	Others		30 June 2026	31 December 2025
Shanghai Pharma Health Commerce Co., Ltd. and its subsidiaries	53,170,666.33	-	-	(4,230,354.84)	-	-	-	-	-	-	**48,940,311.49**	**-**	-
Shanghai Biomedical Industry Equity Investment Fund Management Co., Ltd.	16,713,456.31	-	-	1,108,874.96	-	-	-	-	-	-	**17,822,331.27**	**-**	-
Shangshi Commercial Factoring Co., Ltd.	-	-	-	-	-	-	-	-	-	-	**-**	**(154,799,830.72)**	(154,799,830.72)
Others	22,601,595.39	-	-	(1,791,915.42)	-	-	-	-	-	-	**20,809,679.97**	**(5,667,665.87)**	(5,667,665.87)
Total	2,429,487,678.39	-	(992,577.00)	(24,301,619.11)	(134,103.95)	15,318.48	(29,452,870.60)	-	(161,045,803.82)	5,916,191.15	**2,219,492,213.54**	**(160,467,496.59)**	(160,467,496.59)

(3) Joint venture

	31 December 2025	Changes for the period								30 June 2026	Impairment provision	
		Additional investment	Decrease in investments	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared	Impairment provision	Others		30 June 2026	31 December 2025
Zhejiang Shangyao Jiuzhou Biopharmaceutical Co., Ltd.	-	-	-	-	-	-	-	-	-	**-**	**(25,428,136.44)**	(25,428,136.44)

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Capital reserve

	31 December 2025	Increase in the current period	Decrease in the current period	**30 June 2026**
Share premium	32,541,885,907.00	2,360,484.00	–	**32,544,246,391.00**
Other capital reserve – Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	110,923,511.96	15,318.48	–	**110,938,830.44**
Share-based payments	2,360,484.00	–	(2,360,484.00)	**–**
Others	(289,656,947.52)	–	–	**(289,656,947.52)**
Total	32,365,512,955.44	2,375,802.48	(2,360,484.00)	**32,365,528,273.92**

	31 December 2024	Increase in the current period	Decrease in the current period	30 June 2025
Share premium	32,520,299,301.85	21,586,605.15	–	32,541,885,907.00
Other capital reserve – Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	231,470,727.08	–	(58,303.89)	231,412,423.19
Share-based payments	17,157,711.45	–	(14,797,227.45)	2,360,484.00
Others	(289,656,947.52)	–	–	(289,656,947.52)
Total	32,479,270,792.86	21,586,605.15	(14,855,531.34)	32,486,001,866.67

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

5. Other comprehensive income

	Other comprehensive income in the balance sheet		Other comprehensive income in the Company's income statement for the period from 1 January 2026 to 30 June 2026				
	31 December 2025	Converted from other comprehensive income into retained earnings	30 June 2026	Amount before income tax	Less: Other comprehensive income transferred out for the period	Less: Income tax expenses	Net amount after tax
Other comprehensive income that will be reclassified to profit or loss							
Other comprehensive income that may be transferred to profit or loss under equity method	(361,929.78)	–	**(496,033.73)**	**(134,103.95)**	**–**	**–**	**(134,103.95)**

	Other comprehensive income in the balance sheet		Other comprehensive income in the Company's income statement for the period from 1 January 2025 to 30 June 2025				
	31 December 2024	Converted from other comprehensive income into retained earnings	30 June 2025	Amount before income tax	Less: Other comprehensive income transferred out for the period	Less: Income tax expenses	Net amount after tax
Other comprehensive income that will be reclassified to profit or loss							
Other comprehensive income that may be transferred to profit or loss under equity method	(420,774.15)	–	(361,929.78)	58,844.37	–	–	58,844.37

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

6. Retained profits

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Retained profits at the beginning of the period	**2,920,388,024.49**	2,333,058,032.95
Add: Net profit for the period	**1,813,944,567.95**	755,292,535.27
Less: Appropriation to statutory surplus reserve	**–**	–
Dividends distribution	**(1,297,926,633.15)**	(1,075,424,924.61)
Retained profits at the end of the period	**3,436,405,959.29**	2,012,925,643.61

7. Operating income and operating costs

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Income from main operating activities	**–**	–
Income from other operating activities *(1)*	**9,605,180.45**	1,325,708.46
Total	**9,605,180.45**	1,325,708.46

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Costs of main operating activities	**–**	–
Costs of other operating activities *(1)*	**326,570.03**	–
Total	**326,570.03**	–

(XIV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

7. Operating income and operating costs (continued)

(1) Income from other operating activities and costs of other operating activities

	For the period from 1 January 2026 to 30 June 2026		For the period from 1 January 2025 to 30 June 2025	
	Income from other operating activities	**Costs of other operating activities**	Income from other operating activities	Costs of other operating activities
Management service	**1,316,124.49**	**–**	1,315,316.00	–
Technology transfer, research and development service	**8,289,055.96**	**326,570.03**	10,392.46	–
Total	**9,605,180.45**	**326,570.03**	1,325,708.46	–

8. Investment income

	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025
Income from long-term equity investments under cost method	**1,275,887,233.50**	915,745,094.24
(Loss) income from long-term equity investments under equity method	**(24,301,619.11)**	78,087,850.31
Interest income from intra-group loans	**70,719,521.24**	103,424,784.73
Investment income (loss) on disposal of long-term equity investments	**843,066,122.13**	(539,200.66)
Others	**9,787,179.73**	14,876,824.49
Total	**2,175,158,437.49**	1,111,595,353.11

The Company is not subject to significant restriction on repatriation of investment income.

(I) SUMMARY OF NON-RECURRING PROFIT OR LOSS

	For the period from 1 January 2026 to 30 June 2026
Gain or loss on disposal of non-current assets, including write-off of provision for impairment of assets	**1,041,798,844.96**
Government grants recognised in profit or loss, except for those government grants that are closely related to the Group's normal business operations, in conformity with national policies, in accordance with defined criteria, and that have a continuing effect on the Group's profit or loss	**168,304,870.06**
Gain or loss on changes in fair value of financial assets and financial liabilities held by non-financial enterprises and gain or loss on disposal of financial assets and financial liabilities, except for effective hedging business related to the Group's normal business operations	**(87,738,048.42)**
Reversal of bad debt allowance for receivables on individual basis	**24,353,703.46**
Non-operating income and expenses other than the above	**(8,380,156.17)**
Sub-total	**1,138,339,213.89**
Effect of income tax expense	**(61,022,477.78)**
Effect on the minority interests, net of tax	**(50,099,769.35)**
Total	**1,027,216,966.76**

(1) Basis for preparation of summary of non-recurring profit or loss for the period from 1 January 2026 to 30 June 2026

CSRC promulgated Explanatory announcement No.1 (2023 Revised) on information disclosure by companies offering securities to the public – non-recurring profit or loss (Hereinafter referred to as Explanatory announcement No.1 (2023 Revised)), the provision shall come into force on the date of promulgation. The Group prepared the summary of non-recurring profit or loss for the period from 1 January 2026 to 30 June 2026 under the requirements in Explanatory announcement No.1 (2023 Revised).

Under the requirements in Explanatory announcement No.1 (2023 Revised) from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

(II) RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	For the period from 1 January 2026 to 30 June 2026	For the period from 1 January 2025 to 30 June 2025	**For the period from 1 January 2026 to 30 June 2026**	For the period from 1 January 2025 to 30 June 2025	**For the period from 1 January 2026 to 30 June 2026**	For the period from 1 January 2025 to 30 June 2025
Net profit attributable to ordinary shareholders of the Company	**4.51**	6.03	**0.95**	1.20	**0.95**	1.20
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	**3.19**	2.84	**0.67**	0.57	**0.67**	0.57

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