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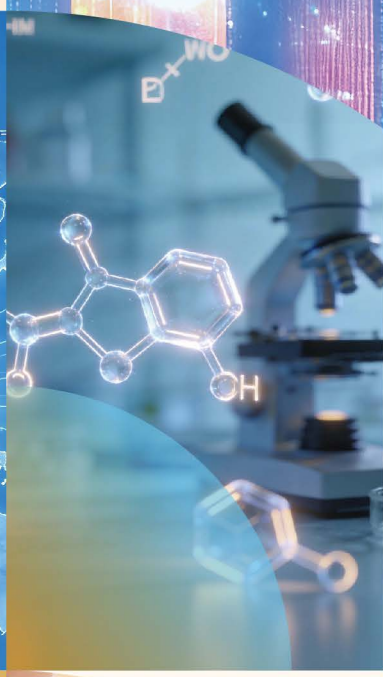
CHINA MEDICAL SYSTEM

2025 ANNUAL REPORT

CHINA MEDICAL SYSTEM HOLDINGS LIMITED
(STOCK CODE: Hong Kong: 867, Singapore: 8A8)



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CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. LAM Kong
Ms. CHEN Yanling
Non-Executive Director
Mr. CHEN Hongbing *(Resigned with effect from 18 August 2025)*
Independent Non-Executive Directors
Mr. LEUNG Chong Shun
Ms. LUO Laura Ying
Mr. FUNG Ching Simon

Company Secretary

Ms. WU Sanyan

Authorized Representatives

Ms. WU Sanyan
Mr. LAM Kong

Audit Committee

Mr. FUNG Ching Simon (Chairman)
Mr. LEUNG Chong Shun
Ms. LUO Laura Ying

Remuneration Committee

Mr. LEUNG Chong Shun (Chairman)
Ms. LUO Laura Ying
Mr. FUNG Ching Simon

Nomination Committee

Ms. LUO Laura Ying (Chairman)
Mr. LAM Kong
Mr. LEUNG Chong Shun
Mr. FUNG Ching Simon

Environmental, Social and Governance Committee

Ms. CHEN Yanling (Chairman)
Mr. LEUNG Chong Shun
Mr. FUNG Ching Simon
Ms. LUO Laura Ying *(Appointed with effect from 16 March 2026)*

Auditors

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Principal Bankers

China Merchants Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Registered Office

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Headquarters and Principal Place of Business in Hong Kong

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Island Place Tower
510 King's Road
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Hong Kong

Principal Contact Address in the PRC

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Shenzhen 518052
Guangdong Province
The PRC

Branch Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Singapore Share Transfer Agent

In.Corp Corporate Services Pte. Ltd.
36 Robinson Road
#20-01 City House
Singapore 068877

Stock Code

Hong Kong: 867
Singapore: 8A8

Company's Website

www.cms.net.cn

FINANCIAL HIGHLIGHTS

- Turnover up 9.9% to RMB8,212.1 million (2024: RMB7,469.0 million); in the case that all medicines were directly sold by the Group, turnover up 8.9% to RMB9,385.6 million (2024: RMB8,621.6 million)
- Gross profit up 8.3% to RMB5,871.5 million (2024: RMB5,422.2 million); in the case that all medicines were directly sold by the Group, gross profit up 8.3% to RMB5,852.0 million (2024: RMB5,405.4 million)
- Profit for the year down 10.5% to RMB1,443.3 million (2024: RMB1,613.1 million); normalized profit for the year* up 3.6% to RMB1,775.5 million (2024: RMB1,713.7 million)
- Basic earnings per share down 7.8% to RMB0.6154 (2024: RMB0.6673)
- As at 31 December 2025, the Group's bank balances and cash amounted to RMB2,701.4 million
- Proposed final dividend of RMB0.1366 per share, bringing the total dividend for the year ended 31 December 2025 to RMB0.2921 per share, representing an increase of 9.0% over last year (2024: final dividend of RMB0.1174 and total dividend of RMB0.2681 per share)

Summary of Consolidated Statement of Financial Position

	As at 31 December				
	2021	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	15,807,879	17,753,539	17,730,837	18,047,790	19,198,855
Total liabilities	2,960,892	3,016,462	2,174,430	1,644,682	1,656,092
Net assets	12,846,987	14,737,077	15,556,407	16,403,108	17,542,763

* Normalized profit for the year of 2025 mainly refers to excluding a one-off payment of RMB278.8 million, consisting of the repayment of the local income tax concession enjoyed for the years from 2022 to 2024 and the related late payment surcharge.

BUSINESS HIGHLIGHTS

2025 marks a pivotal year for CMS's strategic transformation, with growth drivers comprehensively refreshed. It is also the starting point for the Group's return to a long-cycle growth trajectory. Innovative products and exclusive products have become the Group's key growth engines. The impact of the national volume-based procurement programme has largely been digested, and the Group's product portfolio has continued to optimize. Key exclusive/branded products and innovative medicines accounted for 59.8% of total revenue in the case that all medicines were directly sold by the Group in 2025 (2024: 52.8%). Within this, sales of innovative medicines and exclusive products grew 44.1% year-on-year. Since the beginning of 2025, the Group has made key progress in innovative R&D: 2 new drugs were approved for marketing; 6 NDAs are under review; 6 IND applications for in-house R&D products were approved; and the Group added 4 innovative products under collaborative development as well as 2 ophthalmology products already approved for marketing. The Group continued to deepen its specialty-focused strategy, and initial results have emerged from diversified expansion into new retail, digital channels and consumer healthcare. Its subsidiary, Dermavon, has established a leading position in China in the skin health field, and announced in April 2025 a proposed separate listing on the Main Board of The Stock Exchange of Hong Kong Limited by way of distribution in specie and introduction. Meanwhile, the Group continued to advance its industrial internationalization strategy. Following the Group's secondary listing by way of introduction on the SGX-ST in July 2025, the Group's emerging-market international footprint has taken shape at an accelerated pace, with Singapore serving as a hub and an end-to-end ecosystem spanning "R&D - manufacturing - commercialization." This has fostered a new model of high-quality growth driven by cross-regional synergy.

2 New Drugs Approved for Marketing

- Lumirix (ruxolitinib phosphate cream) for vitiligo– the first topical JAK inhibitor approved in China for vitiligo, approved for marketing in China in January 2026
- Desidustat Tablets - a novel oral HIF-PHI for treating anaemia in non-dialysis adult CKD patients, approved for marketing in China in March 2026

6 NDAs under Review

- Loberamisal for Injection (Y-3 for Injection) – the world's first brain cytoprotectant developed based on the important targets of stroke, PSD95-Nnos and MPO, with potential to achieve a technological breakthrough in the simultaneous intervention of "stroke treatment and prevention of post-stroke depression and anxiety"
- Comekibart Injection (MG-K10) for AD – expected to become the first long-acting (one dose every four weeks) anti-IL-4Rα monoclonal antibody approved in China, with BIC potential
- Benzgalantamine Gluconate Enteric-coated Tablets (ZUNVEYL) – the second oral therapy approved by the U.S. FDA for the treatment of Alzheimer's disease in over a decade, demonstrating a potentially better gastrointestinal safety profile
- Vecantoxatug Injection – a recombinant humanized monoclonal antibody against TeNT with an excellent safety profile, which delivers superior protection compared with HTIG
- Silevimig Injection – the world's first recombinant, fully human bispecific antibody against rabies virus targeting epitope I and/or epitope III of the G protein
- Ruxolitinib phosphate cream for AD - The first topical JAK inhibitor approved by the U.S. FDA, China NDA Accepted in February 2026

6 IND Applications for In-house R&D Products Approved

- CMS-D002 Capsules (GnRH Receptor Antagonist) – intended for uterine fibroids
- CMS-D001 Tablets (TYK2 Inhibitor) – intended for AD
- CMS-D003 Capsules (Cardiac Myosin Inhibitor) – intended for the treatment of obstructive hypertrophic cardiomyopathy in adults
- CMS-D017 Capsules (Complement Factor B Inhibitor) – intended for the treatment of paroxysmal nocturnal hemoglobinuria and complement-mediated kidney diseases; the IND applications were approved in China in January and February 2026, respectively
- CMS-D008 Injection (a siRNA therapy targeting and inhibiting INHBE) – intended for the treatment of overweight/obesity; the IND application was approved in China in March 2026

4 New Collaborative Development Innovative Products Added

- In September 2025, the Group entered into two separate exclusive Collaboration Agreement with Chongqing Genrix Biopharmaceutical Co., Ltd.for Class 1 therapeutic biological products, Vecantoxatug Injection indicated for passive immunization against tetanus and Silevimig Injection indicated for passive immunization following suspected rabies virus exposure, respectively, and obtained exclusive commercialization rights for these two products in mainland China and exclusive licensing rights for the rest of the Asia-Pacific region, the Middle East and North Africa.
- In January 2025, the Group entered into a Collaboration Agreement with Hunan Mabgeek Biotech Co., LTD and its subsidiaries. In accordance with the agreement and supplementary agreements, the Group has obtained the co-development rights (excluding AD) and exclusive commercialization rights for MG-K10 in Mainland China, Hong Kong, Macau, Taiwan Region and Singapore. MG-K10 is a long-acting anti-IL-4Rα humanized monoclonal antibody injection, intended for type 2 inflammatory diseases including atopic dermatitis, prurigo nodularis, asthma, allergic rhinitis, etc.
- In January 2025, the Group entered into a collaboration with Alpha Cognition Inc. for the improved new drug ZUNVEYL for the treatment of mild-to-moderate dementia of the Alzheimer's type, and gained an exclusive right to develop, register, manufacture, import, export and commercialize the product in Asia (excluding Japan and the Middle East region) and other designated territories.

2 New Ophthalmic Products Approved for Marketing in China Added

In October 2025, the Group entered into an agreement with Novartis Pharma Services AG to introduce two anti-VEGF ophthalmic drugs already approved for marketing in China:

- Ranibizumab Injection ("Lucentis") – the first anti-VEGF drug approved for ophthalmic use in China. As of the end of the Reporting Period, it is also currently the anti-VEGF drug in China that covers the widest age range and has the most indications.
- Brolucizumab Injection ("Beovu") – as of the end of the Reporting Period, the next-generation anti-VEGF drug with the smallest molecular weight (only 26 kDa), delivering treatment advances versus prior-generation agents, including potent fluid control and the potential to extend dosing intervals.

CHAIRMAN'S STATEMENT

In 2025, the global economy continued its gradual recovery, supported by technological innovation and ongoing industrial restructuring, while emerging markets continued to generate incremental growth momentum. In parallel, the pharmaceutical industry is accelerating its transition from scale-driven expansion to innovation-led, high-quality development. The deepening convergence of life sciences and artificial intelligence (AI) is reshaping industry fundamentals and the value chain. Against the backdrop of the commencement of China's 15th Five-Year Plan period, China's pharmaceutical sector is entering a critical phase of policy deepening and reform: multi-payer mechanisms are progressively improving, regulatory review standards are moving closer to international benchmarks, and competitive advantage is shifting from single-product competition to system-wide capability competition. High-quality and sustainable development has become the industry's long-term core theme.

Against this backdrop, China Medical System Holdings Limited (the "Company") has remained steadfast in a strategy anchored on clinical needs, driven by product value and supported by system capabilities, as we continue to elevate innovation and upgrade operations. We focused on long-term value creation and advanced, in a systematic manner, the coordinated enhancement of product competitiveness, commercialization capability, organizational and operational capability, and digital intelligence capability. We are progressively entering a stage of high-quality development underpinned by multiple growth curves—innovative products, the out-of-hospital market, and industrial internationalization.

On behalf of the board of directors of the Company (the "Board"), I would like to express my sincere gratitude to all employees, shareholders and partners. I am pleased to present the Annual Report of the Company and its subsidiaries (the "Group" or "CMS") for the year ended 31 December 2025 (the "Reporting Period").

From Product Competition to System Capability Competition

With a long-term perspective, CMS has been advancing its innovation transformation for eight consecutive years. This transformation is not limited to product-level innovation; rather, it represents a systematic reshaping of our growth model, resource allocation approach and capability architecture in alignment with the structural evolution of the pharmaceutical industry.

We have progressively developed a closed-loop growth model where "investment, R&D and commercialization" work in tandem: through industrial investments and partnerships, we extend our innovation boundaries, while investment returns help support R&D expenditure; leveraging a mature and replicable commercialization platform, we help guide R&D direction and accelerate value realization. This model helps balance innovation risk, capital efficiency and long-term returns, and has enhanced the Group's operational resilience and visibility across cycles.

In terms of product strategy, we pursue multiple innovation pathways in parallel—"in-licensing, co-development and in-house R&D"—to build an evolution path from fast-following to co-leading, and ultimately to leadership. To date, the Group has established a differentiated and tiered innovative product portfolio, and has built end-to-end capabilities spanning original innovation, clinical development and commercial execution—laying a solid foundation for long-term growth. As at 16 March 2026, the Group's differentiated innovation pipeline had expanded to approximately 50 programs, of which 7 innovative drugs have entered the commercialization stage, 6 are under marketing authorization review, and approximately 20 projects are about to initiate or are progressing through clinical trials—forming a sustainable and structurally robust pipeline. We have proactively embedded commercialization feasibility into innovation planning and decision-making, strengthening the alignment among product strategy, clinical value, access environment and market demand, thereby achieving a high degree of coupling between product strength and commercialization capability.

Meanwhile, we continued to strengthen our in-house R&D capabilities and maintained a disciplined level of R&D investment. Building on our established specialty strengths in Cardiovascular-Kidney-Metabolic diseases, central nervous system, gastroenterology, ophthalmology and skin health, we focus our pipeline on areas of unmet clinical needs to support the continuity and quality of our innovation engine. We recognize that in-house R&D is not only a source of product reserves, but also the foundation for specialty deepening and technology platform accumulation. Through sustained investment and systematic capability building, we continue to enhance technical barriers and control over core assets, reinforcing the long-term competitiveness of our key specialties and providing internal momentum and strategic support for the Group's long-term development.

Building Anti-Cyclical Resilience Through a Diversified Ecosystem

As multi-layer payment systems continue to improve and treatment scenarios become more diversified, the Group has adopted a dual-engine approach driven by "professional clinical value" and "consumer healthcare demand". While consolidating our in-hospital specialty strengths and academic foundation, we have also proactively built an out-of-hospital market system, forming a diversified commercial ecosystem with reduced dependence on any single pathway, thereby improving business stability and anti-cyclical resilience.

From a payer-mix perspective, we continue to strengthen a multi-tier payer ecosystem. While consolidating our in-hospital market, we are further unlocking the extended value of our products in consumer healthcare settings and accelerating expansion into out-of-hospital channels for incremental growth. In parallel, we are systematically building out our non-reimbursed product portfolio and proactively expanding partnerships with commercial insurers and private healthcare providers. By continuously improving product access and coverage across diverse payment scenarios, we are further optimizing our revenue mix.

On channel development, the Group is building an "omni-channel system". On the basis of deepening penetration in the public hospital market, we are integrating retail pharmacy networks, DTP pharmacies, B2C e-commerce platforms and O2O service scenarios, forming online-to-offline integrated operating capabilities. This further improves drug supply and service accessibility, and supports the shift of prescriptions to retail channels as well as patients' rational medication needs.

On professional influence, we continue to promote the dissemination of evidence-based medical outcomes and standardized diagnosis and treatment information, enhancing the linkage and synergy between "in-hospital professional voice" and "out-of-hospital influence expansion", and strengthening specialty brand professionalism and academic recognition.

At the specialty platform level, we continue to consolidate competitive advantages in core therapeutic areas including Cardiovascular-Kidney-Metabolic diseases, central nervous system and gastroenterology. In parallel, we are unlocking the internal potential of our skin health and ophthalmology segments through professionalized and increasingly independent operating mechanisms. The Group's skin health business, Dermavon has developed into China's leading innovative pharmaceutical company specialized in skin health, and in April 2025 applied for a separate listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") by way of introduction and distribution in specie. CMS Vision, focused on the ophthalmology specialty field with multi-dimensional expansion into otolaryngology (ear, nose, and throat, "ENT"), has been scaling up its operations progressively.

Upgrading "Going Global" Through Industrial Internationalization

Driven by deepening healthcare coverage, accelerated population ageing, and structural economic growth, emerging markets such as Southeast Asia and the Middle East are becoming among the most dynamic healthcare growth hubs globally.

Building on more than 30 years of clinical insights, industry resources and commercialization experience accumulated in China, and with a clear understanding of the significant differences in regulatory systems, channel structures and payment environments across emerging markets, the Group has proactively established an "industrial internationalization" pathway. With Singapore as our business hub for emerging markets in Asia Pacific, we are systematically building an end-to-end value chain covering R&D (CMS R&D), manufacturing (our associate PharmaGend) and commercialization (Rxilient), aiming to build a replicable and scalable long-term growth model.

In July 2025, the Group successfully completed a secondary listing by way of introduction on Singapore Exchange Securities Trading Limited (the "SGX-ST"), marking another milestone in our "industrial internationalization" strategy. The secondary listing broadened our long-term capital base for the Asia-Pacific market and enhanced CMS's brand profile and industry visibility in the region, providing a stronger foundation for regional resource integration and deeper expansion across emerging markets.

On the one hand, supported by local teams with strong on-the-ground experience, we are accelerating the "spillover" of the Group's differentiated product resources into emerging markets through local registration and commercialization, unlocking incremental cross-regional growth potential from our portfolio. On the other hand, we are converting our industrial capabilities into an open ecosystem enabler by delivering professional commercialization execution and CDMO contract manufacturing services, providing global partners with "one-stop, end-to-end" go-global solutions. This helps improve regional drug accessibility while building a mutually beneficial pharmaceutical ecosystem.

As at the end of the Reporting Period, Rxilient had cumulatively submitted close to 20 marketing authorization applications for pharmaceuticals and medical devices in Asia Pacific and the Middle East, with certain products approved and entering commercialization. Meanwhile, we added approximately 20 products with exclusive license rights in emerging markets across Southeast Asia, the Middle East and North Africa, and expanded authorized territories for the first time to Latin America as well as Australia and New Zealand, further enhancing the breadth and optionality of our international footprint.

Digital Intelligence Enablement and System Operations Upgrade

During the Reporting Period, the Group continued to strengthen system-based operational capabilities, enhancing process standardization and refined management. We are building an agile organization oriented towards value creation, breaking down internal silos and improving cross-functional collaboration efficiency, so that strategy can be effectively translated into tangible operating outcomes.

At the same time, we elevated digitalization and AI initiatives to the level of strategic infrastructure. We continued to advance the online enablement of core business processes, accumulation of data assets, and upgrades to management analytics capabilities. We are progressively connecting end-to-end data across R&D, commercialization and operational management, driving a transition from experience-driven to data-driven management, and improving operational efficiency and management precision to support long-term high-quality development.

Sustainable Development and Social Responsibility

The Group remains committed to fulfilling the responsibilities of a pharmaceutical company in response to the times and the United Nations Sustainable Development Goals, contributing to human health and sustainable development. We focus on accessibility and equity in healthcare, continue to invest in innovative drugs and rare disease therapies, and address unmet clinical needs through scientific breakthroughs. We also deepen public welfare initiatives including health education, drug assistance, disaster relief and rural revitalization, helping narrow gaps in health awareness and economic conditions through practical actions. In addition, we place emphasis on employee development and environmental responsibility, working together with stakeholders to promote long-term alignment and co-growth of corporate value and social value.

Leveraging our outstanding practices in environmental, social and governance (ESG), the Group has received recognition from a number of global authoritative rating agencies, including maintaining an "AA" rating from MSCI ESG Ratings, inclusion in S&P Global's Sustainability Yearbook (Global and China editions), and an upgrade of Wind ESG rating to "AA", among others.

Outlook

Looking ahead, the pharmaceutical industry remains in a period of deep adjustment and structural reshaping, and competition is expected to increasingly focus on product strength, system capabilities and strategic discipline. The Group will continue to anchor on unmet clinical needs, deepen innovation upgrading, strengthen commercialization capabilities, advance industrial internationalization and accelerate digital intelligence-enabled operational upgrades. We will move forward with focus and adaptability, and steadily progress towards a new phase of high-quality, sustainable and international development, with a view to creating long-term and resilient value returns for shareholders, patients and society.

Chairman
Lam Kong
Hong Kong, China
16 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

Company Overview

China Medical System Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "CMS") is an open platform company linking medical innovation with commercialization and provides end-to-end product life-cycle management. The Group is committed to providing competitive products and services that address unmet medical needs.

Driven by a dual-engine model of "collaborative development + in-house R&D," the Group continues to expand a differentiated innovation pipeline featuring first-in-class ("FIC") and best-in-class ("BIC") assets, while efficiently advancing clinical research, development and commercialization. Through this approach, we accelerate the translation of scientific breakthroughs into clinical practice and deliver tangible improvements in patient outcomes. As of 16 March 2026, the Group's differentiated innovation pipeline had expanded to approximately 50 programs, of which 7 innovative drugs have been approved in China.

Focusing on several specialty therapeutic fields, the Group has built an efficient commercialization system anchored in medical value, supported by broad channel coverage and multi-disease-area resources. Our core marketed products have achieved leading academic recognition and market positions. Building on our established specialty strengths, the Group continues to deepen its focus to enhance the scale and efficiency of our specialty businesses in Cardiovascular-Kidney-Metabolic, central nervous system (CNS), gastroenterology, ophthalmology, and skin health businesses. Notably, our skin health business, Dermavon, has grown into a leading pharmaceutical company in China specialized in innovative skin health products and is proposed to be separately listed on the Main Board of The Stock Exchange of Hong Kong Limited.

In parallel, the Group is actively executing its "industrial internationalization" strategy, leveraging Singapore as a hub for emerging markets to build an efficient, end-to-end value chain with strong "R&D – manufacturing – commercialization" synergies. Following our secondary listing in Singapore, we have further strengthened strategic recognition and connectivity to resources in international market, enabling new avenues for high-quality, sustainable growth.

Business Review

In 2025, China's pharmaceutical industry entered a profound transformation phase under a macro policy framework of "structural encouragement of innovation." A recovery in domestic demand and a steady rebound in healthcare spending provided a more supportive demand backdrop for the ramp-up of innovative products. The formal release of the *Several Measures to Support the High-Quality Development of Innovative Drugs* materially improved the ecosystem across R&D, market access and payment, accelerating commercialization of innovative therapies. Continued refinement of the National Reimbursement Drug List (NRDL) dynamic adjustment mechanism, together with the normalization of volume-based procurement (VBP), further redirected resources toward products with differentiated advantages. Meanwhile, the global relevance of China-originated innovation assets continued to rise, with cross-border partnerships becoming increasingly active. Industry competition has shifted to a higher level—defined by R&D foresight, the ability to integrate global resources, and the breadth and depth of commercialization execution.

In response to the industry's profound evolution, the Group remains firmly committed to its three strategic pillars: "Product Innovation", "Commercial Model Reform" and "International Expansion" and continues to transition steadily toward an innovation-driven, specialty-focused and operationally efficient international pharmaceutical company. To further strengthen our R&D ecosystem, we not only advance co-development programs with our R&D partners, but also make strategic equity investments in selected partners, proactively positioning the Group in frontier biotechnology. Leveraging our strong clinical development and commercialization capabilities, we continue to provide full-lifecycle empowerment to our investee companies and collaborative programs, accelerating technology translation and development progress. We also reinvest investment returns back into innovation R&D and, through collaboration of innovative product candidates, further enrich our commercialization pipeline—thereby establishing a value-enhancing ecosystem that links "Investment, Innovation and Commercialization." In parallel, the Group is deeply embedding AI-enabled digital intelligence across the entire value chain, including R&D, manufacturing, commercialization, and corporate management, to drive process re-engineering and lift productivity per capita, optimize product decision-making, resource allocation and ROI management, and enhance operating efficiency and decision agility, in support of the Group's long-term development. Through the synergy of our strategic execution, innovation engine, investment-ecosystem synergy and digital enablement, the Group is accelerating toward multi-engine, high-quality and sustainable growth—entering a new chapter in the rise of the "New CMS."

In 2025, the Group's operational performance returned to a growth trajectory amid continuous portfolio optimization, with both turnover and normalized annual profit posting solid year-on-year increases:

Turnover reached RMB8,212.1 million, representing a 9.9% year-on-year increase (2024: RMB7,469.0 million). In the case that all medicines were directly sold by the Group, turnover amounted to RMB9,385.6 million, up 8.9% year-on-year (2024: RMB8,621.6 million). In the case that all medicines were directly sold by the Group, sales from key exclusive/branded products and innovative products reached RMB5,613.4 million, representing a year-on-year growth of 23.3% (2024: RMB4,551.3 million), accounting for 59.8% of total turnover (2024: 52.8%). Within this segment, exclusive and innovative drugs grew by 44.1%, solidifying their position as the core growth engine. Due to the impact of certain non-recurring and non-operational items, the profit for the year of 2025 was RMB1,443.3 million, a decrease of 10.5% year-on-year (2024: RMB1,613.1 million). Excluding the effect of these non-recurring and non-operational items, the Group's normalized annual profit reached RMB1,775.5 million, representing a 3.6% year-on-year increase (2024: RMB1,713.7 million), which objectively reflects the Group's profitability of ongoing operations.

Supported by the Group's solid financial position, the Board has proposed a final dividend of RMB0.1366 per share (excluding treasury shares). Together with the interim dividend, the total annual dividend per share for 2025 amounts to RMB0.2921, representing a 9.0% increase over 2024. This demonstrates the Group's commitment to reward shareholders for their sustained support and confidence in the long-term development of the Group.

The Group has adopted a "Collaborative Development + In-house R&D" model to build an innovation engine that combines near-term certainty and long-term potential. "Collaborative Development" safeguards the richness and competitiveness of the short-term and mid-term pipeline, rapidly broadening the product matrix; "In-house R&D" involves deep deployment in advanced biotechnology, building the cornerstone for long-term development and a sustained innovation driver. Since the beginning of 2025, the Group's tiered innovation portfolio continued to expand and upgrade in both scale and quality: two new drugs were approved for marketing, namely Lumirix (ruxolitinib phosphate cream) for vitiligo (approved for marketing in China in January 2026) and Desidustat Tablets (approved for marketing in China in March 2026). Marketed innovative drugs accelerated their ramp-up, gradually generating scale effects in promotion. Six innovative drugs are under China's NDA review, building momentum for subsequent growth, namely Loberamisal for Injection (Y-3 for Injection); the innovative products newly added during the year, Silevimig Injection and Vecantoxatug Injection; Benzgalantamine Gluconate Enteric-coated Tablets (ZUNVEYL), Comekibart Injection (MG-K10 for Atopic Dermatitis (AD)) and ruxolitinib phosphate cream for AD (China NDA accepted in February 2026). In-house R&D products with global rights, including the GnRH receptor antagonist (CMS-D002), the GLP-1R/GCGR dual agonist (CMS-D005), the cardiac myosin inhibitor (CMS-D003), the TYK2 inhibitor (CMS-D001), and the complement factor B inhibitor (CMS-D017) (entered China Phase I clinical trial in March 2026) have advanced steadily in clinical development, strengthening the Group's proprietary innovative asset base.

The Group has cultivated a strong presence in specialty-disease therapeutics. Beyond its core markets, the Group is proactively building and scaling an out-of-hospital growth engine centered on "new retail, digital channels and consumer healthcare" to capture the opportunities arising from prescription outflow, a more diversified payment landscape and growing consumer healthcare demand. In parallel, it is strengthening channel reach and brand building to unlock incremental growth through a robust out-of-hospital ecosystem. The Group's skin health business, Dermavon, has established a leading position in China's skin health sector. Dermavon is proposed to be spun off and listed independently on the Main Board of the SEHK by way of introduction, together with a distribution in specie of its shares, aiming to unlock its standalone value and high-growth potential.

In addition, the Group is actively deepening its "Industrial Internationalization" footprint, building a highly efficient, end-to-end ecosystem spanning "R&D, manufacturing and commercialization." On 15 July 2025, the Group successfully completed a secondary listing on the SGX-ST by way of introduction, and is leveraging this milestone as a strategic anchor to advance deeper penetration into emerging markets, shaping a new multi-regional and sustainable growth landscape.

Looking back on 2025, CMS has achieved milestone strategic breakthroughs. Going forward, as the "New CMS" strategy is comprehensively implemented, the Group will stay committed to innovation as its core engine, continuously build a diversified commercialization ecosystem with coordinated in-hospital and out-of-hospital channels, accelerate the realization of its "Industrial Internationalization" system advantages across emerging markets, and embed AI-enabled digital intelligence throughout operations and management. With strong development resilience and strategic momentum, the Group is steadily evolving into an innovation-driven multinational pharmaceutical company rooted in China and competing across emerging markets globally, creating enduring value for the global healthcare industry.

I. Innovation R&D System

"Innovation-driven" is a vital endogenous engine for the Group's high-quality and sustainable development. We have established a systematic monitoring mechanism for market trends and frontier technologies. Through a dual-driven strategy of "Collaborative Development + In-house R&D," we have constructed an innovative product development matrix characterized by diversified pathways and dynamic synergy, continuously promoting a tiered differentiated pipeline centered on FIC and BIC products. Leveraging our full-chain R&D system—which spans from target discovery to new drug registration—we empower the efficient transformation of cutting-edge biotechnology into clinical value, bringing more breakthrough disease solutions to patients.

As of 16 March 2026, the Group has strategically deployed approximately 50 differentiated innovative pipeline products, forming a tiered portfolio structured as "early-stage incubation - clinical developments - regulatory review - market scaling." Among these, 7 innovative drugs (Lumirix for vitiligo, ILUMETRI, VELPHORO, Metoject, Desidustat Tablets, VALTOCO and LUMEBLUE) have been approved for marketing in China. 6 innovative drugs (Loberamisal for Injection, Silevimig Injection, Vecantoxatug Injection, Benzgalantamine Gluconate Enteric-coated Tablets, Comekibart Injection for AD, and ruxolitinib phosphate cream for AD) are under NDA review in China. Approximately 20 projects are about to initiate or are progressing through clinical trials. Within this category, approximately 6 in-house R&D projects with global independent intellectual property rights have entered into the clinical stage. Furthermore, the Group's in-house R&D pipeline possesses over 20 candidate products currently in the pre-clinical research stage.

In January 2026, Lumirix (ruxolitinib phosphate cream) obtained China NDA approval for vitiligo, becoming the first topical JAK inhibitor approved in China for vitiligo. The China NDA for its AD indication was accepted in February 2026. In March 2026, a novel oral Hypoxia-Inducible Factor Prolyl Hydroxylase Inhibitor (HIF-PHI) Desidustat Tablets was approved for marketing in China for treating anaemia in non-dialysis adult CKD patients.

1. Innovative Products of CMS

1.1 Core Innovative Drugs Approved for Marketing in China

- ***VELPHORO (Sucroferric Oxyhydroxide Chewable Tablets) – China's first iron-based, non-calcium phosphate binder (PB), providing potent phosphorus reduction with lower pill burden, and improving nutritional status in patients; approved in China in 2023; in the Category B of NRDL***

VELPHORO is indicated for the control of serum phosphorus (sP) levels in adult chronic kidney disease (CKD) patients on hemodialysis or peritoneal dialysis, and filled the gap of phosphorus-lowering treatment for Chinese paediatric patients aged 12 to 18 years old with CKD stages 4-5 (defined by a glomerular filtration rate <30 mL/min/1.73 m^2) or CKD on dialysis. Moreover, in January 2026, the Supplemental New Drug Application of the product for the control of sP levels in pediatric patients 9 years of age and older with CKD stages 4-5 or with CKD on dialysis was approved by the China National Medical Products Administration (NMPA). It is demonstrated in multiple global clinical studies, real-world study (RWS) data and the Chinese instruction that compared with other PBs, patients maintained on VELPHORO used about 50% fewer PB pills/day, and the proportion of patients achieving target sP increased by 95%. VELPHORO has characteristics of good safety and patient compliance without risk of calcium and heavy metal accumulation. In addition, it holds the advantages of unaffected absorption of oral liposoluble vitamin D, maintaining stable iron parameters, improving the nutritional status in patients, etc.

During the Reporting Period, the product was included in the "Chinese expert consensus on the clinical management of hyperphosphatemia in patients with chronic kidney disease (2025 edition)" and the "Clinical practice guidelines for management of chronic kidney disease during peridialysis in China (2025)". Meanwhile, taking the opportunity of the National Health Commission's prioritization of "improving sP control rates in patients on dialysis" as a key quality control improvement target, the product leveraged its core advantage of "achieving target with good sP levels reduction" to further consolidate its leading position in the field of dialysis hyperphosphatemia treatment.

- ***Metoject (Methotrexate (MTX) Injection)– China's first pre-filled MTX Injection for subcutaneous administration for the treatment of RA and psoriasis; its core indication of RA was approved in China in 2024; in the Category A of NRDL***

Metoject is indicated for the treatment of active rheumatoid arthritis (RA) in adult patients, and severe recalcitrant disabling psoriasis in adult patients. The results of the bridge clinical trial of its RA indication in China demonstrate that after 12 weeks of treatment, compared to oral methotrexate tablets, the changes of DAS28-ESR score of patients treated by Metoject compared with the baseline achieved non-inferiority, and the results of secondary efficacy indicators suggest that the efficacy of Metoject is significantly better or there is a trend of better. In addition, some of the curative effects that can be observed in the early stage of the product are more obvious than those of methotrexate tablets, suggesting that the curative effect of the product appears earlier, with a lower incidence of gastrointestinal adverse reactions. The results were published in the academic journal Rheumatology in February 2025.

During the Reporting Period, the product was recommended by authoritative guidelines, including "Consensus on early diagnosis and treatment of psoriatic arthritis (2025)" and "EULAR Recommendations for the Management of Rheumatoid Arthritis-2025 Update" published by the European Alliance of Associations for Rheumatology (EULAR). During the Reporting Period, the Group further strengthened Metoject's core position as the first-line treatment and anchor combination therapy for RA. Leveraging a matrix of academic platforms, the Group translated Metoject's core advantages of "rapid onset, strong efficacy, durable efficacy and synergistic efficacy", together with its convenient injection features, into broad clinical recognition and practice, promoting standardized upgrading of RA management, and enabling long-term patient benefits.

- ***Desidustat Tablets - A novel oral Hypoxia-Inducible Factor Prolyl Hydroxylase Inhibitor; approved in China in March 2026***

Desidustat Tablets is indicated for treating anaemia in non-dialysis adult patients with Chronic Kidney Disease (CKD). Its mechanism of action promotes erythropoiesis through increasing endogenous erythropoietin, improving iron availability and reducing hepcidin. The product is administrated orally, thus expecting to improve the treatment compliance of patients. The China Phase III clinical trial of Desidustat Tablets has demonstrated positive results. The primary endpoint of the haemoglobin (Hb) mean change from baseline to the period of Week 7-9 has indicated that, Desidustat is more effective than placebo in increasing Hb level. Results from the extension study demonstrate that the product can maintain Hb level within the target range over the long term with acceptable safety. In addition, the product significantly reduces hepcidin levels and ameliorates iron metabolism disorders.

1.2 Innovative Drugs under NDA Review in China

- ***Loberamisal for Injection (Y-3 for Injection) – The world's first brain cytoprotectant developed based on the important targets of stroke, PSD95-Nnos and MPO, with potential to achieve a technological breakthrough in the simultaneous intervention of "stroke treatment and prevention of post-stroke depression and anxiety"; China NDA accepted in December 2025***

Y-3 for Injection is intended for the treatment of acute ischemic stroke. As an innovative drug with well-defined targets and clear mechanism of action, Y-3 for Injection acts on multiple key pathological processes of the ischemic cascade in ischemic stroke through multi-target, highly selective synergy: the product is able to uncouple PSD95-nNOS, inhibit MPO activity, and enhance the activity of α2-GABAA receptor (a subtype of GABAA receptor with antidepressant and anxiolytic effects). With this multi-target, highly selective synergistic mechanism, it is expected to achieve a technological breakthrough in the simultaneous intervention of "stroke treatment and prevention of post-stroke depression and anxiety".

During the Reporting Period, Y-3 for Injection completed the Phase III clinical trial in China and met the primary efficacy endpoint: patients in the Y-3 for Injection group demonstrated a significantly higher proportion of patients achieving an excellent functional outcome at 90 days than those in the placebo group, with a rate difference of 13%. The relative risk (RR) of 1.24 (95% CI 1.12 - 1.36), representing a statistically significant difference which suggests that the product can significantly improve the functional outcomes of patients with acute ischemic stroke. Meanwhile, the product demonstrated a favorable safety profile. Furthermore, exploratory outcome analysis also indicated that the product has certain advantages in improving post-stroke depression and anxiety. The full study results of the Phase III trial will be submitted for publication in international academic journals. Previously, the results of Phase II clinical trial presented at the 10th European Stroke Organisation Conference in 2024 ("ESOC 2024") indicated that among patients with ischemic stroke within 48 hours of onset, treatment with Y-3 group (40 mg, qd) demonstrated a significantly higher proportion of patients achieving an excellent functional outcome (mRS of 0-1) at 90 days than those in the placebo group, with a rate difference of 16% (76.7% vs 60.7%). Moreover, the product showed comparable safety to placebo in acute ischemic stroke patients, exhibiting good tolerability.

- ***Silevimig Injection – The world's first recombinant, fully human bispecific antibody against rabies virus targeting epitope I and/or epitope III of the G protein; China NDA accepted in January 2025***

Silevimig Injection is intended for passive immunization following suspected rabies virus (RABV) exposure in adults. If approved for marketing, it is expected to improve the limitations of existing passive immunization agents in terms of safety and accessibility, leveraging its differentiated competitive advantages. Its molecular design is consistent with the World Health Organization ("WHO")'s recommendation of "cocktail" combinations for anti-RABV antibody development, to ensure broad effectiveness across different viral strains and genotypes. As a Class 1 innovative biologic, Silevimig Injection supports large-scale, standardized production. In addition, it has advantages such as broad neutralization, low immunogenicity, minimal interference with vaccine-induced active immunity, and controlled production cost.

In a Phase III clinical trial in China for passive immunization following suspected RABV exposure in adults, the product met its primary efficacy endpoint, demonstrating non-inferior protective efficacy compared with human rabies immunoglobulin (HRIG), the currently most used passive immunization product in China. The study confirmed that Silevimig provides immediate protection during the early stages of rabies virus exposure without compromising the active immune response induced by vaccination. During the Reporting Period, the Phase III clinical trial in China for Silevimig in children and adolescents aged 2 to <18 years requiring passive immunization following suspected rabies virus exposure is progressing in an orderly manner.

- ***Vecantoxatug Injection - A recombinant humanized monoclonal antibody against tetanus neurotoxin (TeNT) with an excellent safety profile, which delivers superior protection compared with human tetanus immunoglobulin (HTIG); China NDA accepted in May 2025***

Vecantoxatug Injection is intended for passive immunization against tetanus. If approved for marketing, it is expected to provide an advanced preventive and therapeutic option of passive immunization for patients following tetanus exposure. The product is a recombinant humanized monoclonal antibody, which binds to the fragment C domain of the TeNT heavy chain (TeNT-Hc). By specifically binding TeNT-Hc, it effectively blocks toxin entry into neurons, providing passive immunization. Vecantoxatug is able to provide greater protection than HTIG, while demonstrating excellent safety, tolerability, and low immunogenicity, with enhanced controllability and accessibility. As a Class 1 innovative biologic, the product is expected to address limitations associated with tetanus antitoxin, equine-derived tetanus immunoglobulin and HTIG, including the risks of allergic reactions and potential infectious pathogen transmissions. During the Reporting Period, its Phase III clinical trial in China for passive immunization against tetanus successfully met the primary efficacy endpoint.

- ***Benzgalantamine Gluconate Enteric-coated Tablets (ZUNVEYL) – The second oral therapy approved by the U.S. Food and Drug Administration (FDA) for the treatment of Alzheimer's disease in over a decade, demonstrating a potentially better gastrointestinal safety profile; China NDA accepted in July 2025***

ZUNVEYL is indicated for the treatment of mild-to-moderate dementia of the Alzheimer's type in adults. The product is expected to improve compliance of Alzheimer's disease patients. As a new generation of acetylcholinesterase inhibitor (AChEI), ZUNVEYL can inhibit the acetylcholinesterase from breaking down the neurotransmitter acetylcholine, increase the level of acetylcholine in the central nervous system, and therefore alleviate cognition and memory impairment in Alzheimer's disease patients. As a prodrug of galantamine, ZUNVEYL remains inert as it passes through the stomach and the intestine, and eventually releases the active drug into the bloodstream after being metabolized by the liver, with the potential of reducing gastrointestinal (GI) side effects and addressing certain tolerability issues. GI adverse events documented across all studies for ZUNVEYL were less than 2% and no insomnia was observed. Meanwhile, ZUNVEYL is expected to have equivalent efficacy as galantamine. Galantamine has accumulated extensive evidence of efficacy and demonstrated long-term clinical benefit in the treatment of mild-to-moderate dementia of the Alzheimer's type since the approval of FDA in 2001.

1.3 Innovative Drugs under Clinical Development in China

- ***ABP-671 - An innovative URAT1 inhibitor, which is expected to be a first-line treatment, offering long-term administration with superior serum uric acid control and optimized gout management; China Phase IIb/III clinical trial ongoing***

As an oral small molecule Class 1 innovative drug, ABP-671 is a highly selective Urate Anion Transporter 1 ("URAT1") inhibitor. ABP-671 eliminates the production of toxic metabolites by optimizing the chemical structure. This innovative molecular design directly targets the critical safety limitations of existing gout and hyperuricemia treatments. Its safety and tolerability have been validated through over 10 clinical trials across China, the U.S., Australia, and other major markets. Unlike marketed drugs and investigational therapies, no serious adverse events (SAEs) related to the liver, kidneys, heart, or gastrointestinal system were reported. ABP-671 demonstrated exceptional safety and strong tolerability. Based on the clinical results and literature data, a daily dose of 2-4 mg of ABP-671 may offer efficacy comparable to, or even exceeding, that of the highest approved doses (80 mg) of benzbromarone or febuxostat. In addition, ABP-671 showed strong efficacy in dissolving tophi. As of the end of the Reporting Period, the China Phase IIb/III clinical trial for ABP-671 was advancing in an orderly manner.

The China Phase IIa clinical trial of the product successfully achieved its endpoints. At a dose 1 mg group of ABP-671, over 86% of the subjects with gout or hyperuricemia achieved the primary endpoint (sUA levels <6 mg/dL or 360 μmol/L). At other doses, 100% of subjects achieved the primary endpoint (sUA levels <6 mg/dL). At doses of 6 mg group and 12 mg group, 100% of subjects achieved sUA levels <5 mg/dL (300 μmol/L); and there were 57% and 100% of subjects achieved sUA levels <4 mg/dL (240 μmol/L), respectively. No significant adverse events have occurred, and ABP-671 is well tolerated.

- ***Comekibart Injection (MG-K10) - Expected to become the first long-acting (one dose every four weeks) anti-IL-4Rα monoclonal antibody approved in China, with BIC potential; China Phase III clinical trial for asthma and seasonal allergic rhinitis ongoing***

MG-K10 exerts immunomodulatory effects by simultaneously blocking the signaling of key type 2 inflammatory cytokines IL-4 and IL-13. Its Fc mutation effectively prolongs half-life and enables a longer dosing interval, thereby improving compliance in patients with chronic diseases. Its existing clinical data demonstrate that MG-K10 has favourable efficacy and safety profile.

As of the end of the Reporting Period, MG-K10 is the only long-acting anti-IL-4Rα antibody candidate that has been validated in Phase III studies among marketed and clinical-stage anti-IL-4Rα antibodies. The asthma and seasonal allergic rhinitis indications have entered the China Phase III clinical trial stage. Additionally, the product has obtained IND approvals for eosinophilic esophagitis, chronic rhinosinusitis with nasal polyps and chronic obstructive pulmonary disease in China. *(Note: See "Section 2. Innovative Products of Dermavon - 2.2 Innovative Drugs under NDA Review in China" for more information about progress on dermatology indications)*

1.4 In-house R&D – Major Clinical-Stage Pipelines with Global Rights

- ***CMS-D002 Capsules (GnRH Receptor Antagonist) – China Phase II clinical trial ongoing***

In February 2026, a multi-center, randomized, double-blind, parallel-group, placebo-controlled Phase II clinical study to evaluate the efficacy and safety of CMS-D002 capsules at different dose levels in participants with uterine fibroids associated with heavy menstrual bleeding, is progressing smoothly. The product may be developed to treat endometriosis, uterine fibroids, prostate cancer, and other diseases in the future.

- ***CMS-D005 Injection (GLP-1R/GCGR Dual Agonist) – China Phase I clinical trial ongoing***

As of the end of the Reporting Period, a Phase I clinical trial to evaluate the safety, tolerability, pharmacokinetic and pharmacodynamic profile of the product in healthy and overweight/obese adult subjects in China, was progressing smoothly. The product may also be developed in the future to treat metabolic dysfunction-associated steatohepatitis, polycystic ovary syndrome and other metabolism-related diseases.

- ***CMS-D003 Capsules (Cardiac Myosin Inhibitor) – China Phase I clinical trial ongoing***

As of the end of the Reporting Period, a Phase I clinical trial to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of the product in healthy adults in China, was progressing smoothly. The product may be developed in the future to treat oHCM, heart failure with preserved ejection fraction and other diseases.

- ***CMS-D017 Capsules (Complement Factor B Inhibitor) – China Phase I clinical trial ongoing***

In January and February 2026, respectively, it was granted China Investigational New Drug (IND) approvals to conduct clinical trials in healthy participants in China to evaluate the safety, tolerability, pharmacokinetic, and pharmacodynamic characteristics of the product. In March 2026, a randomised, double-blind, placebo-controlled, dose-escalation Phase I clinical trial to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of single and multiple doses of CMS-D017 in healthy participants is progressing smoothly. The product may be developed in the future to treat paroxysmal nocturnal hemoglobinuria and complement-mediated kidney disease, including but not limited to IgA nephropathy, idiopathic membranous nephropathy, lupus nephritis, C3 glomerulopathy and other diseases.

- ***CMS-D008 Injection (a siRNA therapy targeting and inhibiting INHBE) – Obtained China IND Approval***

In March 2026, it was granted China IND approval to conduct clinical trials of CMS-D008 injection for overweight or obese individuals. In the future, it may be developed for the treatment of overweight/obesity, abdominal obesity, and related metabolic diseases.

1.5 Replenishment of Pipeline

- In September 2025, the Group entered into two separate exclusive Collaboration Agreement with Chongqing Genrix Biopharmaceutical Co., Ltd. ("Genrix Bio") for Class 1 therapeutic biological products, Vecantoxatug Injection and Silevimig Injection, and obtained exclusive commercialization rights for these two products in mainland China and exclusive licensing rights for the rest of the Asia-Pacific region, the Middle East and North Africa.

- In January 2025, the Group entered into a Collaboration Agreement with Hunan Mabgeek Biotech Co., LTD ("Mabgeek Biotech") and its subsidiaries for Class 1 innovative drug anti-IL-4Rα humanized monoclonal antibody injection MG-K10. In accordance with the agreement and supplementary agreements, the Group has obtained the co-development rights (excluding AD) and exclusive commercialization rights for the product in Mainland China, Hong Kong Special Administrative Region ("Hong Kong"), Macau Special Administrative Region ("Macau"), Taiwan Region and Singapore. Among them, the co-development rights (excluding AD) and exclusive commercialization rights of dermatology indications in Mainland China belong to Dermavon.

- In January 2025, the Group entered into a License, Collaboration and Distribution Agreement with Alpha Cognition Inc. of the improved new drug ZUNVEYL, and gained an exclusive right to develop, register, manufacture, import, export and commercialize the product in Asia (excluding Japan and the Middle East region) and other designated territories.

2. Innovative Products of Dermavon

2.1 Innovative Drugs Approved for Marketing in China

- ***Lumirix (ruxolitinib phosphate cream) for vitiligo - the first topical JAK inhibitor approved in China for vitiligo; Approved in China in January 2026***

The product is approved in China for the treatment of non-segmental vitiligo with facial involvement in children aged 12 years and older and adult patients. As of the end of the Reporting Period, ruxolitinib phosphate cream (Opzelura®) is the first and only drug approved by the U.S. Food and Drug Administration (FDA) and the European Medicines Agency (EMA) for repigmentation in non-segmental vitiligo.

Ruxolitinib phosphate cream has shown positive results in both overseas clinical studies and the real-world study in China: in two identical Phase III double-blind, randomized, placebo-controlled studies (TRuE-V1 and TRuE-V2) conducted overseas, the proportion of patients achieving the primary efficacy endpoint of at least 75% improvement in the Facial Vitiligo Area Score Index (F-VASI 75) after 24 weeks of treatment with ruxolitinib phosphate cream was 29.9%, significantly higher than the 7.5% and 12.9% in the placebo groups, respectively. Continued use up to 52 weeks showed sustained repigmentation. Ruxolitinib phosphate cream underwent real-world study in China, demonstrating positive efficacy consistent with the results of overseas pivotal clinical studies. All secondary efficacy endpoints in both domestic and overseas clinical studies showed a benefit trend consistent with the primary efficacy endpoint, and the treatment effect for vitiligo continued to improve with prolonged treatment. Furthermore, according to safety monitoring data from the Hainan Boao Lecheng International Medical Tourism Pilot Zone ("Lecheng Pilot Zone"), no new safety event was identified, no adverse event (AE) leading to discontinuation or withdrawal of treatment occurred, and no study drug-related serious adverse event occurred.

Prior to receiving formal NDA approval, Dermavon proactively advanced its pilot application in designated medical institutions within the Lecheng Pilot Zone, Guangdong region of the Greater Bay Area and the Beijing and Tianjin Free Trade Zones: as of the end of the Reporting Period, Boao Super Hospital has prescribed ruxolitinib phosphate cream to near 7,500 patients with non-segmental vitiligo, and approximately 25 hospitals in Guangzhou, Shenzhen, Dongguan, Foshan, Zhongshan, Zhuhai, Jiangmen, Huizhou, Beijing and Tianjin have provided prescription services for the product. Dermavon continued to deepen its multi-channel layout within and outside hospitals. Adhering to an academic-driven core strategy, Dermavon advanced products' academic development, continuously accumulating clinical value for the product while enhancing recognition in specialized fields. During the Reporting Period, the product was newly included in the "Expert consensus on the treatment of dermatoses with targeted drugs (2025 version)" and "Guideline on phototherapy for vitiligo (2025 edition)". Several results of studies have been published in top-tier dermatology journals both domestically and internationally, such as *The Journal of the American Academy of Dermatology (JAAD).*

The Group, through its subsidiary of Dermavon entered into a Collaboration and License Agreement with Incyte for ruxolitinib phosphate cream on 2 December 2022, obtaining an exclusive license to develop, register and commercialize the product in Mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, Taiwan Region and eleven Southeast Asian countries (the "Territory") and a non-exclusive license to manufacture the product in the Territory. The subsidiary of Dermavon has sublicensed the relevant rights for the product outside of Mainland China to the Group (excluding Dermavon and its subsidiary)

- ***ILUMETRI (Tildrakizumab Injection) - a monoclonal antibody specifically targeting to the p19 subunit of IL-23, requires only 4 administrations per year during its maintenance period, which may lead to higher patient compliance; Approved in China in 2023; Included in the Category B of NRDL***

ILUMETRI is indicated for the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy. Compared to IL-17, ILUMETRI targets the upstream IL-23, which can lead to a more comprehensive suppression of inflammatory pathway and is associated with a favorable safety profile. This specificity can translate into a better-tolerated treatment option for patients. The results from its Phase III clinical trial in China demonstrated that the primary efficacy assessment indicator PASI-75 response rate continued to increase over treatment time. The PASI-75 response rate reached a high level after 28 weeks of treatment with the product and maintained at 91.3% at week 52, while showing good long-term safety and tolerance. The results were published in the academic journal *Chinese Medical Journal.*

During the Reporting Period, Dermavon implemented medical-evidence-driven promotion, including large-scale real-world studies and the establishment of scientific research platforms. Dermavon continued to solidify its medical evidence, enhancing the brand value of the product and accelerating its penetration and volume growth in both hospitals and dual-channel pharmacies. The product was newly included in multiple domestic and international guidelines as a first-line treatment option. During the Reporting Period, the product was newly included in several guidelines such as "EuroGuiDerm Guideline for the systemic treatment of psoriasis vulgaris, 2025 updated", and "Expert consensus on the treatment of dermatoses with targeted drugs (2025 version)". Furthermore, the Chinese real-world study "Tildrakizumab in real-world Chinese psoriasis: efficacy-safety profiles from a 28-week retrospective cohort with geriatric, late-onset and metabolic syndrome stratification" was officially published by *Journal of Dermatological Treatment.*

2.2 Innovative Drugs under NDA Review in China

- ***Ruxolitinib phosphate cream for AD - The first topical JAK inhibitor approved by the U.S. FDA; China NDA Accepted in February 2026***

The proposed indication for ruxolitinib phosphate cream is for the topical short-term and non-continuous chronic treatment of mild to moderate atopic dermatitis in non-immunocompromised adult and pediatric patients 2 years of age and older whose disease is not adequately controlled with topical prescription therapies or when those therapies are not advisable. Its NDA in China has been approved for inclusion in the Priority Review List by the Center for Drug Evaluation (CDE) of the NMPA based on its qualification as a "new variety, dosage form and specification of pediatric drug that conforms to the physiological characteristics of children", which is expected to accelerate the product's review process for marketing approval in the AD indication, potentially providing AD patients with a good alternative novel treatment. Ruxolitinib phosphate cream (Opzelura®) has been approved by the U.S. FDA for the topical short-term and non-continuous chronic treatment of mild to moderate AD in non-immunocompromised patients aged 2 years and older whose disease is not well controlled with topical prescription therapies, or when those therapies are not advisable. During the Reporting Period, it has successfully met its primary endpoint in its Phase III clinical trial in China, demonstrating that a significantly higher proportion of subjects treated with ruxolitinib phosphate cream achieved IGA (Investigator's Global Assessment) of 0 or 1 with at least two grades of reduction from baseline at week 8, compared with placebo (63.0% vs 9.2%, $P < 0.001$). For the key secondary endpoint, the proportion of subjects achieving at least a 75% improvement from baseline in the Eczema Area and Severity Index score (EASI 75) of treatment with ruxolitinib phosphate cream was also significantly higher than that of the placebo group, at week 8 (78.0% vs 15.4%, $P < 0.001$). The severity of treatment-emergent adverse events (TEAE) during the treatment period was mostly mild or moderate, with no TEAEs leading to discontinuation of the study drug. Overall, ruxolitinib phosphate cream was safe and well-tolerated.

- ***Comekibart Injection(MG-K10) - expected to be China's first approved long-acting anti-IL-4Rα monoclonal antibody(one dose every four weeks) with BIC potential; China NDA for AD indication accepted in October 2025***

Comekibart Injection is intended for the treatment of adult with moderate-to-severe AD whose disease is not adequately controlled with topical prescription therapies or when those therapies are not advisable. As of the end of the Reporting Period, the product has achieved positive results in its Phase III clinical study in adults with moderate-to-severe AD, meeting the primary research endpoint as designed, and at 52 weeks of treatment with MG-K10, proportion of participants with Investigator Global Assessment (IGA) score of 0 or 1, also with an improvement of ≥2 points from baseline is 76.6%; proportion of participants with ≥75% reduction in Eczema Area and Severity Index (EASI 75) from baseline is 94.3%; proportion of participants with ≥90% reduction in Eczema Area and Severity Index (EASI 90) from baseline is 79.1%. Regarding safety, most of the Treatment Emergent Adverse Event (TEAE) were Grade 1-2, with no Adverse Event of Special Interest (AESI) or fatal adverse event occurred. The incidence of common adverse reactions (conjunctivitis, injection site reactions, etc.) of drugs with the same target is relatively low for MG-K10. As of the end of the Reporting Period, the China Phase III clinical trial for prurigo nodularis indication was advancing steadily; the China Phase II clinical trial for AD in adolescents has been completed; and the IND application for a Phase III clinical trial for chronic spontaneous urticaria indication has been approved in China.

2.3 Innovative Drugs under Clinical Development in China

- ***Povorcitinib - a selective oral small-molecule JAK1 Inhibitor, with the potential to provide a new treatment option for patients suffering from relevant autoimmune and inflammatory dermatologic diseases; Phase I clinical trial for vitiligo ongoing***

In December 2025, povorcitinib has been included in the list of Breakthrough Therapeutic Drugs by CDE of NMPA, with a proposed indication for adult patients with non-segmental vitiligo. This certification has the potential to accelerate the development and review process of the Product, thereby potentially offering a differentiated treatment option for patients with non-segmental vitiligo.

During the Reporting Period, Dermavon has been steadily advancing the China Phase I clinical trial for non-segmental vitiligo and may consider further initiating clinical development of povorcitinib in China for the treatment of skin-related diseases such as prurigo nodularis in the future. As of the end of the Reporting Period, Incyte was advancing the Phase III clinical trials of povorcitinib for non-segmental vitiligo, moderate to severe hidradenitis suppurativa (HS), and PN in several countries outside China, as well as a Phase 2 clinical trial for the treatment of asthma. In the completed clinical trials, povorcitinib has shown potential for good efficacy and safety.

The Group, through a subsidiary of Dermavon entered into a Collaboration and License Agreement for povorcitinib on 31 March 2024 with Incyte, obtaining an exclusive license to research, develop, register and commercialize the product in Mainland China, Hong Kong, Macau, Taiwan Region and eleven Southeast Asian countries (the "Territory") and a non-exclusive license to manufacture the product in the Territory. The subsidiary of Dermavon has sublicensed the relevant rights of povorcitinib in the Territory other than Mainland China to the Group (excluding Dermavon and its subsidiaries).

2.4 In-house R&D – Major Clinical-Stage Pipelines with Global Rights

- ***CMS-D001 Tablets (TYK2 Inhibitor) - China Phase II/III clinical trial for Psoriasis and China Phase II for AD ongoing***

In July 2025, the NMPA granted the approval to conduct clinical trials evaluating the safety and efficacy of CMS-D001 for the treatment of AD. In March 2026, a multi-center, randomized, double-blind, placebo-controlled phase II clinical study to evaluate the efficacy and safety, of the product in adult patients with moderate-to-severe plaque psoriasis, and a multi-center, randomized, double-blind, placebo-controlled Phase II clinical study to evaluate the efficacy and safety of the product in patients with moderate-to-severe AD are both currently ongoing. The product is planned to be developed for the treatment of psoriasis and AD.

2.5 Replenishment of Pipeline

- ***In January 2025, the Group entered into a collaboration agreement with Mabgeek Biotech in respect of MG-K10. Dermavon obtained the co-development right (except for AD) and the exclusive commercialization right to the product in respect of dermatology indications in Mainland China. In accordance with the agreement, as supplemented, Mabgeek Biotech is responsible for progressing the clinical trial for AD; whereas both parties will be jointly responsible for progressing the clinical development for prurigo nodularis in adults and other indications in the field of dermatology.***

3. Innovative Pipeline

Launched Overseas/China or Under Marketing Application Review

Product	Rights Authorized Region*	Indication	Clinical Trial Approval	Clinical Trial for Registration	Marketing Application	Marketed	Major Marketed Regions*			
							CN	US	EU	JP
Sucroferric Oxyhydroxide Chewable Tablets		For the control of sP levels in adults with CKD on hemodialysis or peritoneal dialysis, and for the control of sP levels in paediatric patients 9 years of age and older with CKD stages 4-5 or CKD on dialysis					2023.2	✓	✓**	✓
Tildrakizumab Injection		For the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy					2023.5	✓	✓	✓
Methotrexate Injection		Severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such as phototherapy, PUVA, and retinoids					2023.3		✓	
		Active rheumatoid arthritis in adult patients					2024.7		✓	✓
Diazepam Nasal Spray		For the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy 6 years of age and older					2023.6	✓		
		For the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy 2-5 years of age						✓		
Methylthioninium Chloride Enteric-coated Sustained-release Tablets		A diagnostic agent to enhance visualisation of colorectal lesions in adult patients undergoing screening or surveillance colonoscopy					2024.6		✓	
Ruxolitinib phosphate cream		For the treatment of non-segmental vitiligo with facial involvement in children aged 12 years and older and adult patients					2026.1	✓	✓	
		For the topical short-term and non-continuous chronic treatment of mild to moderate atopic dermatitis in non-immunocompromised adult and pediatric patients 2 years of age and older whose disease is not adequately controlled with topical prescription therapies or when those therapies are not advisable						✓		
Desidustat Tablets		For treating anaemia in non-dialysis adult, Chronic Kidney Disease (CKD) patients					2026.3			
Loberamisal for Injection (Y-3 for Injection)		For the treatment of acute ischemic stroke								
Silevimig Injection		Passive immunization following suspected rabies virus exposure in adults								
		Passive immunization following suspected rabies virus exposure in children and adolescents aged 2 to <18 years								
Vecantoxatug Injection		Passive immunization against tetanus								
Comekibart Injection (MG-K10)		For the treatment of adult with moderate-to-severe AD whose disease is not adequately controlled with topical prescription therapies or when those therapies are not advisable								
Benzgalantamine Gluconate Enteric-coated Tablets (ZUNVEYL)	***	For treating mild to moderate dementia of the Alzheimer's type in adults						✓		
Cyclosporine Eye Drops 0.09%		Increasing tear secretion in patients with keratoconjunctivitis sicca (dry eye)						✓	✓	
Latanoprost Eye Drops		Reduction of elevated intraocular pressure in patients with open-angle glaucoma or ocular hypertension						✓		
Levetiracetam XR Tablet		Adjunctive therapy for the treatment of partial-onset seizures						✓		

Marketed in China Under R&D in China Overseas
Designated Asian Regions Mainland China, Hong Kong, Macau and Taiwan Designated Regions in Asia-Pacific, the Middle East and North Africa

* Major Marketed Regions indicate where products are approved. CMS's rights are stated by Rights Authorized Region. CMS has NO development, commercialization or other product rights in unauthorized regions.

** Sucroferric Oxyhydroxide Chewable Tablets have been approved in Europe for the treatment of patients aged 2 years and older.
*** The rights authorized region of ZUNVEYL includes Asia (excluding Japan and the Middle East region) and other designated territories.
Please refer to local prescribing information for more information, including full safety information, on CMS's marketed medicines, or on medicines marketed by CMS's collaboration partners.

Under R&D Stages

Product	Rights Authorized Region*	Indication	Pre-clinical	Clinical Trial Approval	Phase I	Phase II	Phase III	Marketing Application*
CF101		Psoriasis						
SDN-037		Eye pain and inflammation after cataract surgery						
PDP-716		Reduction of elevated intraocular pressure in patients with open-angle glaucoma or ocular hypertension						
ABP-671	**	Gout and hyperuricemia						
Comekibart Injection (MG-K10)		Asthma, Prurigo nodularis, Seasonal allergic rhinitis						
		AD in adolescents						
		Eosinophilic esophagitis, Chronic rhinosinusitis with nasal polyps, Chronic spontaneous urticaria, Chronic obstructive pulmonary disease						
povorcitinib		Non-segmental vitiligo						
		Prurigo nodularis, Hidradenitis suppurativa						
CF102		Hepatocellular carcinoma						
		Non-alcoholic fatty liver disease / non-alcoholic steatohepatitis						
XF-73		Prevention of post-surgical staphylococcal infections						
VEGFA/ANG2 Tetravalent Bispecific Antibody		Intended for ocular fundus neovascular diseases						
TYK2 Inhibitor (CMS-D001)		Intended for psoriasis						
		Intended for atopic dermatitis						
GnRH Receptor Antagonist (CMS-D002)		Intended for uterine fibroids						
GLP-1R/GCGR Dual Agonist (CMS-D005)		Intended for obesity/overweight						
Cardiac Myosin Inhibitor (CMS-D003)		Intended for hypertrophic cardiomyopathy						
*** **Complement Factor B Inhibitor (CMS-D017)**		Intended for complement – mediated kidney disease (CMKD)						
		Intended for paroxysmal nocturnal hemoglobinuria						
# **A siRNA therapy targeting and inhibiting INHBE (CMS-D008)**		Intended for overweight/obesity						
> 20 Self-developed Innovative Drugs								

China Overseas Global Designated Asian Regions Mainland China, Hong Kong, Macau and Taiwan

* CMS's rights are stated by Rights Authorized Region. CMS has NO development, commercialization or other product rights in unauthorized regions.
** Taiwan Region is not included in the rights authorized region.
*** The IND applications of CMS-D017 for paroxysmal nocturnal hemoglobinuria and CMKD were approved in China in January and February 2026, respectively.
# The IND application of CMS-D008 for overweight/obesity indication was approved in China in March 2026.
Please refer to local prescribing information for more information, including full safety information, on CMS's marketed medicines, or on medicines marketed by CMS's collaboration partners.

II. Commercialization System

The Group is focused on specialty therapeutic fields. By establishing a modern commercialization system driven by the dual engines of "professional clinical value" and "consumer healthcare demand", we have constructed an omni-channel marketing network that integrates online and offline platforms while fostering synergy between in-hospital and out-of-hospital channels, thereby enhancing medication accessibility and strengthening our full-spectrum commercialization competitiveness.

We continue to deepen our medicine-driven academic promotion framework, aiming to address unmet clinical needs through differentiated academic advantages. Through post-marketing clinical studies, real-world studies, academic platforms development, and pharmacoeconomic evaluations, we have formed an academic empowerment pathway anchored in evidence-based medicine. This approach reinforces our academic authority in specialty fields and unlocks the academic value of our innovative products and key exclusive/branded portfolio.

Meanwhile, the Group is actively extending its commercialization footprint from in-hospital to out-of-hospital settings, from offline to online channels, and from prescription-focused medicine to consumer healthcare, to build an "omni-channel system" in response to the increasing sophisticated health and wellness needs of patients. By connecting end-point retail pharmacies, DTP pharmacies, leading e-commerce platforms and O2O (online-to-offline) new retail platforms, the Group is creating coordinated, multi-tier payment scenarios across channels and, supported by brand-driven initiatives and digital engagement, is driving integrated in- and out-of-hospital growth to build a high-quality, sustainable, and multi-engine growth model.

As of the end of the Reporting Period, the Group had approximately 5,000 marketing and promotion related employees. Our promotion network covered over 55,000 hospitals and healthcare institutions, approximately 320,000 retail pharmacies, and 7 major e-commerce and O2O (Online-to-Offline) platforms in China.

1. Major Marketed Products

The Group's major marketed products have covered the cardio-cerebrovascular, gastroenterology, skin health, ophthalmology and other related areas. A summary of the information of major products as of the end of the Reporting Period is as follows:

Product line	Product	Indication/Use	Product Advantage
Cardio-cerebrovascular Related Field	VELPHORO (Sucroferric Oxyhydroxide Chewable Tablets) (innovative drug)	For the control of sP levels in adults with CKD on hemodialysis or peritoneal dialysis, and for the control of sP levels in paediatric patients 9 years of age and older with CKD stages 4-5 or CKD on dialysis	China's first iron-based, non-calcium phosphate binder, providing efficient phosphorus reduction with lower tablet burden, and improving patients' nutritional status
	VALTOCO (Diazepam Nasal Spray) (innovative drug)	For the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy 6 years of age and older	China's first Diazepam Nasal Spray, which can be administered anytime and anywhere, and meets clinical needs for accessible and convenient treatment option for seizure clusters of patients with epilepsy
	XinHuoSu (Recombinant Human Brain Natriuretic Peptide for Injection)	Acute decompensated heart failure	The first Recombinant Human Brain Natriuretic Peptide (rhBNP) medicine approved by the China NMPA
	Deanxit (Flupentixol and Melitracen Tablets)	Mild-to-moderate depression, anxiety and psychosomatic affections	Original reference preparation, the preferred medicine for mild to moderate anxiety and depression
	Plendil (Felodipine Sustained Release Tablets)	Hypertension and stable angina pectoris	Original reference preparation, the Calcium Channel Blocker (CCB) medicine suitable for Chinese patients, providing cardio-cerebrovascular protection and high vascular selectivity
Gastroenterology/ Autoimmune Related Field	Metoject (Methotrexate Injection) (innovative drug)	For the treatment of severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such as phototherapy, PUVA, and retinoids;Active rheumatoid arthritis in adult patients	China's first pre-filled MTX Injection for subcutaneous administration for the treatment of RA and psoriasis
	Bioflor (Saccharomyces Boulardii Sachets) (exclusive product)	Diarrhea in adults and children, as well as diarrhea symptoms induced by intestinal flora disturbance	A distinctive fungal probiotics preparation in China, which has a unique strain designation (difficult to imitate), can be co-administered with antibiotics, is not inactivated by gastric acid, and received high-level recommendations from authoritative domestic and overseas guidelines
	Combizym (Oryz-aspergillus Enzyme and Pancreatin Tablets) (exclusive product)	Dyspepsia caused by a decrease in digestive enzymes	Broad enzyme profile, sufficient enzyme content and high enzymatic activity. Formulated with oryz-aspergillus enzyme extract (exclusive ingredient) and adequate pancreatin, effective in both stomach and intestines, the recommended digestive enzyme preparation for the replacement therapy of pancreatic exocrine insufficiency
	Cidine (Cinitapride Hydrogen Tartrate Tablets) (exclusive product)	Improving the symptoms of early satiety, postprandial fullness discomfort, and abdominal distension in mild to moderate functional dyspepsia	A dual targets prokinetic agent delivering pan-gastrointestinal motility, dual-pathway metabolism without QTc prolongation, offering a treatment option with favorable efficacy and safety profile

	MeteoSpasmyl (Compound Alverine Citrate Soft Capsules) (exclusive product)	Used in adults to treat symptoms such as flatulence (bloating) and abdominal pain	As of the end of the Reporting Period, the only combination antispasmodic in China that can concurrently relieve both abdominal pain and bloating, with a complex formulation that is difficult to replicate
	Ursofalk (Ursodeoxycholic Acid)	Cholesterol gallstones in the gallbladder, cholestatic liver disease and biliary reflux gastritis; cystic fibrosis–related liver disease in patients aged 1 month to 18 years (oral suspension only)	Original reference preparation, the preferred first-line medicine for cholestatic liver disease, available in two formulations (capsules and oral suspension), enabling broader patient applicability; ranking the first by China's market share of choleretic drugs according to IQVIA moving annual total data as of 3Q 2025
	Salofalk (Mesalazine)	Ulcerative colitis, including the treatment of acute exacerbations and the maintenance treatment to prevent recurrence, as well as the treatment of acute exacerbations of Crohn's disease	Original reference preparation, ranking the first by China's market share of aminosalicylic acid, a first-line treatment for inflammatory bowel disease in China according to IQVIA moving annual total data as of 3Q 2025
Skin Health Field (Dermavon)	Lumirix (Ruxolitinib phosphate cream) (innovative drug)	For the topical treatment of nonsegmental vitiligo in adult and pediatric patients 12 years of age and older	The first topical JAK inhibitor approved in China for vitiligo
	ILUMETRI (Tildrakizumab Injection) (innovative drug)	For the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy	A monoclonal antibody specifically targeting to the p19 subunit of IL-23, requires only 4 administrations per year during its maintenance period for the treatment of psoriasis, which may lead to higher patient compliance
	Hirudoid (Mucopolysaccharide Polysulfate Cream) (exclusive product)	Blunt traumata with and without hematomas, and superficial phlebitis that cannot be treated by compression	Repair agent for skin barrier with multiple functions
	Aethoxysklerol (Polidocanol Injection)	Different specifications for sclerotherapy of different varicose veins, including spider veins, central veins of spider veins, and medium to large varicose veins	Original reference preparation, a German original brand for the treatment of sclerotherapy of varicose veins with years of clinical application
	Hirudoid® Azelaic Acid Skincare Series (including 5 products)	Acne-prone skin care, prevention, and improvement of acne	Extension of the Hirudoid brand, to create a professional acne-care portfolio
	Heling Soothing Product Series (including 4 products)	Skin soothing with a combination of cleansing and moisturizing which is suitable for sensitive skin	Composed of four core ingredients that can moisturize and soothe the skin, helping to repair the skin barrier

Ophthalmology Field	Augentropfen Stulln Mono Eye Drops (Esculin and Digitalisglycosides Eye Drops) (exclusive product)	Senile macular degeneration and all forms of asthenopia	Featuring naturally extracted ingredients and a preservative-free formulation with a unique dual-mechanism: Digitalis Glycosides to improve ciliary muscle function and Esculin to protect the retina and nerves. It's the representative medicine for the treatment of asthenopia and is positioned for all types of asthenopiae as well as fundus macular degeneration
	EyeOP1 Glaucoma Treatment Device (exclusive product)	Glaucoma with intraocular pressure that cannot be controlled by drugs and surgery	Using high-focused ultrasound technology, which is a non-invasive procedure with precise targeting and convenient operations, providing a safe and effective innovative treatment for glaucoma
	BEOVU Brolucizumab Injection (innovative drug)	Diabetic macular edema	A next-generation anti-vascular endothelial growth factor (VEGF) drug with the smallest molecular weight (only 26 kDa) as of the end of the Reporting Period, delivering treatment advances versus prior-generation agents, including potent fluid control and the potential to extend dosing intervals
	LUCENTIS (Ranibizumab Injection)	Neovascular age-related macular degeneration, diabetic macular edema, macular edema following retinal vein occlusion, choroidal neovascularization, diabetic retinopathy, and retinopathy of prematurity	The first anti-VEGF drug approved for ophthalmic use in China, also the anti-VEGF drug in China that covers the widest age range and has the most indications as of the end of the Reporting Period
Other Major Products	Elcitonin (Elcatonin Injection)	Osteoporosis pain	As of the end of the Reporting Period, it is the only calcitonin-class therapy in China approved for the indication of osteoporotic bone pain. It features a well-established central analgesic mechanism, rapid onset, and a favorable safety profile, and is recommended by authoritative domestic and overseas guidelines

During the Reporting Period, the revenue of major products by product line was as follows:

- The products under cardio-cerebrovascular related field recorded a revenue of RMB2,987.9 million, an increase of 2.4% compared with the same period last year. In the case that all medicines were directly sold by the Group, the revenue of products under cardio-cerebrovascular related field line would increase by 2.3% to RMB4,180.7 million compared with the same period last year, accounting for 44.5% of the Group's revenue in the case that all medicines were directly sold by the Group.

- The revenue of products under gastroenterology/autoimmune related field increased by 3.3% to RMB2,969.0 million compared with the same period last year, accounting for 31.6% of the Group's revenue in the case that all medicines were directly sold by the Group.

- The revenue of the products under skin health field (Dermavon) increased by 73.2% to RMB1,069.8 million compared with the same period last year, accounting for 11.4% of the Group's revenue in the case that all medicines were directly sold by the Group.

- The revenue of the products under ophthalmology field increased by 12.9% to RMB708.2 million compared with the same period last year, accounting for 7.6% of the Group's revenue in the case that all medicines were directly sold by the Group.

- Other products recorded a revenue of RMB477.1 million, an increase of 10.5% compared with the same period last year. In case that all medicines were directly sold by the Group, the revenue would increase by 10.3% to RMB457.9 million compared with the same period last year, accounting for 4.9% of the Group's revenue in the case that all medicines were directly sold by the Group.

III. Skin Health Business ("Dermavon", Proposed to Be Spun off and Separately Listed on the SEHK)

"Dermavon" is a leading pharmaceutical company in China specialized in innovative skin health products. It has unified operations combining R&D, production, and sales of dermatological prescription products and dermatology-grade skincare products, and is committed to providing comprehensive skin health solutions, from prevention to treatment and long-term care. Leveraging its efficient R&D system and industry-leading commercialization capabilities, Dermavon has achieved dual leadership in both the "coverage of dermatology indications" and the "revenue scale of dermatological prescription drugs", while having developed a comprehensive and differentiated product portfolio. It is committed to creating the Chinese standards for skin health and leading the continuous innovation of treatment and care to address skin disease patients' unmet needs. Dermavon has grown into a leading company in China's skin health sector.

During the Reporting Period, the Group proposed to spin-off and separately list Dermavon on the Main Board of the SEHK by way of introduction and distribution in specie, aiming to fully unlock the high-growth potential and standalone value of its skin health business.

As of the end of the Reporting Period, Dermavon had more than 800 employees.

1. Comprehensive and Differentiated Product Portfolio, Covering the Entire Lifecycle Management of Skin Diseases

Focusing major skin diseases with significant unmet clinical needs, Dermavon has deployed and developed dermatological prescription products with different mechanisms of action and modalities. Using this as a foundation, it has created a vertically integrated and highly differentiated portfolio of dermatological prescription products and dermatology-grade skincare products, which has formed a comprehensive "treatment + care" solution, leveraging deep synergy between products to meet the diverse clinical needs of patients in the entire disease course.

Since the beginning of 2025, Dermavon had four marketed products, two products at the NDA review stage, three pipeline products in clinical stages, and multiple preclinical product candidates, forming a tiered product layout that covers major skin disease treatment areas. Additionally, Dermavon has two marketed dermatology-grade skincare product series, including the Heling Soothing Product Series and the Hirudoid® Azelaic Acid Skincare Series.

	Treatment			**Skincare**
	Topical Agents	**Oral Tablets**	**Injections**	**Dermatology-Grade Skincare Products**
Psoriasis		CMS-D001 *(China Phase II)*	ILUMETRI	
AD	ruxolitinib phosphate *cream (China NDA Under Review)*	CMS-D001 *(China Phase II)*	MG-K10 *(China NDA Under Review)*	Heling Soothing Product Series
Vitiligo	ruxolitinib phosphate cream	povorcitinib *(China Phase I)*		
Superficial phlebitis, Blunt traumata	Hirudoid			
Varicose veins			Aethoxysklerol	
Prurigo nodularis		povorcitinib *(Overseas Phase III)*	MG-K10 *(China Phase III)*	
Hidradenitis suppurativa		povorcitinib *(Overseas Phase III)*		
Chronic spontaneous urticaria			MG-K10 *(Obtained IND Approval for China Phase III)*	
Acne vulgaris				Hirudoid® Azelaic Acid Skincare Series

Marketed

Under R&D

2. Diverse and Efficient R&D Engine, Empowering Differentiated Innovation

Dermavon has constructed an R&D model driven by dual tracks of collaborative R&D and in-house R&D.
Based on its profound insight of the correlation and differentiation between the mechanisms of action of different drug targets, Dermavon efficiently identifies potential FIC and BIC products at different development stages. Furthermore, benefiting from its long-term dedicated efforts in dermatology field, Dermavon has accumulated extensive clinical institution and expert resources, and has fostered robust clinical development and registration capabilities, paving an efficient clinical development path for the innovative skin health pipeline.

Dermavon has effective collaborative R&D capabilities and maintains a global perspective in evaluating innovative biotechnology, driving the deployment of global frontier technologies through strategic foresight. During the Reporting Period, Dermavon entered into a collaboration with Mabgeek Biotech to jointly advance the clinical development of the long-acting anti-IL-4Rα monoclonal antibody Comekibart Injection for dermatology indications in China (excluding AD). Mabgeek has submitted the NDA for the AD indication in China, which has been accepted. The China Phase II clinical trial for the adolescent AD indication has also been completed, while both parties are jointly promoting the Phase III clinical trial for the prurigo nodularis indication in China. Furthermore, povorcitinib has progressed into Phase I clinical trial stage in China, intending to develop indications such as vitiligo in China.

Dermavon possesses well-integrated in-house R&D capabilities. As of March 16 2026, its self-developed innovative drug highly selective TYK2 inhibitor CMS-D001 Tablets, is undergoing China Phase II clinical trials in China for psoriasis and AD, respectively. Additionally, approximately 5 self-developed pipeline products are in the preclinical stage.

3. Industry-leading Commercialization Capabilities, Driving Deep Omni-channel Penetration and Value Realization

Dermavon adheres to a patient-centered and market-oriented philosophy, cultivating a strong academic promotion team in dermatology, which maintains an industry-leading position in China in terms of both commercial team scale and the coverage of dermatology departments in hospitals. Dedicated to academic-driven commercialization, Dermavon continuously strengthens professional recognition of its products to enhance brand influence by establishing academic platforms and participating in multi-level medical conferences. Meanwhile, Dermavon actively advances post-marketing clinical research and real-world studies to accumulate medical evidence, facilitating the inclusion of its products into clinical guidelines and expert consensuses while providing a solid scientific basis for exploring broader clinical application potential and dosage regimens.

Dermavon also keenly captures the distinct consumer attributes of dermatology products. It promotes a synergistic omni-channel operating system, expanding coverage across diverse out-of-hospital channels including offline pharmacies, e-commerce and O2O platforms, to build a comprehensive and multi-level sales network. Furthermore, for its dermatology-grade skincare products, Dermavon continuously strengthens new media operational capabilities to enhance consumer brand awareness, precisely reaching and converting potential demand.

IV. Ophthalmology Business("CMS Vision")

"CMS Vision" is focused on the ophthalmology specialty field, with multi-dimensional expansion into otolaryngology (ear, nose, and throat, "ENT"). Driven by a dual-engine model of "innovative pharmaceutical expertise" and "consumer healthcare market penetration", CMS Vision sources and develops globally innovative products that address urgent clinical needs, and is building a medical-grade eye health ecosystem spanning fundus diseases, eye fatigue, glaucoma, and rhinitis. CMS Vision is committed to becoming a "leading ophthalmology pharmaceutical company in China", benefiting patients with more precise and diversified innovative treatment options, and advancing the high-quality and sustainable development of the eye healthcare industry.

During the Reporting Period, CMS Vision advanced a coordinated growth model integrating "Full Product Lifecycle Management, Full-course Disease Management, and Omni-channel Marketing." This model supported systematic academic promotion and brand building for marketed products, while continuously enriching the product portfolio. In October 2025, CMS Vision entered into an agreement with Novartis Pharma Services AG, introducing two marketed ophthalmic anti-VEGF drugs in China, Ranibizumab Injection ("Lucentis") and Brolucizumab Injection ("Beovu"), establishing a core product matrix in the fundus disease segment with great potential. These two products are expected to generate strong synergies with CMS Vision's existing customer base, expert resources, and channel networks, laying a solid foundation for CMS Vision's future collaborations and the development of additional innovative ophthalmic products. In January 2025, CMS Vision obtained the rights of an innovative drug anti-IL-4Rα humanized monoclonal antibody Injection Comekibart Injection (MG-K10), further enriching its innovation pipeline and extending its therapeutic footprint from ophthalmology into ENT.

In addition, in July 2025, CMS Vision entered into a collaboration with Jingze Pharma, an innovation-driven biopharmaceutical company, for a late-stage clinical asset for neovascular retinal diseases with high technical barrier and strong commercial potential, to accelerate the realization of its innovation value.

As of the end of the Reporting Period, CMS Vision had more than 500 employees.

1. Major Marketed Products

Exclusive Drug Augentropfen Stulln Mono Eye Drops is the representative for the treatment of asthenopia. It features naturally extracted ingredients and a preservative-free formulation with a unique dual-mechanism: Digitalis Glycosides to improve ciliary muscle function and Esculin to protect the retina and nerves. Indicated for all types of asthenopia and senile macular degeneration indications, Stulln has established a robust brand moat in the market. Its active ingredient, Esculin and Digitalis Glycosides, has been included in several authoritative guidelines. Leveraging the product's distinctive advantages and medical evidence, CMS Vision conducted in-depth academic engagement within ophthalmology sub-specialties while continuously expanding its market share through refined development of private hospital channels.

Innovative Medical Device EyeOP1 Glaucoma Treatment Device applies high-focused ultrasound technology. Featuring a non-invasive procedure with precise targeting and convenient operations, it provides glaucoma patients with a safe and effective innovative treatment solution. During the Reporting Period, EyeOP1 was included as a recommended therapy in "the Expert Consensus on the Diagnosis and Treatment of Primary Angle-Closure Glaucoma in China (2025)". Through real-world studies and national academic platform conferences, CMS Vision has been constructing a high-level clinical evidence system to drive the evolution of diagnostic and treatment philosophies, as well as the awareness and adoption of the innovative Ultrasonic Cyclo Plasticity (UCP).

Lucentis (Included in the Category B of NRDL) is the first anti-VEGF drug approved for ophthalmic use in China. As of the end of the Reporting Period, it is also currently the anti-VEGF drug in China that covers the widest age range and has the most indications. Its launch represents a major advancement in clinical ophthalmic treatment. The product is approved for the treatment of multiple ocular neovascular diseases including age-related macular degeneration (nAMD), diabetic macular edema (DME), macular edema following retinal vein occlusion (RVO), choroidal neovascularization (CNV), etc. It has accumulated mature clinical application experience, with its efficacy and safety verified by more than 200 clinical studies. Leveraging the product's robust medical evidence and extensive clinical application experience, CMS Vision utilizes high-level academic activities as a pivot to systematically build an expert consensus network, boosting the clinical recognition and market penetration.

Innovative drug Beovu (Approved for the treatment of DME in China in May 2025; Included in the Category B of NRDL) is a next-generation anti-VEGF drug with the smallest molecular weight (only 26 kDa) as of the end of the Reporting Period. Leveraging its innovative advantages of ultra-small molecular weight and high concentration, Beovu significantly improves retinal anatomical structure, helps more DME patients gain visual improvement, and alleviates the treatment economic burden through extended dosing intervals. In the global Phase 3 KESTREL and KITE Studies for treatment-naive DME patients, the product met all primary efficacy endpoints and the visual benefit persisted until Week 100, while showing superiority in fluid resolution. Data from the Chinese real-world study (BEST Study) showed that for previously treated and inadequately controlled DME patients, best-corrected visual acuity (BCVA) improved by 6.1 letters from baseline 1 week after the first injection of Beovu, and by 10 letters after the third injection (Week 12). The product provides a more optimized treatment option for previously treated DME patients. During the Reporting Period, Beovu was included in "Diabetic Retinopathy Preferred Practice Pattern®," and its key clinical results have been published in multiple academic journals. CMS Vision disseminates the differentiated advantages of the product through constructing platforms to enhance academic and clinical recognition, promoting the accessibility to more target patients. As of the end of the Reporting Period, its China NDA for the treatment of proliferative diabetic retinopathy (PDR) is under review.

2. Major Pipeline Products

Comekibart Injection (China Phase III clinical trial for seasonal allergic rhinitis ongoing) is a long-acting (one dose every four weeks) humanized anti-IL-4Rα monoclonal antibody. Its Phase III clinical trial in China adopts a multi-center, randomized, double-blind, and placebo-controlled design, aiming to evaluate the efficacy, safety, pharmacokinetic, pharmacodynamic, and immunogenicity of the product in patients with seasonal allergic rhinitis.

V. International Business

Since the launch of the "Industrial Internationalization" strategy in 2022, CMS has established Singapore as the regional hub for its Asia-Pacific emerging markets business, building an end-to-end pharmaceutical ecosystem spanning R&D ("CMS R&D"), manufacturing ("PharmaGend"), and commercialization ("Rxilient"). The Group accurately captures the structural opportunities driven by demographic tailwinds and rising healthcare demands across Asia-Pacific and Middle East. Through the highly efficient synergy across the entire "R&D, Manufacturing, and Commercialization" value chain, the Group extends its core capabilities across borders, driving an effective alignment between its differentiated product portfolio and emerging market demands, and generating scalable ecosystem value.

2025 marks a pivotal year in which our Industrial Internationalization strategy moves from system build-out to scaled execution. During the Reporting Period, the Group successfully completed a secondary listing on the SGX-ST by way of introduction, optimizing its shareholder base while enhancing visibility and engagement with international investors. In parallel, certain products initiated commercialization activities during the Reporting Period. Building on this progress, the Group will continue to deepen market expansion in developing countries and regions, improve the regional access to high-quality medicines, and steadily build a sustainable multi-geography growth pattern.

1. Internationalization of Commercialization System: a "Glocal" Strategy Unlocking Innovative Value

Rxilient is a next-generation pharma company focused on emerging markets, executing a "global+local (glocal)" strategy to accelerate value realization of pharmaceutical innovation. With end-to-end commercialization capabilities spanning product introduction, development & registration, and marketing & promotion, Rxilient introduces global innovative therapies to emerging markets and expands patient access. Operated by a seasoned local team, Rxilient is headquartered in Singapore and has established subsidiaries and/or offices in Hong Kong, Taiwan Region, Malaysia, Vietnam, the Philippines, Indonesia, Thailand, and the United Arab Emirates.

As of the end of the Reporting Period, Rxilient has cumulatively submitted nearly 20 registration applications for pharmaceutical products and medical devices across the Asia-Pacific and Middle East regions, building a robust and sustained product launch pipeline. The registration and marketing progress of key products is as follows:

Product	Approved Regions	Registration Applications Filed
Ruxolitinib phosphate cream ("Lumirix") *Innovative drug for vitiligo*	Hong Kong, Macau	Taiwan Region, Singapore
Sucroferric Oxyhydroxide Chewable Tablets ("VELPHORO") *Innovative drug for hyperphosphatemia*	Hong Kong*, Macau	Taiwan Region
Tildrakizumab Injection ("ILUMETRI") *Innovative drug for psoriasis*	Hong Kong	Taiwan Region
Benzgalantamine Gluconate Enteric-coated Tablets ("ZUNVEYL") *New drug for Alzheimer's disease*	/	Macau, Taiwan Region, Malaysia, Indonesia, Philippines, Thailand, Vietnam
Diazepam Nasal Spray ("VALTOCO") *Innovative drug for seizure clusters*	Singapore *(Approved in January 2026)*	Hong Kong, Taiwan Region

* VELPHORO has been included in the "Special Drug" category of the Hospital Authority Drug Formulary

As a bridge connecting global innovation and the market access, Rxilient has become a highly attractive global partner for innovation collaboration, underpinned by its strong capabilities in product registration and commercialization. During the Reporting Period, it successfully obtained exclusive product rights to approximately 20 products across multiple relevant emerging markets in Southeast Asia, the Middle East, and North Africa, and for the first time expanded its licensing footprint to Latin America as well as Australia and New Zealand. The newly introduced products include several innovative products such as Loberamisal for Injection, Silevimig Injection, Vecantoxatug Injection, Comekibart Injection, and Benzgalantamine Gluconate Enteric-coated Tablets, further strengthening Rxilient's presence across specialty therapeutic fields such as central nervous system, dermatology, ophthalmology, and autoimmune disease. The continuous collaboration and introduction of products not only broadened Rxilient's portfolio but also underscored its strong appeal as an international innovation partner and its ability to integrate high-quality global resources.

2. Internationalization of Manufacturing

The Group's associate company, PharmaGend, is a Singapore-based, international one-stop CDMO platform. The Group, through multiple subsidiaries, holds a 41.98% equity interest in PharmaGend. As of the end of the Reporting Period, PharmaGend owns a 30,000-square-meter production site, with an annual capacity of oral solid dosage (OSD) units of up to 1.5 billion tablets. It has obtained a Manufacturer's Licence issued by the Health Sciences Authority (HSA) of Singapore, and supported by multiple international certifications, including HSA GMP (Good Manufacturing Practice), U.S. FDA cGMP (Current Good Manufacturing Practice), and Swiss QP (Qualified Person) audits, PharmaGend is well-positioned to deliver high-standard pharmaceutical manufacturing for global supply. Meanwhile, capacity expansion projects (including new production lines for nasal sprays, creams, and injectables, as well as a packaging center) are progressing smoothly.

Subsequent Events

- **Approval of Drug Clinical Trials for Complement - mediated Kidney Disease Indication of Innovative Drug Complement Factor B Inhibitor CMS-D017**

On 3 February 2026, the NMPA has approved the Group to conduct clinical trials in healthy participants in China to evaluate the safety, tolerability, pharmacokinetic, and pharmacodynamic characteristics of CMS-D017 in China.

- **Signing an Exclusive Distribution Agreement for the Original Drug Lidoderm® Lidocaine Cataplasms**

After the Reporting Period, on 12 February 2026, the Group through subsidiaries of the Company entered into an exclusive distribution agreement with Teikoku Pharma USA, Inc. ("TPU", a subsidiary of Japan-based Teikoku Seiyaku Co., Ltd ("TSC")) for Lidoderm® Lidocaine Cataplasms. In accordance with the Agreement, the Group has obtained exclusive distribution rights for Lidoderm® Lidocaine Cataplasms within the People's Republic of China (for the purpose of this Agreement, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and the Taiwan region). The Cooperation Partner shall be responsible for the production and supply matters related to Lidoderm® Lidocaine Cataplasms. The initial term of this Agreement is ten years after the date of Lidoderm® Lidocaine Cataplasms's first commercial sale within the Target Region stipulated in this agreement, and shall be renewable thereafter according to the terms stipulated in this Agreement.

Lidocaine blocks voltage-gated sodium channels, reducing ectopic impulses in primary afferent nerves after injury, thereby alleviating pain in patients with postherpetic neuralgia (PHN). According to relevant studies, lidocaine patches act rapidly (within ≤4 hours), and in clinical studies lasting 4 to 12 weeks, approximately 1/4 to 1/3 of patients experienced a ≥50%reduction in pain. In 1999, the U.S. Food and Drug Administration (FDA) approved lidocaine patch 5% (trade name Lidoderm®) for the treatment of PHN. The product was approved for marketing in Europe under the trade name Versatis® in 2007, and was approved for marketing in China in 2024. The use of topical lidocaine cataplasms/patches for PHN treatment has been supported by consensus in clinical practice guidelines both in China and abroad. Based on its efficacy and safety in treating PHN, topical lidocaine cataplasms/patches are also recommended by relevant guidelines for treatment of other peripheral neuropathic pain conditions, such as diabetic peripheral neuropathic pain (DPNP), and postoperative or post-traumatic neuropathic pain.

- **Approval of Drug Clinical Trials for Overweight/Obesity Indication of Self-Developed Innovative Drug INHBE-Targeting Small Nucleic Acid Drug CMS-D008**

On 4 March 2026, the NMPA has approved the Group to conduct clinical trials of CMS-D008 injection for overweight or obese individuals in China.

Future Development

CMS will take "high-quality and sustainable development" as its core, and remain committed to a dual-engine drive of "product competitiveness" and "commercialization." By expanding globally to build multiple growth poles, and leveraging the ecosystem synergies created through strategic investments, the Group is building a new development landscape that is clearly tiered, highly resilient, and endowed with sustained momentum. At the same time, the Group will position AI-enabled digital intelligence as a foundational capability, deeply empowering decision-making pathways and operating efficiency across the entire value chain, providing robust system-level support for its continued growth.

1. Dual-engine drive: Product Innovation + Commercial Model Reform

Our development is anchored in sustained product innovation. Advancing in parallel through "Collaborative Development + In-house R&D," we focus on unmet clinical needs and continue to evolve our pipeline toward higher clinical value and stronger differentiation. We use collaborative development to sustain the vitality of our short-term and mid-term pipeline, while in-house R&D anchors long-term value creation — building a tiered product portfolio that spans different stages of development. Through clearly structured, differentiated innovation, CMS is positioned to navigate industry cycles and achieve value reshaping.

Our commercialization capabilities are the engine for realizing product value and driving sustainable growth. We have built strong positions in our core specialty therapeutic fields: Cardiovascular-Kidney-Metabolic diseases, central nervous system (CNS) and gastroenterology, while fully empowering the independent development of our specialty businesses such as "skin health" and "ophthalmology," with the goal of building leading players in our specialty therapeutic fields. In parallel, we are actively building a synergistic omni-channel commercialization system that captures the emerging trend of integrated development across "new retail, digital channels and consumer healthcare." By strengthening brand-driven execution and digital engagement, we are driving integrated in-hospital and out-of-hospital growth, opening up a broader runway for CMS's long-term expansion.

2. Multi-dimensional Expansion: Industrial Internationalization and Strategic Investment

With a global perspective, the Group leverages its Singapore-based APAC hub to accelerate the deep integration and targeted empowerment of the end-to-end value chain across R&D, manufacturing, and commercialization in global markets, building a replicable, scalable, and sustainable closed loop for international growth.

In addition, the Group is shaping an industry-synergy ecosystem through strategic investments. Through equity investments, we connect with advanced innovative biotechnology platforms and continuously empower our investee companies with our full-chain capabilities spanning R&D, clinical development, and commercialization. The investment returns will further optimize the allocation of innovation resources, while co-developed products will expand our commercialization pipeline, building a reinforcing cycle of "innovation aggregation - ecosystem empowerment - value returns" and creating a new ecosystem of "innovation + win-win collaboration".

Looking ahead, CMS will take innovation as its core engine. With strong global vision and strategic synergy capabilities, the Group will precisely seize growth opportunities amid a dynamically evolving global pharmaceutical landscape, continuously enhance its strategic position in the global pharmaceutical value chain, and write a new chapter of high-quality and sustainable development.

Financial Review

In reading the following discussion and analysis, please also refer to the audited consolidated financial statements and notes to the financial statements in the Annual Report.

The Group prepared its consolidated financial statements in accordance with the International Financial Reporting Standards. The Group's financial performance is summarized as follows:

Turnover

Turnover increased by 9.9% from RMB7,469.0 million for the year ended 31 December 2024 to RMB8,212.1 million for the year ended 31 December 2025. In the case that all medicines were directly sold by the Group, turnover increased by 8.9% to RMB9,385.6 million for the year ended 31 December 2025 from RMB8,621.6 million for the year ended 31 December 2024, mainly due to a continuing growth in sales of innovative/exclusive products, and the cessation of the material adverse impact from the National VBP on three products.

Gross Profit and Gross Profit Margin

Gross profit increased by 8.3% from RMB5,422.2 million for the year ended 31 December 2024 to RMB5,871.5 million for the year ended 31 December 2025; in the case that all medicines were directly sold by the Group, gross profit increased by 8.3% to RMB5,852.0 million for the year ended 31 December 2025 from RMB5,405.4 million for the year ended 31 December 2024, primarily reflecting an increase in turnover. Gross profit margin decreased by 1.1 percentage points to 71.5% for the year ended 31 December 2025 from 72.6% for the year ended 31 December 2024; in the case that all medicines were directly sold by the Group, gross profit margin decreased by 0.3 percentage point to 62.4% for the year ended 31 December 2025 from 62.7% for the year ended 31 December 2024, primarily reflecting a decrease in selling prices of products resulted from the impact of implementation of the National VBP.

Selling Expenses

Selling expenses increased by 6.8% from RMB2,661.6 million for the year ended 31 December 2024 to RMB2,842.3 million for the year ended 31 December 2025; selling expenses as a percentage of turnover decreased by 1.0 percentage point to 34.6% for the year ended 31 December 2025 from 35.6% for the year ended 31 December 2024. In the case that all medicines were directly sold by the Group, selling expenses as a percentage of turnover decreased by 0.6 percentage point to 30.1% for the year ended 31 December 2025 from 30.7% for the year ended 31 December 2024, primarily reflecting an economy of scale.

Administrative Expenses

Administrative expenses increased by 11.0% from RMB780.1 million for the year ended 31 December 2024 to RMB865.8 million for the year ended 31 December 2025; administrative expenses as a percentage of turnover increased by 0.1 percentage point to 10.5% for the year ended 31 December 2025 from 10.4% for the year ended 31 December 2024. In the case that all medicines were directly sold by the Group, administrative expenses as a percentage of turnover increased by 0.2 percentage point to 9.2% for the year ended 31 December 2025 from 9.0% for the year ended 31 December 2024, primarily reflecting increases in the number of staff and listing related expenses.

Research and Development Expenditures

The Group's research and development expenditures included expenditures on research and development and clinical trial of new products, salaries and related expenses of staff who were engaged in the aforesaid affairs, for the sake of a continuous expansion of innovative product pipelines. Research and development expenditures included the expensed research and development expenditures (i.e. research and development expenses) and the capital payments (i.e. payments for acquisition and development of new products).

Total research and development expenditures increased by 40.5% from RMB753.3 million for the year ended 31 December 2024 to RMB1,058.4 million for the year ended 31 December 2025. Total research and development expenditures as a percentage of turnover for the year ended 31 December 2025 was 12.9%, representing an increase of 2.8 percentage points from 10.1% for the year ended 31 December 2024. In the case that all medicines were directly sold by the Group, total research and development expenditures as a percentage of turnover increased by 2.6 percentage points to 11.3% for the year ended 31 December 2025 from 8.7% for the year ended 31 December 2024, primarily reflecting increases in new collaboration on innovative products and in research and development activities.

Research and development expenses increased by 77.3% from RMB330.0 million for the year ended 31 December 2024 to RMB585.0 million for the year ended 31 December 2025. Research and development expenses as a percentage of turnover for the year ended 31 December 2025 was 7.1%, representing an increase of 2.7 percentage points from 4.4% for the year ended 31 December 2024. In the case that all medicines were directly sold by the Group, research and development expenses as a percentage of turnover for the year ended 31 December 2025 was 6.2%, representing an increase of 2.4 percentage points from 3.8% for the year ended 31 December 2024, mainly due to increases in self-researched projects and clinical trial expenses.

Capital payments increased by 11.8% from RMB423.3 million for the year ended 31 December 2024 to RMB473.4 million for the year ended 31 December 2025. Capital payments as a percentage of turnover for the year ended 31 December 2025 was 5.8%, representing an increase of 0.1 percentage point from 5.7% for the year ended 31 December 2024. In the case that all medicines were directly sold by the Group, capital payments as a percentage of turnover increased by 0.1 percentage point to 5.0% for the year ended 31 December 2025 from 4.9% for the year ended 31 December 2024.

Other Income

Other income decreased by 30.1% from RMB208.4 million for the year ended 31 December 2024 to RMB145.7 million for the year ended 31 December 2025, mainly due to a decrease in interest income.

Other Gains and Losses

Other gains and losses increased by 203.7% from a loss of RMB151.2 million for the year ended 31 December 2024 to a gain of RMB156.9 million for the year ended 31 December 2025, mainly due to an increase in equity investment income.

Share of Result of Associates/a Joint Venture

Share of result of associates/a joint venture decreased by 29.0% from RMB341.3 million for the year ended 31 December 2024 to RMB242.3 million for year ended 31 December 2025, mainly reflecting a decrease in profit of associates.

Finance Costs

Finance costs decreased by 47.4% from RMB38.6 million for the year ended 31 December 2024 to RMB20.3 million for the year ended 31 December 2025, mainly due to decreases in bank borrowings used and interest rates.

Income Tax Expense

Income tax expense increased by 66.1% from RMB397.2 million for the year ended 31 December 2024 to RMB659.8 million for the year ended 31 December 2025, mainly due to one-off income tax payment of RMB223.8 million which is ever a tax preference granted by the local authority for years from 2022 to 2024.

Profit for the Year

Profit for the year decreased by 10.5% from RMB1,613.1 million for the year ended 31 December 2024 to RMB1,443.3 million for the year ended 31 December 2025. Normalized profit for the year increased by 3.6% from RMB1,713.7 million for the year ended 31 December 2024 to RMB1,775.5 million for the year ended 31 December 2025, mainly due to increases in turnover and equity investment income.

Inventories

Inventories increased by 4.7% from RMB768.1 million as at 31 December 2024 to RMB804.0 million as at 31 December 2025. Average inventory turnover days decreased to 123 days for the year ended 31 December 2025 from 125 days for the year ended 31 December 2024, mainly reflecting a normal fluctuation in inventories.

Trade Receivables

Trade receivables increased by 29.9% from RMB1,222.5 million as at 31 December 2024 to RMB1,587.9 million as at 31 December 2025. Average trade receivables turnover days increased to 79 days for the year ended 31 December 2025 from 75 days for the year ended 31 December 2024, mainly reflecting changes in the sales weighting of customers with different credit terms.

Trade Payables

Trade payables decreased by 25.2% from RMB142.4 million as at 31 December 2024 to RMB106.6 million as at 31 December 2025. Average trade payables turnover days decreased to 19 days for the year ended 31 December 2025 from 25 days for the year ended 31 December 2024, mainly reflecting a difference in time points of settlement with suppliers.

Liquidity and Financial Resources

As at 31 December 2025, the Group's bank balances and cash amounted to RMB2,701.4 million. As at 31 December 2024, the bank balances and cash amounted to RMB3,706.5 million.

As at 31 December 2025, the cash and cash equivalents of the Group were mainly denominated in RMB, United States Dollar ("US$"), Euro ("EUR") and Hong Kong Dollars ("HK$").

The following table is a summary of our consolidated statements of cash flows:

	For the year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Net cash from operating activities	758,421	1,268,547
Net cash used in investing activities	(984,322)	(615,096)
Net cash used in financing activities	(770,936)	(1,261,046)
Net decrease in cash and cash equivalent	(996,837)	(607,595)
Cash and cash equivalent at beginning of the year	3,706,501	4,311,058
Effect of foreign exchange rate changes	(8,284)	3,038
Cash and cash equivalent at end of the year	2,701,380	3,706,501

Net cash from operating activities

For the year ended 31 December 2025, the Group's net cash generated from operating activities was RMB758.4 million compared with RMB1,268.5 million for the year ended 31 December 2024, a decrease of 40.2% mainly due to a decrease in operating profit resulting from an increase in injection to research and development, and an increase in occupancy of working capital.

Net cash used in investing activities

For the year ended 31 December 2025, the Group's net cash used in investing activities was RMB984.3 million compared with RMB615.1 million for the year ended 31 December 2024, an increase of 60.0% mainly due to increases in equity investments and expenditures on innovative product collaborations.

Net cash used in financing activities

For the year ended 31 December 2025, the Group's net cash used in financing activities was RMB770.9 million compared with RMB1,261.0 million for the year ended 31 December 2024, a decrease of 38.9% mainly due to a decrease in the use of bank borrowings.

Net Current Assets

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Current Assets		
Inventories	803,958	768,139
Financial assets at fair value through profit or loss	3,084,902	2,160,097
Trade receivables	1,587,874	1,222,479
Other receivables and prepayments	670,692	558,004
Tax recoverable	1,270	5,553
Amount due from associates	448,493	284,088
Bank balances and cash	2,701,380	3,706,501
	9,298,569	8,704,861
Current Liabilities		
Trade payables	106,575	142,432
Other payables	389,141	342,365
Lease liabilities	16,597	16,933
Contract liabilities	12,133	16,610
Bank borrowings	651,815	831,300
Tax liabilities	292,962	166,423
	1,469,223	1,516,063
Net current assets	7,829,346	7,188,798

The Group's liquidity requirements will be satisfied by a combination of cash flow generated from operating activities, long-term bank loans and other financing means, according to the corporate development strategy.

Capital Expenditures

The following table shows the Group's capital expenditure:

	For the year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Deposits for acquisition of intangible assets	473,374	423,289
Purchase of property, plant and equipment	41,037	32,619
	514,411	455,908

Capital Structure and Gearing Ratio

The Company reviews the capital structure on a regular basis, and considers the cost of capital and the risks associated with each class of capital, for maximizing the return to shareholders of the Company.

The following table shows the Group's debts:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Interest bearing bank borrowings	651,815	831,300

The Group had bank borrowings of RMB651.8 million as at 31 December 2025 (31 December 2024: RMB831.3 million). The details of bank borrowings are set out in note 29 to the consolidated financial statements.

The Group's gearing ratio, calculated as bank borrowings divided by total assets, decreased by 1.2 percentage points to 3.4% as at 31 December 2025 from 4.6% as at 31 December 2024.

Market Risks

We are exposed to various types of market risks, including interest rate risks, foreign exchange risks, policy risks and inflation risks in the normal course of business. These risks are set out in note 34 to the consolidated financial statements.

The Group is mainly exposed to currency risk of the US$, EUR and HK$. For the Group's subsidiaries in China, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Any significant exchange rate fluctuations of foreign currencies against RMB may have a financial impact on the Group. The Group closely monitors the fluctuation of exchange rates and reviews the foreign currency risk management strategy from time to time, the management will consider hedging foreign currency exposure as appropriate.

The Group will closely monitor movements of interest rate and foreign currencies market so as to mitigate the expected risk on interest rate and foreign currencies.

Pledge of Assets

As at 31 December 2025, the Group had pledged property, plant and equipment and leasehold land with net book values of approximately RMB17,937,000 and RMB14,060,000, respectively to secure certain bank borrowings and general banking facilities granted to the Group.

Contingent Liabilities

As at 31 December 2025, the Group had no material contingent liabilities.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended 31 December 2025, the Group disposed of a subsidiary Shanghai Carnation Medical Technology Co., Ltd. and an associate Shenzhen Kangmai Biotechnology Co., Ltd.

Dividend

During the year ended 31 December 2025, the Group paid an interim dividend for 2025 and a final dividend for 2024 of RMB376.4 million and RMB284.2 million, respectively. For the year ended 31 December 2024, the Group paid an interim dividend for 2024 and a final dividend for 2023 of RMB364.2 million and RMB192.0 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Lam Kong, aged 61, is the Chairman, Chief Executive and President of the Group and was appointed as an executive Director on 18 December 2006. Mr. Lam is responsible for the creation, implementation and management of the Group's development and growth strategy. Mr. Lam has clinician experience and deep understanding and knowledge of China's pharmaceutical industry, possessing unique insight and extensive experience in R&D, marketing, promotion, sales and other value-added services. He received his bachelor's degree in clinical medicine from Zhanjiang Medical College in 1986, which was renamed Guangdong Medical University. Mr. Lam is a member of the Nomination Committee of the Company and the sole director of Treasure Sea Limited, the controlling shareholder of the Company.

Mr. Lam is the controlling shareholder of the Company and is interested or deemed to be interested in the Shares and underlying Shares of the Company for the purpose of Part XV of the Securities and Futures Ordinance ("SFO"), the details of which are set out on page 52 of this Annual Report.

Ms. Chen Yanling (former Chinese name as 陳艷玲), aged 55, is the Chief Financial Officer and Vice-president of the Group and was appointed as an executive Director on 18 December 2006. She joined the Group in 1995 and has remained with the Group since then. Ms. Chen is responsible for the Group's finance, accounting, investor relations, administration management and government affairs. She holds an EMBA degree and is a senior accountant with extensive experience in financial management, fund raising, auditing and investor relations, etc. As at the end of the year 2025, Ms. Chen was awarded eight times the "Best CFO" in Healthcare and Pharmaceuticals by the Institutional Investor Magazine. Ms. Chen is the chairman of the Environmental, Social and Governance Committee of the Company.

Ms. Chen is interested or deemed to be interested in the Shares and underlying Shares of the Company for the purpose of Part XV of SFO, the details of which are set out on page 52 of this Annual Report.

Independent Non-Executive Directors

Mr. Leung Chong Shun, aged 60, was appointed as an independent non-executive Director on 13 December 2017. Mr. Leung became a practicing lawyer since 1991 and was the chief representative of Woo Kwan Lee & Lo Beijing Office. He is currently a partner of Woo Kwan Lee & Lo. Mr. Leung is familiar with corporate finance, M&A and IPO legal services and has been involved in various listing and acquisition transactions of Chinese H-share companies and red chip companies. Mr. Leung is currently a China-Appointed Attesting Officer appointed by the Ministry of Justice of the PRC and a lawyer in the Guangdong-Hongkong-Macau Greater Bay Area. Mr. Leung was an independent non-executive director of several companies listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including China Coal Energy Company Limited (stock code: 01898), China Communications Construction Company Limited (stock code: 01800), China National Materials Company Limited (the listing with stock code: 01893 was withdrawn on the Stock Exchange) and SSY Group Limited (stock code: 02005). He is currently an independent non-executive director of Min Xin Holdings Limited (stock code: 00222).

Mr. Leung graduated from the University of Hong Kong in 1988 and obtained a bachelor's degree in laws with honors. He is qualified as a solicitor in Hong Kong and England. Mr. Leung is the chairman of the Remuneration Committee, a member of the Audit Committee, a member of the Nomination Committee and a member of the Environmental, Social and Governance Committee of the Company.

Ms. Luo Laura Ying (formerly known as Ying Luo), aged 61, was appointed as an independent non-executive Director on 31 March 2020. Ms. Luo has 31 years of investment experience. Ms. Luo is an independent non-executive director of companies listed on the Stock Exchange, including Central China New Life Limited (stock code: 9983) and Tianjin Port Development Holdings Limited (stock code: 03382), as well as a director of Pawo Foundation Limited. Ms. Luo successively served in Morgan Stanley and Goldman Sachs (Asia) LLC, Hong Kong as an equity research analyst, SG Securities as head of China Research and Strategist, Schroder Investment Management (HK) Limited, Barings Asset Management (Asia) Limited as a managing director and head of Hong Kong China Equities, GL China Equity HK Management Limited as investment director and consultant, and GL Capital Management Limited as consultant.

Ms. Luo obtained her Bachelor of Arts in International Economics from Peking University in 1987 and Master of Business Administration from the University of Toronto in 1991. She is a Chartered Financial Analyst (CFA) and Chartered Professional Accountant (CPA) (Canada) charterholder. Ms. Luo is the chairman of the Nomination Committee, a member of the Audit Committee, a member of the Remuneration Committee of the Company and a member of the Environmental, Social and Governance Committee of the Company.

Mr. Fung Ching Simon, aged 57, was appointed as an independent non-executive Director on 6 October 2021. Mr. Fung has 11 years of experience in auditing, accounting and business advisory and has over 20 years of experience in managing finance and accounting functions, mergers and acquisitions, fund raising and investor relations for companies listed in Hong Kong. Mr. Fung is currently serving as the chief financial officer of Chow Tai Fook Enterprises Limited. Mr. Fung worked in PricewaterhouseCoopers and several companies listed on the Stock Exchange successively, including Baoye Group Company Limited (stock code: 02355) as the chief financial officer and secretary to the board of directors, Greentown China Holdings Limited (stock code: 03900) as the chief financial officer and company secretary and Logan Group Company Limited (stock code: 03380) as chief financial officer. Mr. Fung worked for China Logistics Property Holdings Co., Ltd (the listing with stock code: 01589 was withdrawn on the Stock Exchange) as an independent non-executive director. Mr. Fung is also an independent non-executive director of companies listed on the Stock Exchange, including Hainan Meilan International Airport Company Limited (stock code: 00357) and Baoye Group Company Limited (stock code: 02355). Mr. Fung was appointed as a council member and vice president of Hong Kong Business Accountants Association on 22 January 2026.

Mr. Fung graduated from the Queensland University of Technology in Australia with a bachelor's degree, majoring in accountancy. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the CPA Australia. Mr. Fung is the chairman of the Audit Committee, a member of the Remuneration Committee, a member of the Nomination Committee and a member of the Environmental, Social and Governance Committee of the Company.

SENIOR MANAGEMENT

Mr. Ma Lieyi, aged 56, is the General Manager of the Operations and Management Center of the Group. Mr. Ma joined the Group in 1995 and has remained with the Group since then. Mr. Ma has been engaged in sales and marketing management in the Group, possessing over 20 years of sales and marketing management experience. Mr. Ma graduated from Shenzhen University in 1990, majoring in business administration. He obtained the degree of Executive Master of Business Administration (EMBA) from University of Macau in 2022.

Mr. Jiang Qingfu, aged 50, is the General Manager of Cardio-cerebrovascular/Digestion Business (Shenzhen Kangzhe) of the Group. Mr. Jiang joined the Group in 1999 after receiving his bachelor's degree from college and has remained with the Group since then. He was promoted to managerial positions rapidly after training at junior positions, having made outstanding sales contribution during the period. Mr. Jiang is currently responsible for the overall operations and management of Shenzhen Kangzhe, possessing over 20 years of sales and marketing experience and rich experience in operations and management. Mr. Jiang obtained a bachelor's degree in clinical medicine from Anhui Medical University in 1999.

Ms. Li Yufang, aged 47, is the General Manager of the Finance Center of the Group. Ms. Li joined the Group in 2003 and has remained with the Group since then. Ms. Li was the Director of the Compliance Department of the Group. Ms. Li possesses over 20 years of finance, tax and pharmaceutical companies' compliance experience. Ms. Li obtained a bachelor's degree of management in electronic data processing accounting from Jilin University of Finance and Economics in 2001.

Mr. Fan Jie, aged 54, is the Deputy General Manager and General Manager of Off-hospital Business and Supply Chain Center of the Group. Mr. Fan, joined CMS in August 2024. Mr. Fan has over 25 years of management experience in pharmaceutical companies, including drug market promotion, channel management, supply chain management, bidding standards entry, and digital marketing. Prior to joining the Group, Mr. Fan worked in several pharmaceutical companies, serving as national sales director, head of channel and business department, head of off-hospital markets and Co-Chief Executive Officer, etc. Mr. Fan obtained a bachelor's degree in business administration and an EMBA degree from South China University of Technology in January 2012 and June 2014, respectively. He graduated from Qinghai Minzu University with a major in Politics and History in 1992.

Mr. Cai Ping, aged 55, is the Deputy General Manager and General Manager of the Strategic Market of the Group. Mr. Cai, joined CMS in August 2024. Mr. Cai has 20 years of sales and market management experience in the pharmaceutical field, as well as 7 years of experience in commercialization management of tumour, infection IVD, and LDT. Mr. Cai has rich experience in building commercial teams and consistently achieving performance targets. He is skilled in team management and breakthroughs in new business ventures, with expertise in systematic business planning and implementation. Prior to joining the Group, Mr. Cai worked in a number of pharmaceutical companies, serving as sales director, marketing director, director of Strategic Marketing Department, Senior Vice President and Chief Commercial Officer, etc. Mr. Cai worked as a resident physician at Qingdao the People's Liberation Army 141 Hospital from 1994 to 1996 and had approximately 2 years of experience as a physician in a public hospital. Mr. Cai obtained a bachelor's degree in clinical medicine from the First Military Medical University of the People's Liberation Army (later renamed Southern Medical University) in 1994.

Mr. Huang Anjun, aged 49, is the General Manager of Dermatology Business (Dermavon) of the Group. Mr. Huang joined the Group in 2005 after receiving his master's degree from college and has remained with the Group since then. Mr. Huang is currently responsible for the overall operations and management of Dermavon, possessing over 10 years of sales and marketing experience and rich experience in operations and management. Mr. Huang obtained a master's degree in pediatrics in traditional Chinese medicine from Shandong University of Traditional Chinese Medicine in 2005.

Dr. Peng Huaizheng, aged 64, is the Chief Business Officer of the Group. Dr. Peng was appointed as an independent non-executive Director of the Company for the period from 4 May 2010 to 9 October 2013 and has remained with the Group since then. Prior to joining the Group, he held the positions of partner, director or senior portfolio manager at several multinational financial corporations in the UK and Canada, mainly engaged in investments in the global life science field. Dr. Peng possesses over 19 years of investment experience. Dr. Peng obtained a bachelor's degree and a master's degree in clinical medicine from Hunan Medical College in 1984 and 1989 respectively, and his doctoral degree of philosophy in molecular pathology from University College London Medical School, UK in 1998. Prior to entering into the financial investment and pharmaceutical industries, Dr. Peng was a clinical instructor of histopathology at the University College London Medical School.

Mr. Jiang Fei, aged 49, is the Chief Investment Officer (Greater China) of the Group. Mr. Jiang joined the Group in January 2022. Prior to joining the Group, Mr. Jiang was engaged in R&D and business expansion in several domestic and foreign pharmaceutical companies, and held the positions including executive director and managing director at several venture capital firms and private equity funds. He possesses over 10 years of work experience in China's pharmaceutical industry and approximately 6 years of investment experience. Mr. Jiang obtained a bachelor's degree in chemical engineering from East China University of Science and Technology in 1998 and his doctoral degree of philosophy in chemical engineering from Syracuse University, U.S. in 2006.

Mr. James Stearns, aged 46, is the Chief Investment Officer (Europe and America) of the Group. Mr. Stearns joined the Group in April 2021. Prior to joining the Group, he was a director of an England investment bank and the investment director of an independent private equity firm, possessing over 20 years of experience in investment and finance in Europe and America's pharmaceutical industries. Mr. Stearns obtained a bachelor's degree in economics and accounting from University of Bristol in 2000.

Ms. Wang Linlang, aged 48, is the General Manager of Ophthalmology Business (CMS Vision) of the Group. Ms. Wang joined the Group in 2004 after receiving her master's degree from college and has remained with the Group since then. Ms. Wang is currently responsible for the overall operations and management of CMS Vision, possessing over 10 years of sales and marketing experience and rich experience in operations and management. Ms. Wang obtained a bachelor's degree in preventive medicine and a master's degree in epidemiology and health statistics from West China Medical Center, Sichuan University in 2001 and 2004 respectively.

Company Secretary

Ms. Wu Sanyan, aged 44, is the Company Secretary and Director of the Legal Department of the Group. Ms. Wu joined the Group in 2009 and has remained with the Group since then. Ms. Wu is primarily responsible for overseeing the legal and regulatory compliance matters of the Group (including compliance with the Listing Rules), possessing over 10 years of legal and corporate governance experience. Ms. Wu obtained a double bachelor's degree in history and law in 2004, and a master's degree in international law in 2008, both from Wuhan University. During the Reporting Period, Ms. Wu received professional training for no less than 15 hours to promote her skill and knowledge.

DIRECTORS' REPORT

The Board of the Company is pleased to present the "Directors' Report" and audited consolidated financial statements of the Group for the year ended 31 December 2025.

Principal Activities

The Company is a holding company, the subsidiaries' principal activities are set out in note 41 to the consolidated financial statements.

Results

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 80.

Business Review

Business review of the Group for the year ended 31 December 2025 can be found in the section headed "Management Discussion and Analysis" of this Annual Report, the discussion of which forms part of this "Directors' Report".

Reserves

Movements in reserves for the year ended 31 December 2025 are set out in the consolidated statement of changes in equity on page 83 and note 32 to the consolidated financial statements.

Distributable Reserves

As at 31 December 2025, the Company had distributable reserves of RMB5,131.5 million available for distribution to the shareholders.

Property, Plant and Equipment

Details of changes in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

Share Capital

Movements in the share capital of the Company are set out in note 31 to the consolidated financial statements.

Final Dividend

The Board is pleased to recommend a final dividend of RMB0.1366 (equivalent to HKD0.155 and SGD0.025) per ordinary Share for the year ended 31 December 2025 to shareholders whose names appear on the register of members of the Company after market closes on Wednesday, 29 April 2026 (the "Record Date"). Payment of such final dividend is expected to be made to the Shareholders on about Thursday, 7 May 2026. For the purpose of determination of the Shareholders registered under the Company's register of members in Hong Kong and register of members in Singapore for receiving the final dividend in Hong Kong dollars or Singapore dollars respectively, any removal of the Shares between the Company's register of members in Hong Kong and register of members in Singapore has to be made by the Shareholders no later than 4:30 p.m. (both Hong Kong and Singapore times) on Monday, 30 March 2026.

Closure of Register of Members

Entitlement to attend and vote at the AGM

The Register will be closed from Friday, 17 April 2026 to Thursday, 23 April 2026 (both days inclusive), during which the registration of transfer of Shares will be suspended. In order to qualify for attending and voting at the AGM, (i) Hong Kong shareholders must ensure that all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 16 April 2026; (ii) Singapore shareholders must ensure that all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's Singapore share transfer agent, In.Corp Corporate Services Pte. Ltd., at 36 Robinson Road, #20-01 City House, Singapore 068877, for registration no later than 5:00 p.m. (Singapore time) on Thursday, 16 April 2026.

Entitlement to Final Dividend

For Hong Kong Shareholders

To determine the eligibility of Hong Kong shareholders to receive the final dividend, the register of members of the Company will be closed on Wednesday, 29 April 2026, on which the registration of transfer of shares of the Company ("Shares") will be suspended. To qualify for the final dividend, all transfer forms of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 28 April 2026. Final dividend will be paid in Hong Kong dollars to Hong Kong Shareholders.

For Singapore Shareholders

To qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Singapore share transfer agent, In.Corp Corporate Services Pte. Ltd., at 36 Robinson Road, #20-01 City House, Singapore 068877 for registration no later than 5:00 p.m. (Singapore time) on Wednesday, 29 April 2026. Final dividend will be paid in Singapore dollars to Singapore Shareholders.

Dividend Policy

The Board has adopted a dividend policy (the "Dividend Policy"). Under the Dividend Policy, the Company does not have any pre-determined dividend payout ratio. Although the Company intends to declare and pay dividends in the future, the declaration, payment and amount of any dividends are subject to the Board's discretion having regard to the following factors: (a) the Group's actual and expected financial performance; (b) the Group's expected working capital requirements and future development plans; (c) the Group's liquidity position; (d) the economic outlook; (e) contractual restrictions or obligations; (f) shareholders' interests; and (g) any other factors the Board may consider relevant.

Such payment of the dividend by the Company is also subject to any restrictions under any applicable laws, rules and regulations and the Company's fifth amended and restated Memorandum and Articles of Association (the "Articles of Association"). The Company endeavors to strike a balance between the shareholders' interest and prudent capital management with a sustainable dividend policy. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as the Board deems fit and necessary. There is no assurance that the Company will pay dividends in any particular amount for any given period.

Pre-emptive Rights

There are no provisions for pre-emptive rights under Articles of Association or the laws of the Cayman Islands which oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

None of the Company or any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

Directors

The Directors of the Company during the year and up to the date of this Annual Report were:

Executive Directors:
Mr. LAM Kong (Chairman and Chief Executive, President)
Ms. CHEN Yanling (Chief Financial Officer, Vice President)

Independent Non-Executive Directors:
Mr. LEUNG Chong Shun
Ms. LUO Laura Ying
Mr. FUNG Ching Simon

Pursuant to Article 16.18 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director required to stand for re-election pursuant to Article 16.2 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Accordingly, Mr. LAM Kong and Mr. FUNG Ching Simon will retire from their offices at the AGM and, being eligible, offer themselves for re-election at the AGM.

At the AGM, separate ordinary resolutions will be proposed for each of the re-elections of Mr. LAM Kong and Mr. FUNG Ching Simon. Details of these retiring Directors will be set out in the circular expected to be issued by the Company on 1 April 2026.

Annual Confirmation of Independence

For the year ended 31 December 2025, the Company has received from each independent non-executive Director a confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

Biographical Details of the Directors and the Senior Management

The biographical details of the Directors and the senior management are set out on pages 43 to 46 of this Annual Report.

Directors' Service Contracts

Each of the executive Directors had entered into a service contract with the Company for a term of three years. Each of the independent non-executive Directors had entered into an appointment letter with the Company for a term of one year. Their appointments are subject to retirement from office by rotation and re-election in accordance with the Articles of Association. Save as disclosed above, none of the Directors has entered or intended to enter into any service contracts which cannot be determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Employee Benefit Scheme

During the Reporting Period, approved by the Benefit Scheme Executive Committee of the Company, there were six employees participating in the CMS Key Employee Benefit Scheme. Details of the Employee Benefit Scheme are set out in note 39 to the consolidated financial statements.

Share Award Scheme

The Company adopted the CMS share award scheme ("Share Award Scheme") on 17 January 2024 to encourage the Group's core management team and key personnel to continue to make outstanding contributions to the marketing and sales of new products, through an award ("Award") of shares of the Company ("Shares"). Further details regarding the Share Award Scheme are set out in the announcement of the Company dated 27 March 2024.

Participants of the Share Award Scheme

Eligible participants ("Eligible Participants") comprise the Group's core management, key employees in the product team (including employees responsible for product launch, research and development, and registration), key employees in the sales team (including employees responsible for marketing and promotion), and key employees in the operations team.

Maximum number of Share Award Scheme Shares

Pursuant to the rules of the Share Award Scheme, the aggregate maximum number of Shares to be purchased by the Trustee shall not exceed 100,000,000 Shares, representing approximately 4% of the issued share capital of the Company as at the date of this report.

Up to the date of this report, a total of 3,973,400 Shares had been granted under the Share Award Scheme. The total number of Shares available for grant under the Share Award Scheme as at the date of this report is 96,026,600, representing approximately 3.94% of the issued share capital of the Company as at the date of this report.

Maximum entitlement of each participant under the Share Award Scheme

Pursuant to the rules of the Share Award Scheme, the maximum number of Award Shares that may be granted to any Eligible Participant on a cumulative basis in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time.

Amount payable on acceptance of Awards

Under the Scheme, no consideration or payment shall be made by the Eligible Participants upon the acceptance of the Awards.

Remaining life of the Share Award Scheme

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on 17 January 2024. As at the date of this report, the remaining life of the Share Award Scheme is 7 years and 10 months.

Vesting period

An Award vests upon the achievement of certain performance targets prior to the vesting date, as set out in award notice. The Board has the absolute discretion to determine the applicable performance targets and the vesting date.

Grant of share awards pursuant to the Share Award Scheme

On 28 March 2025, the Company granted 3,973,400 Award Shares representing approximately 0.16% of the total issued Shares as at the date of this annual report, to the Eligible Participants who have made outstanding contributions to the launch of new products, under the Share Award Scheme (the "Award Grants"). The performance requirement set by the Company has been achieved. Resigning employees shall sell all Shares they hold prior to their departure date.

The details of the movements of the awarded shares during the Reporting Period are set out as follows.

Date of grant: 28 March 2025.
Date of vesting: 31 March 2025.
Form of grant: Non-cash subscription.
Consideration for the Award Shares granted: Nil.
Number of Award grantees: 130 Eligible Participants, none of whom is a Director, chief executive or substantial shareholder of the Company, or their respective associates or the five highest paid individuals during the Reporting Period.
Unvested as at the beginning and the end of the Reporting Period: Nil.
Cancelled or lapsed during the Reporting Period: Nil.
Number of Award Shares granted and vested during the Reporting Period: 3,973,400 Shares.
Lock-up period: Subject to the lock-up requirements during the black-out period, i.e., within 60 days before the publication date of the annual result announcement and within 30 days before the publication date of the interim result announcement.
Closing price of the Shares immediately before the date on which the Awards were granted: HK$7.91 per Share.
Weighted average closing price of the shares immediately prior to the date of vesting: HK$7.91 per Share.
Fair value of Award Shares as at the date of grant and accounting standards and policies adopted: During the year ended 31 December 2025, the Company recognised an expense of RMB27,310,000 (2024: Nil) on the Scheme based on individual's contributions to meeting those targets, in which such amount was recognised as share-based payment in the consolidated statement of profit or loss and other comprehensive income. Details are set out in note 3 and note 39 to the consolidated financial statements.

Directors' interests in Transactions, Arrangements or Contracts of Significance

Except as disclosed in this report, there was no transaction, arrangement or contract of significance subsisting during or at the end of the financial year ended 31 December 2025 in which a director or an entity connected with a director is or was materially interested.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 31 December 2025, the interests or short positions of the Directors and Chief Executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules were as follows:

Interests and Short Positions in Shares, Underlying Shares of the Company

Name of Directors	Name of Corporations	Nature of Interest	Class of Shares and Total Number of Shares Held (Note 1)	Approximate Percentage of Interest in the Company
Mr. Lam Kong	The Company	Interest in controlled corporation	1,167,564,000 (L) (Note 2)	47.86%
Ms. Chen Yanling	The Company	Beneficial owner	7,246,250(L)	0.30%

Notes:

1. The letter "L" denotes long positions in the Shares.
2. These Shares are held by Mr. Lam Kong through Treasure Sea Limited, a company wholly owned by him.

Associated Corporation of the Company

Name of Directors	Name of associated corporation of the Company	Class of Shares and Total Number of Shares Held (Note 1)	Approximate Percentage of Interest in the associated corporation of the Company
Mr. Lam Kong	Dermavon Holdings Limited	97(L) (Note 2)	0.89%
Ms. Chen Yanling	Dermavon Holdings Limited	104(L) (Note 3)	0.95%

Notes:

1. The letter "L" denotes long positions in the Shares.
2. Mr. Lam Kong is entitled to 97 unvested shares underlying the awards granted to Mr. Lam under the share award scheme of Dermavon Holdings Limited.
3. Ms. Chen Yanling is entitled to 104 unvested shares underlying the restricted share units granted to Ms. Chen under the share incentive scheme of Dermavon Holdings Limited.

Directors' Right to Acquire Shares or Debentures

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

Saved as disclosed above, as at 31 December 2025, the Directors were not aware of any other person (other than the Directors or the Chief Executive of the Company) who held interests and short positions in the shares or underlying shares or debentures of the Company which would have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Connected Transactions

During the year ended 31 December 2025, details of the Group's continuing connected transaction subject to the reporting, annual review, announcement requirements are set out as follows:

Continuing connected transaction	Date	Connected person	Description and purpose of the transaction	Annual cap for the year ended 31 December 2025	Actual transaction amount (royalty fee) for the year ended 31 December 2025
Asset Assignment Agreements related to Diazepam Nasal Spray (VALTOCO) ("Diazepam Asset Assignment Agreements") and Amendment Agreements for Diazepam Asset Assignment Agreements ("Diazepam Asset Assignment Amendment Agreements")	Diazepam Asset Assignment Agreements:28 August 2023; Diazepam Asset Assignment Amendment Agreements:12 September 2023	A&B (HK) Company Limited ("A&B"), a company wholly-owned by Mr. Lam Kong, an executive Director, the chairman of the Board, and a controlling shareholder of the Company	the CMS Parties, each a subsidiary of the Company, and A&B entered into the Diazepam Asset Assignment Agreements on 28 August 2023 and the Diazepam Asset Assignment Amendment Agreements on 12 September 2023 to specify detailed terms of the transfer and the assignment of all the assets related to any pharmaceutical preparation, formulation, dosage form, or delivery vehicle relating to the Diazepam Nasal Spray (VALTOCO) and/or its line extensions in the territories (being mainland China, Hong Kong, Macau, Taiwan and Singapore) to the Group	RMB66.65 million	RMB2.02 million

The detailed terms of the non-exempt continuing connected transaction mentioned above are as follows:

Diazepam Asset Assignment Agreements and Diazepam Asset Assignment Amendment Agreements

On 28 August 2023, CMS Bridging Limited, CMS International Development and Management Limited, Rxilient Biotech Pte. Ltd. and Rxilient Medical Pte. Ltd. (collectively, the "CMS Parties"), each a subsidiary of the Company, and A&B entered into the Diazepam Asset Assignment Agreements (for details, please refer to the announcement published by the Company on the websites of the SEHK and the Company on 28 August 2023); on 12 September 2023, the CMS Parties, and A&B entered into the Diazepam Asset Assignment Amendment Agreements to amend certain terms of the Diazepam Asset Assignment Agreements (for details, please refer to the announcement published by the Company on the websites of the SEHK and the Company on 12 September 2023). Pursuant to the Diazepam Asset Assignment Agreements and the Diazepam Asset Assignment Amendment Agreements, A&B has transferred and assigned to the Group all assets relating to any pharmaceutical preparation, formulation, dosage form, or delivery vehicle in respect of the Diazepam Nasal Spray (VALTOCO) and/or its line extensions in the territories (being Mainland China, Hong Kong, Macau, Taiwan and Singapore).

Assets acquired

The CMS Parties have agreed to acquire from A&B, and A&B has agreed to transfer and assign to the relevant CMS Parties, all assets relating to the Product in the territories of Mainland China, Hong Kong, Macau, Taiwan and Singapore (the "Territories"). The Product refers to any pharmaceutical preparation, formulation, dosage form, or delivery vehicle, relating to the Diazepam Nasal Spray (VALTOCO) and/or its line extensions (the "Product"). The assets include the marketing authorization, manufacturing rights, intellectual property and all commercial information, medical information, know-how and records relating to the Product in and for the territories. Accordingly, following the acquisition the Group has the exclusive right to promote, distribute, market and sell the Product in the Territories.

Consideration

The Assets were originally acquired by Prime West Global Limited ("PWG") from Neurelis pursuant to an Asset Assignment and Exclusive Licence Agreement (the "Upstream Agreement"). In February 2016, A&B entered into an Assignment Agreement with PWG pursuant to which A&B acquired the Assets for US$5.0 million. In addition, A&B has agreed to assume PWG's liabilities under the Upstream Agreement, which includes an agreement to pay Neurelis royalties of up to US$0.6 per unit of Diazepam Nasal Spray (VALTOCO) imported into or sold in the Territories ("Royalty I"), subject to adjustment to reflect the final pricing scheme adopted in the relevant jurisdiction in the Territories.

Pursuant to the Diazepam Asset Assignment Agreements, the CMS Parties have agreed to pay A&B a royalty payment of 9.0% on the net sales of Diazepam Nasal Spray (VALTOCO) sold by the Group in the Territories ("Royalty II"). In addition, the CMS Parties have agreed to assume the liabilities of A&B under the Upstream Agreement. Accordingly, the CMS Parties will be responsible for the payment of any Royalty I due to Neurelis under the Upstream Agreement in respect of Diazepam Nasal Spray (VALTOCO) imported into or sold in the Territories. Pursuant to the Asset Assignment Amendment Agreements, the CMS Parties and A&B have agreed that the CMS Parties will pay the Royalty I to A&B instead of paying the Royalty I directly to Neurelis. The amount of Royalty I payable by the CMS Parties to A&B will be equal to the royalty payable by A&B to Neurelis under the Upstream Agreement, as determined by the formula in the Upstream Agreement.

The above consideration is determined by the Group and A&B following arm's length negotiations, taking into account factors such as the initial acquisition cost of the product by A&B, the competitiveness of the Product in the Territories, the Group's business plans and the results of clinical trials and the status of new drug applications for the Product in various jurisdictions within the Territories.

Term

The initial payment term of the Royalty II payments is fixed for a period ending on 31 December 2047 (the "Royalty Term") and the term may be extended for further periods subject to the agreement of the parties and compliance with any requirements of the Listing Rules; the CMS Parties currently expect that the Royalty I payments will be payable until the end of 2032.

Rule 14A.52 of the Listing Rules stipulates that the term of an agreement for continuing connected transactions must be agreed for a fixed period of not more than three years, unless special circumstances justify a longer period based on the nature of the transaction. The Company considers that a long or indefinite term is in line with the practice in the pharmaceutical industry for asset assignment agreements or in-licensing agreements similar to the Asset Assignment Agreements, as the parties will be investing a significant amount of time and capital in the marketing and promotion of the drugs. Accordingly, the License Term of up to 25 years may reflect market practice. In this regard, as required by Rule 14A.52 of the Listing Rules, the Company has appointed Anglo Chinese Corporate Finance, Limited ("Anglo Chinese") as its independent financial adviser to explain why the Asset Assignment Agreements require a term longer than three years and to confirm that it is normal commercial practice for such agreements to be set up for such period. Anglo Chinese is of the view that (i) the term of the Asset Assignment Agreements needs to be longer than three years; and (ii) it is in line with normal commercial practice for similar agreements to have such a term.

Annual Caps

	RMB '000
For each year during the five-year period ending 31 December 2027	66,650
For each year during the five-year period ending 31 December 2032	111,080
For each year during the remaining period of the Royalty Term	150,000

The Annual Caps are the sum of the Royalty I and Royalty II payments. The Annual Caps have been determined based on, among other things, the following considerations: (a) the market size and growth potential of the product for the acute treatment of intermittent, stereotypic episodes of frequent seizure activity in the epilepsy patient population in China and other markets in the Territories; (b) the prevalence and incidence of epilepsy and seizure clusters in the Territories, as well as the unmet medical need and treatment gap for this condition, which may affect the demand for and adoption of the Product among patients, caregivers, and physicians; (c) the pricing and reimbursement strategy for the Product in the Territories, taking into account the affordability, accessibility, and value proposition of the Product compared to existing or emerging therapies; (d) the competitive landscape and positioning of the Product in the Territories, considering the strengths, weaknesses, opportunities, and threats of the product relative to other products or devices for the acute treatment of seizure clusters, as well as the potential market share and penetration of the Product in the Territories; and (e) the Group's sales and marketing efforts and resources in the territories, including launch and commercialization plans, promotional and educational activities, distribution and supply chain management, and post-marketing surveillance and pharmacovigilance of the Product in the Territories.

Review by and Confirmation of the Independent Non-executive Directors of the Company

The independent non-executive Directors have reviewed the above continuing connected transactions, and after due and careful enquiry with the management of the Group and consideration, confirmed that such transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;
(2) on normal commercial terms or better; and
(3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The independent non-executive Directors are satisfied that they have received and reviewed sufficient information to give the confirmations above.

Confirmation of the Auditor

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the above mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

The auditors of the Group had informed the Board and confirmed nothing has come to their attention that cause them to believe that the continuing connected transactions:

(1) have not been approved by the Board;
(2) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
(3) have exceeded the relevant annual cap.

In respect of the above mentioned non-exempt connected transactions, the Directors also confirmed that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, during the Reporting Period, there were no connected transactions or continuing connected transactions of the Company which are subject to any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the related party transactions of the Group during the Reporting Period are set out in notes 39 and 41 to the consolidated financial statements in this Annual Report. Save as disclosed in the "Connected Transactions" section of this Annual Report, these related party transactions either (i) do not constitute a "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules; or (ii) are "connected transactions" fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Employees

As at 31 December 2025, the Group had 6,415 employees. To meet the talents development needs of the Group, the Group has optimized the Group's strategy, organizational structure, improved the Group's performance management and salary incentive system, etc., to further stimulate the organizational vitality and improve organizational operation efficiency, enabling the Group's human resource management to fully match with the Group's development strategy. The Group provides employees with competitive remuneration packages including medium- and long-term share award scheme, salaries, bonuses, insurance and benefits. Salaries and bonuses are based on employees' performance and are measured against specific objective criteria. Additionally, the Group is committed to providing equal opportunities to all employees in all respects and has made efforts in employees' continuing education and training programs, such as orientation programs for new employees, regulation-related trainings and job skills trainings, to continuously enhance their knowledge, skills and teamwork spirit.

Directors' and Senior Management's Emoluments

The remuneration committee determines and proposes to the Board (as the case may be) on the remuneration and other benefits payable to the Directors and Management. The committee, on a routine basis, supervises the remuneration of all Directors and Management to ensure that their remuneration and compensation are appropriate and reasonable. The Group adopts competitive remuneration packages with reference to the industry standard and in the light of the business advancement of the Group, and determines remuneration of the Directors and Management after taking into account their qualifications, experience and contributions, so as to attract and retain its Directors and Management.

Particulars of directors' emoluments and the five highest paid individuals of the Group are set out in note 9 and note 10 to the consolidated financial statements, respectively.

For the year ended 31 December 2025, the emoluments of the Group's senior management (including the Company Secretary but not directors) are disclosed below:

Band of Emolument	**Number of Senior Management**
HK$1,500,001 - HK$2,000,000	2
HK$2,000,001 - HK$2,500,000	1
HK$2,500,001 - HK$3,000,000	2
HK$3,000,001 - HK$3,500,000	6
Total	11

Key Relationship with Employees, Customers and Suppliers

The Company maintains good relationships with its employees by taking all practicable measures, including but not limited to improving, reviewing and updating its policies on remuneration and benefits, training, occupational health and safety, to ensure that all the staff are reasonably remunerated.

The Company has good relationships with its customers and is always improving the communication mechanism with customers to ensure all complaints or feedback from customers can be fed to the Company in a timely manner and the customers can receive service of high quality.

The Company maintains long-term good cooperation with domestic and overseas suppliers, which are reputable in the industry.

Tax Relief and Exemption

The Group is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Shares.

Environmental Policies and Performance

The Group has strictly enforced the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution (《中華人民共和國噪聲污染防治法》), and other applicable laws and regulations related to environmental matters. The Group rigorously guards against environmental risk accidents in business management and production processes, and has set up environmental management organizations including the Environmental, Social and Governance Committee, assigned full-time environmental management personnel, established and improved the environmental management system, and developed the comprehensive risk-defensive measure and emergency plan for accidents. We also require our suppliers to operate in strict compliance with the pertinent environmental regulations and rules and obtain all necessary permission and approval from the relevant government authorities.

Compliance with Laws and Regulations

During the Reporting Period, the Group had complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

Principal Risks and Uncertainties

There are a number of risks and uncertainties which may affect the performance and operation of the Group. The following is a summary of principal risks and uncertainties identified by the Company:

Compliance with GMP and GSP Standards

In accordance with applicable laws and regulations, certain subsidiaries of the Company are required to comply with good Manufacturing Practice ("GMP") standards and good Supplying Practice ("GSP") standards constantly and strictly. The Group has established a sound quality management system for the production and operation of pharmaceuticals, and accepts continuous supervision and inspection by regulatory agencies to ensure compliance with current GMP and GSP standards. In the event that those subsidiaries fail to strictly comply with the requirements of GMP and/or GSP standards and are penalized by the regulatory authorities, the Group's business may still be largely and adversely affected after taking related remedies.

Product Liability

As insurance is not mandatorily required, the Group has not covered valid product liability insurance in respect of the manufacture and distribution of pharmaceutical products in the PRC. In the event of any product liability claim or proceedings pertaining to the products of the Group, which could not be solved through negotiation or any other methods, the Group may suffer material cost and damage to its relationship with customers.

Healthcare Reform in China

The government regulation and governance over the healthcare system in the PRC is undergoing a crucial reform period, where (i) the applicable laws, regulations and policies pertaining to the healthcare, medical and pharmaceutical industry are constantly evolving, and (ii) governmental authorities in the PRC may regularly or unexpectedly amend their implementation practices. Enforcement action taken by the government against the Group may affect us materially and adversely. Significant adverse consequences may therefore be incurred if our Group did not optimize its strategy to adapt to the variation of the Chinese medical system in time. Moreover, the scope and the extent of application of the government regulation and governance are continually changing, which leads to more risks and uncertainties in respect of the performance and operation of the Group. The National VBP is an industrial policy that has significant impact on the Group.

Tender and Price Control

The Company and its subsidiaries have to participate in a government-led tender process every year or every few years. Any failure in bidding in a provincial tender process will affect the Group's product sales in the respective province. Moreover, the product price, our market share, revenue and profitability may be affected due to certain new methods adopted in the provincial tender process.

R&D, Regulatory Approval and Commercialization of Innovative Patented Products

The successful development of innovative patented products, the obtaining of regulatory approval and the realization of commercialization are affected by a number of factors. These include but are not limited to the sufficiency of resources to acquire or discover more drug candidates, pre-clinical studies and clinical trial delays or failures, uncertainties brought about by the duration of the approval and regulatory approval process, and, if regulatory approval is obtained, whether the products can be promoted successfully and their acceptance level in the market. If the R&D of innovative patented products fails, the Group is unable to obtain regulatory approval, or market acceptance of our products is not promising, the Group's future development may be affected adversely.

Furthermore, there may be other principal risks and uncertainties that are not known to the Company or may not be material now but could turn out to be material in the future.

Major Customers and Suppliers

For the year ended 31 December 2025, the percentage of sales to the Group's five largest customers was approximately 31.1% of the Group's total sales, and sales to the top customer accounted for approximately 17.9% of the total sales.

For the year ended 31 December 2025, the percentage of purchases from the Group's five largest suppliers was approximately 66.1% of the Group's total purchases, and purchase from the top supplier accounted for approximately 25.4% of the total purchases.

Except as disclosed in note 37 to the consolidated financial statement, none of the Group's directors, their close associates or shareholders had an interest in the Group's suppliers or customers.

Corporate Governance

A report for the corporate governance principles and practices adopted by the Company is set out on pages 62 to 74 of this Annual Report.

Sufficiency of Public Float

According to the publicly available information and as far as the Directors were aware of, during the Reporting Period and as at the date of this Annual Report, at least 25% of the Company's total issued share capital was held by the public in compliance with the public float requirement under the Listing Rules.

Non-competition and Indemnity Agreements

The Company entered into a deed of non-competition with Mr. Lam Kong and his wholly owned company registered in the British Virgin Islands - Treasure Sea Limited ("Treasure Sea") on 14 September 2010 (the "Non-competition Deed"). Mr. Lam Kong and Treasure Sea jointly undertook not to carry on businesses that are in competition with the business of the Group.

Mr. Lam Kong and Treasure Sea stated that they had complied with the relevant clauses of the Non-competition Deed, and did not engage in businesses that are in competition or may compete with the businesses of the Group, and also did not directly or indirectly hold any business interest that is in competition with the businesses of the Group during the Reporting Period.

The independent non-executive Directors have reviewed the compliance of the Non-competition Deed by Mr. Lam Kong and Treasure Sea during the Reporting Period, and reviewed the relevant business information provided by the Group. The independent non-executive Directors were of the opinion that Mr. Lam Kong and Treasure Sea complied with the relevant terms of the Non-competition Deed during the Reporting Period and did not cause any competition with the Group. The Board of Directors operated and managed the Group's businesses independently in the interests of the Company and its shareholders as a whole.

Donation

During the Reporting Period, the Group had made donations of RMB2.9 million for public services in communities, for details please refer to "Undertaking Community Responsibilities" on page 71 of the Group's 2025 Environmental, Social and Governance Report.

Permitted Indemnity Provision

According to the Articles of Association, among others, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favor, or in which he is acquitted.

During the year ended 31 December 2025, pursuant to the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong), appropriate insurance coverage for the Directors' and senior management's liabilities in respect of legal actions against the Directors and senior management of the Company arising out of corporate activities of the Group has been arranged by the Company.

Equity-Linked Agreements

The Company has not entered into any equity-linked agreement during the year ended 31 December 2025.

Compliance with the Corporate Governance Code

The Company has complied with the applicable principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules from 1 January 2025 to 31 December 2025, except for a deviation from the Code Provision C.2.1 in respect of the roles of Chairman and Chief Executive which shall not be performed by the same individual. The details of the Company's compliance with the CG Code are set out on pages 62 to 74 of this Annual Report.

Competing Interests

None of the Directors or management and their respective associates (as defined in the Listing Rules) has an interest in a business which competes or may compete with the businesses of the Company or any of its subsidiaries or has any other conflict of interest with the Company during the Reporting Period.

Audit Committee

The details of the Audit Committee are set out on pages 66 to 67 of the Corporate Governance Report of this Annual Report.

Auditors

The Company has appointed Deloitte Touche Tohmatsu as auditors since the listing of the Company on the Main Board of the Stock Exchange on 28 September 2010. The financial statements in the Annual Report for the year have been audited by Deloitte Touche Tohmatsu. A resolution will be submitted at the AGM of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

By order of the Board
China Medical System Holdings Limited
Lam Kong
Chairman

Hong Kong, 16 March 2026

Corporate Governance Report

The Company is committed to upholding high standards of corporate governance and has adopted sound governance and disclosure practices. The Company believes that continuously improving corporate governance can increase the Group's accountability and transparency so as to maximize the long-term level shareholder value.

Corporate Strategy, Business Model and Culture

The details of Corporate Strategy, Business Model and Culture are set out in Business Highlights, Chairman's Statement and Management Discussion and Analysis of this Annual Report.

Corporate Governance Practices

The Company has complied with the applicable principles and code provisions of the CG Code as set out in Appendix C1 to the Listing Rules from 1 January 2025 to 31 December 2025, except for a deviation from the Code Provision C.2.1 in respect of the roles of Chairman and Chief Executive which shall not be performed by the same individual.

Mr. Lam Kong has been both the Chairman and Chief Executive of the Company and his responsibilities are clearly established and set out in writing and approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and Chief Executive in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the Group's management structure from time to time and shall consider any appropriate adjustments should new circumstances arise.

Directors' Securities Transactions

The Company adopted the Written Guidelines for Securities Transactions by Directors and Relevant Employees (the "Written Guidelines") on no less exacting terms than the Model Code as the code of conduct for Directors' securities transactions. Having made specific inquiries of all Directors in relation to the compliance with the Written Guidelines for securities transactions by Directors, the Company confirmed that all the Directors have complied with the relevant standards for securities transactions by directors set out in the Written Guidelines for the year ended 31 December 2025. The Written Guidelines also apply to other specified senior management of the Company.

Employees who are likely to be in possession of unpublished price-sensitive information about the Company are also subject to compliance with the Written Guidelines. No incident of non-compliance with the Written Guidelines by such employees was noted by the Company in the Reporting Period.

Operation of the Board

In accordance with good corporate governance principles, the Board convened regular meetings in accordance with statutory procedures, and complied strictly with the applicable laws, regulations and the Articles of Association in the exercise of its authority, with an emphasis on protecting the interests of the Company and its shareholders as a whole.

The role and responsibilities of the Board broadly cover reviewing and approving corporate mission and broad strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate measures and control systems to manage these risks; and reviewing and approving important matters such as financial results, investments and divestments and other material transactions. All Directors and Board Committees have access to external legal counsel and other professionals for independent advice to better perform their duties at the Group's expense if necessary.

The Board has performed the strategic decision-making function in accordance with the long-term interest of the Group as well as the interest of shareholders and relevant parties, and has been subject to effective supervision and assessment in maintaining corporate resources and conducting operation management. The Board is responsible for making effective incentives and constraints for the management when duly delegating powers to them. Meanwhile, as the core of the Company's corporate governance framework, the Board has clearly separated its functions and duties from that of the management. Differentiating itself from the functions and duties of the Board, the specific responsibilities and duties of the management of the Company mainly include running the Company's day-today business; drafting and proposing the Company's annual business plan and investment plan; working out the human resource policy and arranging an appropriate organizational structure of the Company; drafting plans for the establishment of the Company's branch offices; creating and upgrading the Company's basic internal management system and mandates for Company management; within the authority delegated by the Board, appointing, changing or recommending shareholder representatives, directors and supervisors in its holding subsidiary or joint stock subsidiary; and other powers delegated by the Board.

The Company has established four committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee, which mainly comprise independent non-executive Directors and are responsible for overseeing particular aspects of the Group's business and providing the Group with recommendations for improvements. Please see below for the work scope of these committees. The Board has delegated the responsibilities of the day-to-day management and operation of the Group's businesses to the management of the Company and its subsidiaries and has given clear directions as to the management's powers including where management should report back and obtain prior approval of the Board before making decisions or entering into any commitments on the Company's behalf.

Composition of the Board

As at the date of this Annual Report, the Board consists of five Directors, including two executive Directors, namely Mr. Lam Kong and Ms. Chen Yanling; three independent non-executive Directors, namely Mr. Leung Chong Shun, Ms. Luo Laura Ying and Mr. Fung Ching Simon. Biographical details of the Directors are set out on pages 43 to 44 of this Annual Report. Save as disclosed in the section headed "Directors and Senior Management" of this Annual Report, none of the Directors has any financial, business, family or other material or relevant relationships among members of the Board. The Chairman shall promote a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular and ensuring constructive relations between Executive Directors and non-executive Directors. The Chairman of a meeting shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

Board Attendances and Time Commitment

During the Reporting Period, the Company held six Board meetings and one annual general meeting. The following is the attendance record of the Directors at such meetings held during the Reporting Period.

Name	Title	Attendance Rate	
		Board Meeting	Annual General Meeting
Mr. Lam Kong	Chairman and Chief Executive, President	6/6	1/1
Ms. Chen Yanling	Chief Financial Officer, Vice President	6/6	1/1
Mr. Chen Hongbing *(Resigned with effect from 18 August 2025)*	Non- Executive Director	5/5	1/1
Mr. Leung Chong Shun	Independent Non- Executive Director	6/6	1/1
Ms. Luo Laura Ying	Independent Non- Executive Director	6/6	1/1
Mr. Fung Ching Simon	Independent Non- Executive Director	6/6	1/1

Upon reviewing (i) the annual confirmation of the time commitment given by each Director; (ii) the directorships and major commitments of each Director; and (iii) the attendance rate of each Director for the Board meetings and the general meetings, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the Reporting Period.

Independent Non-executive Directors and Mechanisms Ensuring Independent Views and Input Available to the Board

The Nomination Committee is authorized to identify individuals suitably qualified to become independent non-executive Directors through various ways and channels, including recommendation by Directors, engaging external agencies and any other way or channel that the Nomination Committee considers appropriate. The Nomination Committee will request the candidates to provide their biographies and other information that the Nomination Committee considers necessary, and will comprehensively consider the factors including the character and integrity, the achievements and experience in the industries involved in the business of the Group, other professional qualifications, diversity factors, the time devoted to the affairs of the Board, the undertaking of the duties of the Board, and the independence requirement of independent non-executive Directors under the Listing Rules to evaluate and select candidates for independent non-executive Directors and propose one or several of them to the Board.

For the year ended 31 December 2025, there were three independent non-executive Directors, representing three fifths of the Board, at least one of whom has appropriate professional accounting qualifications. The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers such Directors to be independent in accordance with each and every guideline set out under the Listing Rules.

The independent non-executive Directors are appointed for a period of one year. All of them are subject to retirement by rotation and re-election by shareholders at the annual general meeting in accordance with the Articles of Association. The responsibilities of the independent non-executive Directors include, without limitation: regular attendance at meetings of the Board and of Board Committees of which they are members; provision of independent opinion at meetings of the Board and other Board Committees; service on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee; and scrutinizing and monitoring the performance of the Company as a whole.

All independent non-executive Directors have spent sufficient time in performing their responsibilities during the Reporting Period. They monitored and ensured that the Group implemented good corporate governance. They applied their professional skills, knowledge and experience in the areas of accounting, finance, law and investment and made sufficient contributions to the Company.

All Directors and Board Committees have access to external legal counsel and other professionals for independent advice to better perform their duties at the Group's expense if necessary. The Directors shall receive a comprehensive, formal and tailored induction on appointment, and subsequently any briefing and professional development necessary to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

During the Reporting Period, the Board had reviewed the implementation and effectiveness of the mechanisms ensuring independent views and input available to the Board and is of the view that the mechanisms worked well to ensure that the Board had access to independent views and input.

Directors' Continuous Professional Development

On appointment to the Board, each newly appointed Director has received training from professional lawyer covering the general, statutory and regulatory obligations of being a director of a listed company to ensure that he/she is sufficiently aware of his /her responsibilities under the Listing Rules and other relevant legal requirements.

From time to time, the Directors are provided with written materials to develop and refresh their professional skills. The Company Secretary also organizes and arranges seminars on the latest development of the applicable laws, rules and regulations for the Directors to assist them in discharging their duties.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the CG Code on continuous professional development during the Reporting Period.

Directors	Corporate Governance/Updates on Laws, Rules and Regulations/Updates on Industry Specific	
	Written Materials	**Briefings/Seminars**
Executive Directors		
Mr. Lam Kong	√	√
Ms. Chen Yanling	√	√
Non-executive Director		
Mr. Chen Hongbing (Resigned with effect from 18 August 2025)	√	√
Independent Directors		
Mr. Leung Chong Shun	√	√
Ms. Luo Laura Ying	√	√
Mr. Fung Ching Simon	√	√

Committees

The Company has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee. The function of each of these committees is to study pertinent issues in its area of expertise and to provide opinions and recommendations for consideration by the Board under its own defined terms of reference.

Audit Committee

The Company established the Audit Committee in 2007. The Audit Committee comprises three independent non-executive Directors, and is currently chaired by Mr. Fung Ching Simon, with Mr. Leung Chong Shun and Ms. Luo Laura Ying as the committee members.

The primary duties of the Audit Committee are to provide the Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Company, and to oversee the audit process and to perform other duties and responsibilities as assigned by the Directors. The Audit Committee also oversees the Company's appointment of external auditors. The annual results announcement and annual report for the year ended 31 December 2025 of the Company have been reviewed by the Audit Committee and approved by the Board with recommendation of the Audit Committee. The Audit Committee meets at least twice a year with the external auditors, at least one of which there is no executive Directors at present. The terms of reference of the Audit Committee are posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.cms.net.cn).

For the year ended 31 December 2025, the Audit Committee held three meetings. At the meetings, the Audit Committee reviewed the annual results for 2024, the interim results for 2025, the activities of the Group's risk management and internal control functions and also discussed and approved the arrangement of the annual audit work and then proposed the recommendations to the Board. Below is the attendance rate of the committee members:

Committee Members	Attendance Rate of the Meetings for the Year Ended 31 December 2025
Mr. Fung Ching Simon (Chairman)	3/3
Mr. Leung Chong Shun	3/3
Ms. Luo Laura Ying	3/3

Remuneration Committee

The Company established a Remuneration Committee in 2007. The Remuneration Committee comprises three independent non-executive Directors, and is currently chaired by Mr. Leung Chong Shun, with Ms. Luo Laura Ying and Mr. Fung Ching Simon as the committee members.

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Board on the policy and structure for remunerations of all Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of the Directors and senior management; (iii) approving the terms of Directors' service contracts; and (iv) reviewing and approving performance-based remuneration (including share schemes, if any) by reference to corporate goals and objectives resolved by the Directors from time to time. The terms of reference of the Remuneration Committee are posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.cms.net.cn).

For the year ended 31 December 2025, the Remuneration Committee held one meeting. At the meeting, the Remuneration Committee reviewed and recommended adjusting remuneration of the Directors and senior management with reference to the industry standard, in light of the business advancement of the Group and according to their qualifications, experience and contributions, and considered that the proposed remunerations of whom were reasonable and appropriate. Below is the attendance rate of the committee members:

Committee Members	Attendance Rate of the Meetings for the Year ended 31 December 2025
Mr. Leung Chong Shun (Chairman)	1/1
Ms. Luo Laura Ying	1/1
Mr. Fung Ching Simon	1/1

Nomination Committee

The Company established the Nomination Committee in 2007. The Nomination Committee comprises one executive Director and three independent non-executive Directors, and is currently chaired by Ms. Luo Laura Ying, with Mr. Lam Kong, Mr. Leung Chong Shun and Mr. Fung Ching Simon as the committee members.

The primary duties of the Nomination Committee are to make recommendations to the Directors on all new appointments of Directors and senior management, interview nominees, and to take up references and to consider related matters. The terms of reference of the Nomination Committee are posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.cms.net.cn).

For the year ended 31 December 2025, the Nomination Committee held one meeting. At the meeting, the Nomination Committee reviewed the composition and structure of the Board in order to determine whether it is in compliance with requirements under the relevant laws, regulations and rules and whether the diversity on the Board has been achieved and maintained, considered and made recommendations to the Board on the re-appointment of the retiring Directors at the 2024 annual general meeting, and also assessed whether the independent non-executive Directors had spent enough time in fulfilling their duties and their independence. The Nomination Committee is of the view that the current composition and structure of the Board comply with the applicable regulations and the Board is experienced and has diversified perspectives and views. Below is the attendance rate of the committee members:

Committee Members	Attendance Rate of the Meeting for the Year ended 31 December 2025
Ms. Luo Laura Ying (Chairman)	1/1
Mr. Lam Kong	1/1
Mr. Leung Chong Shun	1/1
Mr. Fung Ching Simon	1/1

Policy for the Nomination of Directors

The Company has adopted the Policy for the Nomination of Directors (the "Nomination Policy"). During the Reporting Period, the Nomination Committee had reviewed the Nomination Policy.

The Nomination Policy sets out the selection criteria and the nomination procedures of Directors.

The Nomination Committee is authorized to identify individuals suitably qualified to become Board members through various ways and channels, including recommendation by Directors, engaging external agencies and any other way or channel that the Nomination Committee considers appropriate. The Nomination Committee will request the candidates to provide their biographies and other information that the Nomination Committee considers necessary, and will comprehensively consider the factors including the character and integrity, the achievements and experience in the industries involved in the business of the Group, other professional qualifications, diversity factors, the time devoted to the affairs of the Board, the undertaking of the duties of the Board, and the independence requirement of independent non-executive Directors under the Listing Rules to evaluate and select candidates. After considering the suitability of a candidate to become a Director, the Nomination Committee will call a meeting and/or pass a written resolution to recommend appointment of Director to the Board. The Board will make a final decision based on the recommendation of the Nomination Committee. The Company may from time to time increase the number of Directors by ordinary resolution at general meetings pursuant to Article 16.3 of the Articles of Association. Shareholders may also nominate persons to be elected as Directors at general meetings pursuant to Article 16.4 of the Articles of Association.

The Nomination Committee and the Board shall, in accordance with the Listing Rules and Article 16.18 of the Articles of Association, determine the candidates for re-election of Directors at the general meetings through the following procedures: the Nomination Committee shall review the retiring Directors' overall contribution and service to the Company and their participation and performance in Board affairs, and take into account the Company's strategy at that time and the structure, size and composition of the Board, to consider the suitability of the retiring Directors to be re-appointed. The Nomination Committee shall submit its recommendations to the Board for consideration based on the above consideration. The Board shall, as appropriate, make recommendations to the shareholders that the retiring Directors be re-elected at the general meetings.

Board Diversity Policy and Gender Diversity

The Company views the increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives, maintaining competitive advantages and keeping sustainable development. Therefore, the Company has adopted a Board Diversity Policy (the "Board Diversity Policy") to set out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional skills, experience, culture and education background, ethnicity, gender, age, etc. In introducing its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time. Ultimately, all Board appointments will be based on merit, and candidates will be considered against objective criteria, fully having due regard to the benefits diversity brings to the Board. The Board shall continue to maintain the gender diversity among the Board members. The Nomination Committee and the Board review the Board Diversity Policy and its implementation and effectiveness on a regular basis to ensure its continued effectiveness. During the Reporting Period, the Nomination Committee and the Board had reviewed the Board Diversity Policy and its implementation and effectiveness and considers it to be effective.

As at the date of this Annual Report, the Board's composition from a board diversity perspective is summarized as follows:

Designation	Executive Directors		Independent Non-executive Directors	
	2		3	
Gender	Male		Female	
	3		2	
Age Group	51-55 years old		56-60 years old	
	1		4	
Length of Service	2 years and below	3-4 years	5-9 years	10 years and above
	0	1	2	2
Professional Background	Pharmaceuticals, Accounting, Investment, Law			

As at 31 December 2025, the Board consists of five members, including two female members. Female Board members represent 40% of the Board. The Board considers that it has achieved gender diversity. The Nomination Committee shall continue to consider and implement the Board Diversity Policy in future selection and recommendation of Board member candidates. The Board shall continue to introduce female members if it considers the candidates suitable with the ultimate goal of achieving gender parity within the Board.

Female senior management members represent 31.25% of the senior management of the Company. Female middle-senior management members represent 42.03% of the middle-senior management of the Group. Female employees represent 56.18% of the employees of the Group. The Group wishes to keep the ratio of its female employees not lower than 50%.

Environmental, Social and Governance Committee

The Company established the Environmental, Social and Governance Committee in 2020. The Environmental, Social and Governance Committee comprises one executive Director and three independent non-executive Directors, and is currently chaired by Ms. Chen Yanling, with Mr. Leung Chong Shun, Mr. Fung Ching Simon and Ms. Luo Laura Ying as the committee members. Ms. Luo Laura Ying was appointed with effect from 16 March 2026

The primary duties of the Environmental, Social and Governance Committee are to comprehensively formulate and review the administrative policies, strategies and structures of the Group's environmental, social and governance; to review environmental, social and governance-related policies, regulations and trends and provide decision-making advice to the Board of Directors regarding the Group's environmental, social and governance strategies and operations; to ensure the Company to comply with requirements of applicable laws and regulations; to monitor and supervise the formulation and implementation of the Group's environmental, social and governance objectives; to identify external environmental, social and governance trends, risks and opportunities; and to promote a positive culture throughout the Group and actively incorporate environmental, social and governance considerations into the business decision-making processes, etc. The terms of reference of the Environmental, Social and Governance Committee are posted on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.cms.net.cn).

For the year ended 31 December 2025, the Environmental, Social and Governance Committee held four meetings. At the meetings, the Environmental, Social and Governance Committee reviewed the Group's overall environmental, social and governance (the "ESG") performance, reviewed the implementation progress of the Group's ESG objectives, reported the important trends affecting the Group's ESG strategies, assessed the impact of ESG risks and opportunities on the Group, guided and reviewed the Group's ESG materiality analysis, and reviewed and reported to the Board the 2024 ESG Report of the Company. Below is the attendance rate of the committee members:

Committee Members	Attendance Rate of the Meeting for the Year ended 31 December 2025
Ms. Chen Yanling (Chairman)	4/4
Mr. Leung Chong Shun	4/4
Mr. Fung Ching Simon	4/4

Corporate Governance Functions

No corporate governance committee has been established, and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance, providing training and continuous professional development for Directors and senior management, and ensuring the Company's policies and practices are in compliance with legal and regulatory requirements, etc.

Auditor's Remuneration

For the year ended 31 December 2025, the Company has appointed Deloitte Touche Tohmatsu as our independent external auditor to provide the annual performance auditing service, the remuneration for its auditing and non-auditing service was HK$9.8 million and HK$3.1 million, respectively. The non-auditing services covered tax advisory service, due diligence service and ESG related assurance service.

Directors' and Auditor's Responsibilities for Accounts

The Board acknowledges their responsibility for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The Directors confirm that they are responsible for the preparation of financial reports, and to give a true and fair view of the Company's and the Group's financial status and operating results for the year ended 31 December 2025. In preparing these financial statements, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis.

The responsibility of auditor is set out on pages 78 to 79 of the independent auditor's report.

Risk Management and Internal Controls

The Group has established and designed appropriate policies and controls to ensure that assets are safeguarded against unauthorized use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and main risks that may impact on the Group's performance are appropriately identified and managed. The systems and internal controls can only provide reasonable but not absolute assurance to prevent material misstatement or losses, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Board confirms its responsibility for supervising the Group's risk management and internal control systems and reviewing their effectiveness at least annually through the Audit Committee. The Group's finance department, compliance department, audit department, legal department and various operating departments are responsible for the implementation of risk management policies and routine risk management work. The Group's Internal Audit and the Audit Committee assist the Board in the review of the effectiveness of the Group's risk management and internal control systems on the basis of continuity. The Directors through these committees are kept regularly appraised of significant risks that may impact on the Group's performance.

The Group has a strict reporting system and specified the reporting channels, treatment procedure, whistleblower protection and other related issues in the CMS Anti-fraud Management Policy to ensure that all reporting can be properly handled. Regarding the procedure and internal control over handling and propagation of the inside information, the Group has adopted an Inside Information Management Policy which has been disseminated to all the staff. Based on the policy and in order to ensure that the inside information would be processed and propagated in compliance, the Group has established monitoring measures to ensure that the potential inside information could be promptly recognized, assessed and then provided to the Board for their decision that whether a disclosure is required.

The Audit Committee assists the Board in performing its supervision over the recourses and corporate governance roles in the Group's financial, operational, compliance, risk management, internal controls, internal audit, ESG performance and reporting related functions by reviewing the working report from internal audit and external audit. The risk management and internal controls of the Group are reviewed annually by the Board. During the Reporting Period, the Group's internal audit ("Internal Audit") conducted selective reviews of the effectiveness of the systems of risk management and internal controls of the Group in respect of financial, operational and compliance controls with emphasis on control over business continuity, compliance risks and fraud risks. The Group's Internal Audit reported such results to the Audit Committee, which then reviewed and reported the same to the Board. The Audit Committee and the Board were not aware of any areas of concern that would have a significant impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally adequate and effective with adequate resources, staff qualifications and experience, training programs for the staff and budget for the accounting, internal audit, financial reporting and ESG performance and reporting functions, etc.

In addition to the review of risk management and internal controls executed within the Group, the external auditor appointed by the Group also assessed the adequacy and effectiveness of certain main risk management and internal controls as part of their regulatory audits. The external auditor's related recommendation will be adopted under appropriate circumstances to strengthen the risk management and internal controls.

Shareholders' Rights

Convening an Extraordinary General Meeting

Pursuant to article 12.3 of the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times has the right, by written requisition specifying the objects of the meeting and signed by the requisitionists to the Company's headquarters and principal place of business in Hong Kong at Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The same requirement and procedure also apply to any proposal to be tabled at shareholders' meetings for adoption.

Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, or Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd. at 36 Robinson Road, #20-01 City House, Singapore 068877. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's headquarters and principal place of business in Hong Kong at Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong.

Articles of Association

The fifth amended and restated memorandum and articles of association of the Company were adopted by special resolution at the AGM held on 24 April 2025 to, inter alia, (i) clarify that any shares repurchased by the Company may be cancelled or held as treasury shares; (ii) provide for the arrangements to submit proxy by electronic means; (iii) allow arrangements to be made in respect of voting using electronic means; (iv) remove the requirement of Shareholders' approval when dividends are distributed in the form of non-cash assets and (v) incorporate certain housekeeping changes.

Save as disclosed, there were no changes made to the Articles of Association during the year ended 31 December 2025.

Communications with Shareholders and Investors

The Group has always regarded sound investor relations as an important component of corporate governance. The Group proactively fulfills the information disclosure obligations of a listed company, and communicates the Company's strategic progress and business developments to shareholders and investors around the world in an objective, timely and transparent manner through diversified communication channels, thereby effectively safeguarding investors' right to know and their rights and interests. Meanwhile, the Group attaches great importance to the opinions and suggestions from the capital market, and regards them as a key driving force for the continuous enhancement of its corporate governance.

To continuously standardize and improve communications with shareholders and investors, the Group has formulated and implemented Investors (Shareholders Included) Communication Policy. During the Reporting Period, the Board has reviewed and examined the implementation and effectiveness of the above communication policy. After taking into consideration the various communication channels currently in place and the handling of investor enquiries as described below, the Group considers that the policy has been effective and properly implemented.

The Group has established a multi-channel communication and interaction mechanism to maintain close communication and interaction with the capital market, and proactively solicits and promptly responds to the opinions of shareholders and investors: (i) holding Annual General Meetings and Extraordinary General Meetings to promote constructive communication between shareholders and the Board; (ii) publishing Annual Reports and Interim Reports on the Group's official website and the Hong Kong Stock Exchange website, and proactively issuing various voluntary announcements to provide timely business updates; (iii) releasing news and updates on the Group's official website, official WeChat public account and official accounts on various financial media platforms, so as to enhance information transparency through multi-channel dissemination of business updates; (iv) disclosing investor relations contact information on the Group's official website and setting up an "Investor Interaction" section to collect valuable suggestions from investors and provide detailed responses to investor inquiries; (v) organizing interim and annual results announcement conferences; (vi) organizing and receiving investor visits, conference calls, etc.; and (vii) actively participating in various conferences organized by brokerage institutions, such as investment summits, roadshows and other events. During the Reporting Period, the Group's management and investor relations team actively communicated with existing and potential investors, and received a total of about 2,000 representatives of domestic and overseas institutional investors and individual investors.

The Group's sound internal governance, together with its persistent and proactive communication with shareholders and investors, has been recognized by third-party institutions. During the Reporting Period, the Group was awarded the "19th Crystal Ball Award for Shareholder Returns of Listed Companies", the "Best Listed Company Award", the "Most Investment Value Award", the "Top 100 Hong Kong Listed Companies-Annual Pharmaceutical and Healthcare Innovation Pioneer", the "Industry-Leading Pharmaceutical Enterprise", and the "Most Investment Potential Company Award". In addition, the Group has been selected for the S&P Global Sustainability Yearbook (China Edition) for three consecutive years, and was once again included in the global edition of the S&P Global Sustainability Yearbook in February 2026.

Looking ahead, the Group will continue to optimize its investor relations management system, further enrich communication channels and formats, and maintain sincere and efficient communication with domestic and overseas investors. The Group will articulate its long-term development vision and investment value, strengthen investors' understanding of and confidence in the Company, and build long-term, stable and mutually trusting relationships with investors.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF
CHINA MEDICAL SYSTEM HOLDINGS LIMITED
康哲藥業控股有限公司
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Medical System Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 80 to 178, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

TO THE SHAREHOLDERS OF
CHINA MEDICAL SYSTEM HOLDINGS LIMITED - continued
康哲藥業控股有限公司
(incorporated in the Cayman Islands with limited liability)

Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
Impairment of Goodwill	
We identified the impairment of goodwill allocated to the cash generating unit of Tianjin Kangzhe Pharmaceutical Technology Development Co., Ltd. ("Tianjin Kangzhe") as a key audit matter due to the involvement of significant judgment of the management in determining the impairment of goodwill. The impairment of goodwill is determined based on the higher of fair value less costs of disposal and value in use of the cash generating unit. The recoverable amount has been determined based on value in use calculation, which is based on the cash flow forecasts prepared by management. The impairment model is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. As at 31 December 2025, the carrying value of goodwill was RMB990,333,000. Details relating to the Group's goodwill and key sources of estimation uncertainty are set out in Note 19 and Note 4 to the consolidated financial statements, respectively.	Our procedures in relation to the impairment of goodwill included: • Making inquiries with management on their bases and assumptions used in relation to the preparation of the value in use calculation; • Checking the mathematical accuracy of the value in use calculation; • Evaluating the reasonableness of the key assumptions including growth rates, discount rate and the forecast performance used by the management with reference to the historical performance; • Checking the inputs used in the cash flow forecast against supporting documentation, on a sample basis; • Evaluating the sensitivity analysis prepared by the management on discount rate and growth rates to assess the extent of impact on the value in use calculation; • Evaluating the independent professional external valuer's competence, capabilities and objectivity; and • Involving our internal valuation specialists to assess the appropriateness of valuation methodology and discount rate adopted.

TO THE SHAREHOLDERS OF
CHINA MEDICAL SYSTEM HOLDINGS LIMITED - continued
康哲藥業控股有限公司
(incorporated in the Cayman Islands with limited liability)

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

TO THE SHAREHOLDERS OF
CHINA MEDICAL SYSTEM HOLDINGS LIMITED - continued
康哲藥業控股有限公司
(incorporated in the Cayman Islands with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit cond ucted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

TO THE SHAREHOLDERS OF
CHINA MEDICAL SYSTEM HOLDINGS LIMITED - continued
康哲藥業控股有限公司
(incorporated in the Cayman Islands with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Sy, Sunnie (practising certificate number: P06034).

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	NOTES	2025 RMB'000	2024 RMB'000
Revenue	5	8,212,058	7,468,990
Cost of goods sold		(2,340,522)	(2,046,796)
Gross profit		5,871,536	5,422,194
Other income	6	145,672	208,387
Other gains and losses	7	156,907	(151,244)
Selling expenses		(2,842,252)	(2,661,648)
Administrative expenses		(865,777)	(780,093)
Finance costs	8	(20,297)	(38,610)
Research and development expenses		(585,023)	(329,982)
Share of results of associates		238,790	338,548
Share of result of a joint venture		3,505	2,755
Profit before tax		2,103,061	2,010,307
Income tax expense	11	(659,784)	(397,227)
Profit for the year	12	1,443,277	1,613,080
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income		227,810	(34,110)
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive (expense) income of associates		(6,568)	6,162
Exchange differences arising on translation of foreign operations		(8,284)	3,038
Exchange differences arising on translation of interests in associates		15,664	(9,061)
Other comprehensive income (expense) for the year, net of income tax		228,622	(33,971)
Total comprehensive income for the year		1,671,899	1,579,109
Profit (loss) for the year attributable to:			
Owners of the Company		1,488,892	1,619,788
Non-controlling interests		(45,615)	(6,708)
		1,443,277	1,613,080
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		1,717,514	1,585,817
Non-controlling interests		(45,615)	(6,708)
		1,671,899	1,579,109
		RMB	RMB
Earnings per share	14		
Basic		0.6154	0.6673

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	NOTES	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	15	366,702	375,893
Right-of-use assets	16	79,388	72,197
Interests in associates	17(a)	3,509,594	3,389,827
Interest in a joint venture	17(b)	172,308	181,804
Intangible assets	18	2,213,765	2,301,346
Goodwill	19	1,511,261	1,547,903
Equity instruments at fair value through other comprehensive income	20(b)	357,593	129,783
Deposits paid for acquisition of intangible assets	23	1,480,664	1,189,256
Amounts due from associates	24	30,000	30,000
Deferred tax assets	30	58,795	52,693
Loan receivable		120,216	72,227
		9,900,286	9,342,929
Current assets			
Inventories	21	803,958	768,139
Financial assets at fair value through profit or loss	20(a)	3,084,902	2,160,097
Trade and other receivables and prepayments	22	2,258,566	1,780,483
Tax recoverable		1,270	5,553
Amounts due from associates	24	448,493	284,088
Bank balances and cash	25	2,701,380	3,706,501
		9,298,569	8,704,861
Current liabilities			
Trade and other payables	26	495,716	484,797
Lease liabilities	27	16,597	16,933
Contract liabilities	28	12,133	16,610
Bank borrowings	29	651,815	831,300
Tax liabilities		292,962	166,423
		1,469,223	1,516,063
Net current assets		7,829,346	7,188,798
Total assets less current liabilities		17,729,632	16,531,727

	NOTES	2025 RMB'000	2024 RMB'000
Capital and reserves			
Share capital	31	83,564	83,564
Reserves	32	17,312,174	16,227,905
Equity attributable to owners of the Company		17,395,738	16,311,469
Non-controlling interests		147,025	91,639
		17,542,763	16,403,108
Non-current liabilities			
Deferred tax liabilities	30	165,202	116,109
Lease liabilities	27	21,667	12,510
		186,869	128,619
		17,729,632	16,531,727

The consolidated financial statements on pages 80 to 178 were approved and authorised for issue by the Board of Directors on 16 March 2026 and are signed on its behalf by:

LAM Kong
DIRECTOR

CHEN Yanling
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note 32)	Surplus reserve fund RMB'000 (Note 32)	Translation reserve RMB'000	Investments revaluation reserve RMB'000	Accumulated profits RMB'000	Dividend reserve RMB'000	Treasury Stock RMB'000	Sub-total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2024	83,991	2,105,621	19,545	425,635	65,052	(371,956)	13,000,329	191,991	-	15,520,208	36,199	15,556,407
Profit (loss) for the year	-	-	-	-	-	-	1,619,788	-	-	1,619,788	(6,708)	1,613,080
Share of other comprehensive income of associates	-	-	-	-	6,162	-	-	-	-	6,162	-	6,162
Exchange differences arising on translation of foreign operations	-	-	-	-	3,038	-	-	-	-	3,038	-	3,038
Exchange differences arising on translation of interests in associates	-	-	-	-	(9,061)	-	-	-	-	(9,061)	-	(9,061)
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(34,110)	-	-	-	(34,110)	-	(34,110)
Total comprehensive income (expense) for the year	-	-	-	-	139	(34,110)	1,619,788	-	-	1,585,817	(6,708)	1,579,109
Repurchase of ordinary shares in treasury stock (Note 31)	-	-	-	-	-	-	-	-	(238,394)	(238,394)	-	(238,394)
Cancellation of ordinary shares (Note 31)	(427)	(80,020)	-	-	-	-	-	-	80,447	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	62,148	62,148
Dividends paid (Note 13)	-	-	-	-	-	-	(364,171)	(191,991)	-	(556,162)	-	(556,162)
Dividends proposed (Note 13)	-	-	-	-	-	-	(283,700)	283,700	-	-	-	-
Transfer of reserves	-	-	-	13,237	-	-	(13,237)	-	-	-	-	-
Balance at 31 December 2024	83,564	2,025,601	19,545	438,872	65,191	(406,066)	13,959,009	283,700	(157,947)	16,311,469	91,639	16,403,108
Profit (loss) for the year	-	-	-	-	-	-	1,488,892	-	-	1,488,892	(45,615)	1,443,277
Share of other comprehensive expense of associates	-	-	-	-	(6,568)	-	-	-	-	(6,568)	-	(6,568)
Exchange differences arising on translation of foreign operations	-	-	-	-	(8,284)	-	-	-	-	(8,284)	-	(8,284)
Exchange differences arising on translation of interests in associates	-	-	-	-	15,664	-	-	-	-	15,664	-	15,664
Fair value gain on investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	227,810	-	-	-	227,810	-	227,810
Total comprehensive income (expense) for the year	-	-	-	-	812	227,810	1,488,892	-	-	1,717,514	(45,615)	1,671,899
Distribution of treasury stock to employees (Note 31)	-	24	-	-	-	-	-	-	27,286	27,310	-	27,310
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	108,362	108,362
Dividends paid (Note 13)	-	-	-	-	-	-	(376,855)	(283,700)	-	(660,555)	-	(660,555)
Dividends proposed (Note 13)	-	-	-	-	-	-	(330,641)	330,641	-	-	-	-
Disposal of a subsidiary(Note 40)	-	-	-	-	-	-	-	-	-	-	(7,361)	(7,361)
Transfer of reserves	-	-	-	1,684	-	-	(1,684)	-	-	-	-	-
Balance at 31 December 2025	83,564	2,025,625	19,545	440,556	66,003	(178,256)	14,738,721	330,641	(130,661)	17,395,738	147,025	17,542,763

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	NOTES	2025 RMB'000	2024 RMB'000
OPERATING ACTIVITIES			
Profit before tax		2,103,061	2,010,307
Adjustments for:			
Amortisation of intangible assets	18	199,101	184,983
Impairment loss on interest in an associate		20,000	100,000
Write-down of inventories		20,000	-
Impairment loss recognised (reversed) on financial assets under expected credit loss model, net of reversal		1,723	(499)
Impairment loss on deposit paid for acquisition of intangible assets		31,740	1,152
Interest expenses		20,297	38,610
Share-based payment expense	39	27,310	-
Depreciation of property, plant and equipment	15	47,236	50,755
Depreciation of right-of-use assets	16	20,591	23,500
Loss (gain) on disposal of property, plant and equipment		867	(500)
Share of results of associates		(238,790)	(338,548)
Share of result of a joint venture		(3,505)	(2,755)
Interest income		(82,348)	(126,344)
Dividends from financial assets at fair value through profit or loss		(32,068)	(1,716)
Net foreign exchange loss		5,110	4,500
Change in fair value of derivative financial instruments		-	(17,227)
Change in fair value of financial assets at fair value through profit or loss		(230,987)	9,025
Gain on disposal of a subsidiary		(19,594)	-
Operating cash flows before movements in working capital		1,889,744	1,935,243
Increase in inventories		(55,905)	(130,503)
Increase in trade and other receivables and prepayments		(446,763)	(173,422)
(Increase) decrease in amounts due from associates		(164,405)	124,079
Increase in trade and other payables		22,768	47,821
(Decrease) increase in contract liabilities		(4,477)	3,877

	NOTE	2025 RMB'000	2024 RMB'000
Cash generated from operations		1,240,962	1,807,095
People's Republic of China (the "PRC") Enterprise Income Tax paid		(427,426)	(386,506)
Hong Kong Profits Tax paid		(1,301)	(79,100)
Macau Complementary Income Tax paid		(40,356)	(72,942)
Income tax payments in other countries		(13,458)	-
Net cash from operating activities		758,421	1,268,547
INVESTING ACTIVITIES			
Interest received		82,348	126,344
Dividend received from an associate		225,276	184,691
Dividend received from a joint venture		13,001	-
Dividends received from financial assets at fair value through profit or loss		32,068	1,716
Purchase of property, plant and equipment		(41,037)	(32,619)
Proceeds from disposal of property, plant and equipment		1,369	4,087
Disposal of financial assets at fair value through profit or loss		14,478	6,007
Purchase of financial assets at fair value through profit or loss		(708,296)	(342,871)
Purchase of intangible assets		-	(114,674)
Proceeds on disposal of an interest in an associate		8,008	-
Deposits paid for acquisition of intangible assets		(473,374)	(308,615)
Capital injection to associates		(125,165)	(66,935)
Net cash inflow on disposal of a subsidiary	40	34,991	-
Loan to third parties		(47,989)	(72,227)
NET CASH USED IN INVESTING ACTIVITIES		(984,322)	(615,096)

	NOTE	2025 RMB'000	2024 RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised		682,515	831,300
Repayment for deferred consideration payable		-	(1,000)
Interest paid		(20,297)	(38,610)
Dividends paid	13	(660,555)	(556,162)
Repayment of bank borrowings		(862,000)	(1,274,150)
Repayments of lease liabilities		(18,961)	(22,217)
Payment on repurchase of shares		-	(238,394)
Capital contribution from non-controlling interests		108,362	38,187
NET CASH USED IN FINANCING ACTIVITIES		(770,936)	(1,261,046)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(996,837)	(607,595)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR		3,706,501	4,311,058
Effects of exchange rate changes on the balance of cash held in foreign currencies		(8,284)	3,038
CASH AND CASH EQUIVALENT AT THE END OF YEAR REPRESENTED BY BANK BALANCES AND CASH		2,701,380	3,706,501

1. GENERAL INFORMATION

China Medical System Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 18 December 2006. On 26 June 2007, the Company was listed on the Alternative Investment Market ("AIM") operated by the London Stock Exchange plc. The Company was listed on the Main Board operated by The Stock Exchange of Hong Kong Limited on 28 September 2010 and it was delisted from the AIM on the same date. The Company's ultimate holding company and immediate holding company is Treasure Sea Limited, a company incorporated in the British Virgin Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is Unit 2106, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong. The Company has successfully listed its ordinary shares on the Singapore Exchange Securities Trading Limited on 15 July 2025.

The Company is an investment holding company. The principal activities of its subsidiaries are research and development, production, promotion and sale of medicines.

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to IAS 21	Lack of Exchangeability

The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS - continued

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting standards that have been issued but are not yet effective:

Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency[3]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature - dependent Electricity[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards - Volume 11[2]
IFRS 18	Presentation and Disclosure in Financial Statements[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2026.
[3] Effective for annual periods beginning on or after 1 January 2027.

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by International Accounting Standards Board. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Basis of consolidation - continued

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in an annual period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that annual period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Interests in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An interest in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the interest in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Interests in associates and a joint venture - continued

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2 *Inventories.* Depreciation of these assets, on the same basis as other property assets,

commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Property, plant and equipment - continued

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets -research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Intangible assets - continued

Internally-generated intangible assets -research and development expenditure - continued

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Impairment on property, plant and equipment, right-of-use assets, deposits paid for acquisition of intangible assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, deposits paid for acquisition of intangible assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, deposits paid for acquisition of intangible assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Impairment on property, plant and equipment, right-of-use assets, deposits paid for acquisition of intangible assets and intangible assets other than goodwill - continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets and financial liabilities are initially measured at fair value, except for the trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers.* Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is not a contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, and except derivative designated in a qualifying hedging relationship.

In addition, the Group may irrevocably designate financial assets that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit- impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss exclude any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, loan receivable, amounts due from associates and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets subject to impairment assessment under IFRS 9 - continued

(i) 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 making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information consideration includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, as well as consideration of various external sources of actual and forecast economic information that related to the Group's core operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast 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;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets subject to impairment assessment under IFRS 9 - continued

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) 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:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets subject to impairment assessment under IFRS 9 - continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to debtors, generals economic consideration and forward looking information including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other gains and losses" line item (Note 7) as part of the net foreign exchange gains/(losses);
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other gains and losses" line item (Note 7) as part of changes in fair value of financial assets;
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investment revaluation reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial liabilities and equity instruments

Classification as debts or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, or (ii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Financial liabilities at FVTPL - continued

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables and bank borrowings and deferred consideration payables, are subsequently measured at amortised cost, using the effective interest method.

Bank borrowings

Bank borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial liability. Bank borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is amortised to profit or loss over the period of the bank borrowings using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other gains and losses" line item in profit or loss (Note 7) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Taxation - continued

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences, arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Employee benefits

Retirement benefit costs

Payment to defined contribution retirement benefit plans including schemes registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, Social Security Fund Schemes in Macau and government retirement benefit scheme in the PRC and retirement benefit scheme in Dubai are recognised as an expense when employees have rendered service entitling them to the contributions.

Payments to employee benefit schemes including key employee benefit scheme (the "2009 Scheme"), CMS key employee benefit scheme (the "New KEB Scheme") and CMS Employee Incentive Scheme (the "Bonus Scheme"), which are classified as a defined contribution scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates defined contribution retirement schemes in Hong Kong, Macau, the PRC and Dubai.

In respect of the non-mandatory provident fund schemes, contributions payable by the Group are reduced by the amount of contributions forfeited by those employees who leave the schemes prior to vesting fully in the Group's contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS Accounting standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Estimated impairment of goodwill

For the purpose of impairment testing, the entire amount of goodwill has been allocated to seven (2024: eight) cash generating units ("CGUs") (see Note 19). The impairment assessment is based on the higher of fair value less costs of disposal and value in use of the CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. Where the actual future cash flows are less than expected or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss/further impairment loss may arise.

During the years ended 31 December 2025 and 2024, no impairment on goodwill was recognised in profit or loss. As at 31 December 2025, the carrying amount of goodwill is approximately RMB1,511,261,000 (2024: RMB1,547,903,000) (net of accumulated impairment loss of RMB170,000,000 (2024: RMB170,000,000)).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Estimated impairment of intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is determined as the higher of its fair value less costs of disposal and its value in use. The recoverable amount is estimated with reference to the value in use calculation in order to determine the extent of the impairment loss, if any. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. As at 31 December 2025, the carrying amount of intangible assets is approximately RMB 2,213,765,000 (2024: RMB2,301,346,000).

Provision of ECL for trade receivables

Trade receivables with credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. As at 31 December 2025, the carrying amount of trade receivables amounted to RMB1,587,874,000 (2024: RMB1,222,479,000) were net of impairment allowance under ECL model. The information about the ECL and the Group's trade receivables are disclosed in Notes 34 and 22, respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Fair value measurement of financial instruments

As at 31 December 2025, the Group's unquoted equity instruments at FVTOCI amounting to RMB 357,593,000 (2024: RMB129,763,000) and financial assets, being unlisted investments at FVTPL amounting to RMB 3,077,198,000 (2024: RMB2,157,623,000), are measured at fair values with fair values being determined based on significant unobservable inputs using valuation techniques and the relevant inputs thereof. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 20 for further disclosures.

Estimated impairment of deposits paid for acquisition of intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its deposits paid for acquisition of intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated with reference to the value in use calculation in order to determine the extent of the impairment loss, if any. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rate and the forecast performance based on management's view of future business prospects. If the recoverable amount of the deposits paid for acquisition of intangible assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. During the year ended 31 December 2025, an impairment loss of RMB31,740,000 (2024: RMB1,152,000) was recognised in profit or loss. As at 31 December 2025, the carrying amount of the deposits paid for acquisition of intangible assets is approximately RMB 1,480,664,000 (2024: RMB1,189,256,000).

Estimated impairment of interest in an associate

Determining whether interest in Eye Tech Care ("ETC") is impaired requires an estimation of the recoverable amount of the cash-generating unit, which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties due to uncertainty on volatility in macro and microeconomic factors of the operation of ETC. As at 31 December 2025, the carrying amount of interest in ETC is approximately RMB115,880,000 (2024: RMB125,400,000) (net of accumulated impairment loss of RMB120,000,000 (2024: 100,000,000)). Details of the recoverable amount calculation are disclosed in Note 17(a).

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from its major products and services:

At a point in time	2025 RMB'000	2024 RMB'000
Sales of pharmaceutical products	6,605,238	5,887,214
Promotion income	1,606,820	1,581,776
Total revenue	8,212,058	7,468,990

Segment information

The Group determines its operating segments based on the internal reports reviewed by the chief operating decision maker, the Executive Directors of the Company that are used for resources allocation and assessment of segment performance.

During the Reporting Year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. The number of its reportable operating segment was changed to two segments, i.e. (i) integrated pharmaceuticals portfolio (the "Integrated Business") and (ii) skin diseases related business (the "Skin Health Business"), from one segment that was research and development, promotion, sales and manufacturing of pharmaceutical products. Prior year segment disclosures have been represented to conform with the current Reporting Period's presentation.

The revenue and performance of reportable operating segments of the Group are analyzed below:

For the year ended 31 December 2025

	Integrated Business	**Skin Health Business**	**Elimination**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
External revenue	7,146,828	1,065,230	-	8,212,058
Inter-segment revenue	27,980	4,619	(32,599)	-
Turnover	7,174,808	1,069,849	(32,599)	8,212,058
Gross profit	5,223,110	674,415	(25,989)	5,871,536
Segment profit (loss) for the year	1,546,972	(103,695)	-	1,443,277

5. REVENUE AND SEGMENT INFORMATION - continued

(i) Disaggregation of revenue from contracts with customers

Segment information - continued

For the year ended 31 December 2024

	Integrated Business	Skin Health Business	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000
External revenue	6,899,028	569,962	-	7,468,990
Inter-segment revenue	62,544	47,568	(110,112)	-
Turnover	6,961,572	617,530	(110,112)	7,468,990
Gross profit	5,080,862	391,860	(50,528)	5,422,194
Segment profit (loss) for the year	1,747,140	(105,630)	(28,430)	1,613,080

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit/(loss) represents the profit earned by/loss from each segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The assets and liabilities of reportable operating segments of the Group are analyzed below:

As at 31 December 2025

	Integrated Business	Skin Health Business	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	19,468,422	2,635,017	(2,904,584)	19,198,855
Segment liabilities	1,554,224	110,151	(8,283)	1,656,092

As at 31 December 2024

	Integrated Business	Skin Health Business	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	18,521,257	2,175,853	(2,649,320)	18,047,790
Segment liabilities	1,653,722	224,825	(233,865)	1,644,682

5. REVENUE AND SEGMENT INFORMATION - continued

(ii) Performance obligations for contracts with customers and revenue recognition policies

The Group mainly sells pharmaceutical products to distributors which would then further be sold to hospital and medical institutions throughout the PRC and provides promotion services to certain pharmaceutical manufacturers.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Variable consideration

For contracts that contain variable consideration (e.g. sales returns or volume rebates), the Group estimates the amount of consideration to which it will be entitled using the expected value method, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

5. REVENUE AND SEGMENT INFORMATION - continued

(ii) Performance obligations for contracts with customers and revenue recognition policies - continued

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group has acted as principal for transactions of pharmaceutical products and acted as agent for the promotion services. In assessing whether the Group acted as principal or agent, the Group has considered whether it controls the pharmaceutical products and promotion services before such products and/or services are transferred to customers, indicators including but not limited to whether the Group has primary responsibility in providing the goods and services to the customers, inventory risk before the customers' order and whether it has discretion in establishing price.

For sales of pharmaceutical products to customers, revenue is recognised at a point in time when control of the pharmaceutical products is passed to customers, i.e. when the products are delivered and titles have passed to customers upon receipt by customers. Sales rebates will be granted to customers by the Group for qualified purchases at a pre-determined amount per unit.

For promotion of pharmaceutical products, revenue is recognised at a point in time when the Group satisfies its obligation to arrange for the pharmaceutical products to be provided by suppliers to distributors.

The Group's research and development, production, promotion and sale of medicines are primarily in the PRC. Majority of revenue from external customers is attributed to the PRC, 97% and 3% (2024: 99% and 1%) of non-current assets excluding amounts due from associates, derivative financial instruments and deferred tax assets of the Group are located in the PRC and Overseas, respectively.

Sales to the largest customer of the Group account for 17.9% (2024: 18.7%) of the Group's sales and no other single customers contribute over 10% of the total revenue of the Group for the year ended 31 December 2025.

6. OTHER INCOME

	2025 RMB'000	2024 RMB'000
Interest income	82,348	126,344
Government subsidies (Note)	63,324	82,043
	145,672	208,387

Note: The amounts for both years mainly represented the incentive subsidies provided by the PRC local authorities to the Group to encourage business operation in the PRC. Such government grants were pertinent to income and aim to give immediate financial support to the Group with no future related costs. There were no unfulfilled conditions attached to these grants and, the Group has recognised the grants upon receipts.

7. OTHER GAINS AND LOSSES

	2025 RMB'000	2024 RMB'000
Impairment loss on interest in an associate (Note 17(a))	(20,000)	(100,000)
Impairment loss on deposit paid for acquisition of intangible assets	(31,740)	(1,152)
Impairment loss (recognised) reversed under ECL model, net of reversal	(1,723)	499
Gain on disposal of a subsidiary (Note 40)	19,594	-
(Loss) gain on disposal of property, plant and equipment	(867)	500
Net foreign exchange loss	(12,839)	(53,147)
Change in fair value of derivative financial instruments	-	17,227
Change in fair value of financial assets at FVTPL	230,987	(9,025)
Others	(26,505)	(6,146)
	156,907	(151,244)

8. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on bank borrowings	17,563	36,398
Interest on lease liabilities	2,734	2,212
	20,297	38,610

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remunerations for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	Year ended 31 December 2025						
	Executive Director (Note b)	Non-executive Director (Notes b and d)	Independent Non-executive Directors (Note c)			Executive Director and chief executive (Note b)	
	Chen Yan Ling	Chen Hong Bing	Fung Ching, Simon	Leung Chong Shun	Luo, Laura Ying	Lam Kong	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000
Fees	329	219	329	329	329	329	1,864
Other emoluments							
Salaries and other benefits	4,261	2,207	-	-	-	5,463	11,931
Contributions to retirement benefits schemes	34	-	-	-	-	66	100
Total emoluments	4,624	2,426	329	329	329	5,858	13,895

	Year ended 31 December 2024						
	Executive Director (Note b)	Non-executive Director (Notes b and d)	Independent Non-executive Directors (Note c)			Executive Director and chief executive (Note b)	
	Chen Yan Ling	Chen Hong Bing	Fung Ching, Simon	Leung Chong Shun	Luo, Laura Ying	Lam Kong	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000
Fees	330	330	330	330	330	330	1,980
Other emoluments							
Salaries and other benefits	4,521	4,777	-	-	-	5,806	15,104
Contributions to retirement benefits schemes	34	76	-	-	-	50	160
Total emoluments	4,885	5,183	330	330	330	6,186	17,244

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS - continued

Notes:

(a) Mr. Lam Kong is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(b) The executive directors' and non-executive director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(c) The independent non-executive director's emoluments shown above were mainly for their services as directors of the Company.

(d) Mr. Chen Hong Bing was re-designated as a non-executive director of the Company on 15 August 2024 and was retired on 18 August 2025.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals for the year ended 31 December 2025 included two directors (2024: three directors), details of whose emoluments are set out in Note 9 above. The emoluments of the remaining three (2024: two) individuals for the year ended 31 December 2025 were as follows:

	2025 RMB'000	2024 RMB'000
Employees		
- basic salaries and allowances	8,803	5,656
- retirement benefits scheme contributions	257	239
	9,060	5,895

The number of the highest paid individuals who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2025	2024
HK$3,000,001 to HK$3,500,000	3	2

During both years, no emoluments were paid by the Group to the directors or the highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Current tax:		
The PRC Enterprise Income Tax ("EIT")	528,332	249,610
Hong Kong Profits Tax	2,558	5,470
Macau Complementary Income Tax	74,050	42,917
Dubai Income Tax	4,723	14,664
Withholding tax	-	85,000
	609,663	397,661
(Over) under provision in prior years:		
The PRC EIT	(785)	2,936
Hong Kong Profits Tax	149	2,524
Macau Complementary Income Tax	-	(733)
	(636)	4,727
Deferred taxation (Note 30):		
- Current year	50,757	(5,161)
	659,784	397,227

Notes:

(a) The PRC Enterprise Income Tax

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for the PRC taxation purposes at the applicable rates for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for those described below.

天津康哲醫藥科技發展有限公司 (formerly known as 天津康哲維盛醫藥科技發展有限公司) (Tianjin Kangzhe Pharmaceutical Technology Development Co., Ltd.) ("Tianjin Kangzhe") is entitled to a reduced tax rate of 15% (2024: 15%) granted by the local tax authority until 2027. 西藏康哲藥業發展有限公司 (Tibet Kangzhe Pharmaceutical Development Co., Ltd) ("Tibet Kangzhe Development") is entitled to a reduced tax rate of 15% (2024: 9%) granted by local tax authority until 2030. 海南德鎂醫藥科技有限公司 (formerly known as 海南康哲美麗科技有限公司) (Hainan Dermavon Pharmaceutical Technology Co., Ltd) and 海南康哲維盛科技有限公司 (Hainan Kangzhe Vision Technology Co., Ltd) are entitled to a reduced tax rate of 15% (2024: 15%) granted by local tax authority until 2027.

During the year ended 31 December 2025, Tibet Kangzhe Development did not be eligible for local income tax concessions, which is the exemption of the local income tax portion owned by the local government. As a result, the applicable enterprise income tax rate for this subsidiary for the calendar year of 2025 increased from 9% to 15%.

11. INCOME TAX EXPENSE - continued

Notes: - continued

(b) Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%, while only one entity nominated by a group of "connected" entities will be entitled to select the lower tax rate. The profits of group entities not elected/qualified for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

(c) PRC Withholding Income Tax

PRC withholding income tax of 10% shall be levied on the dividend declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. A lower 5% withholding rate may be applied when the immediate holding company of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong.

(d) Overseas Income tax

The company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 of Cayman Islands and accordingly, is exempted from the Cayman Islands Income Tax.

(e) Macau Complementary Income Tax

Macau Complementary Income Tax is calculated at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for the years ended 31 December 2025 and 2024.

(f) Dubai Tax

United Arab Emirates Corporate Tax is calculated at 9% on assessable profits exceeding 375,000 United Arab Emirate Dirham ("AED") for the year ended 31 December 2025 and 2024.

11. INCOME TAX EXPENSE - continued

The tax charge for the year can be reconciled to the 'profit before tax' per the consolidated statement of profit or loss and other comprehensive income as follows:

	2025 RMB'000	2024 RMB'000
Profit before tax	2,103,061	2,010,307
Tax at PRC EIT rate of 25%	525,765	502,577
Tax effect of share of results of associates	(59,698)	(84,637)
Tax effect of share of result of a joint venture	(876)	(689)
Tax effect of expenses that are not deductible in determining taxable profit	45,200	99,177
Tax effect of income that is not taxable in determining taxable profit	(14,178)	(11,633)
Tax effect of tax losses not recognised	79,052	21,295
Tax effect of deductible temporary differences not recognised	(2,783)	(547)
Tax effect of tax concession	(92,044)	(186,472)
Effect on different applicable tax rates of subsidiaries	(47,301)	(34,186)
Additional tax in relation to change in tax rate of a subsidiary	223,835	-
(Over) under provision in prior years	(636)	4,727
Withholding tax	-	85,000
Others	3,448	2,615
Income tax expense for the year	659,784	397,227

12. PROFIT FOR THE YEAR

	2025 RMB'000	2024 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (Note 9)		
Fees	1,864	1,980
Salaries and other benefits	11,931	15,104
Contribution to retirement benefits schemes	100	160
	13,895	17,244
Other staff costs	1,506,392	1,338,076
Contribution to retirement benefits schemes	335,300	301,007
Employee benefits expense (Note 39)	32,830	7,680
Total staff costs	1,888,417	1,664,007
Auditor's remuneration	3,414	3,938
Depreciation of property, plant and equipment	47,236	50,755
Depreciation of right-of-use assets	20,591	23,500
Amortisation of intangible assets (included in cost of goods sold)	199,101	184,983
Cost of inventories recognised as an expense	2,049,007	1,826,933
Write-down of inventories	20,000	-

13. DIVIDENDS

	2025 RMB'000	2024 RMB'000
Dividends paid		
Dividends recognised as distributions during the year:		
2025 Interim - RMB0.1555 (2024: 2024 Interim dividend RMB0.1507) per share	376,388	364,171
2024 Final - RMB0.1174 (2024: 2023 final dividend RMB0.0783) per share	284,167	191,991
	660,555	556,162
Dividends proposed		
Dividends proposed during the year:		
2025 final - RMB 0.1366 (2024: 2024 final - RMB0.1174) per share	330,641	283,700

Subsequent to the end of the reporting period, the Board of Directors have declared a final dividend of RMB0.1366 per ordinary share for the year ended 31 December 2025 (2024: RMB0.1174 per ordinary share).

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2025 RMB'000	2024 RMB'000
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	1,488,892	1,619,788

	Number of ordinary shares as at 31 December	
	2025	2024
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,419,522,170	2,427,382,419

No diluted earnings per share for both 2025 and 2024 were presented as there were no potential ordinary shares in issue for both 2025 and 2024.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2024	310,864	81,513	179,007	33,320	53,127	-	657,831
Additions	75	8,701	2,159	1,840	19,272	572	32,619
Disposals	-	-	(609)	(2,311)	(7,985)	-	(10,905)
Transfer	430	-	142	-	-	(572)	-
At 31 December 2024	311,369	90,214	180,699	32,849	64,414	-	679,545
Additions	-	5,428	3,786	486	13,400	17,937	41,037
Eliminated on disposals	-	-	(70)	(833)	(3,016)	-	(3,919)
Eliminated on disposal of a subsidiary(Note40)	-	(291)	(2,024)	-	-	-	(2,315)
At 31 December 2025	311,369	95,351	182,391	32,502	74,798	17,937	714,348
ACCUMULATED DEPRECIATION							
At 1 January 2024	88,886	37,904	82,245	31,592	19,588	-	260,215
Provided for the year	15,131	13,205	12,389	2,388	7,642	-	50,755
Eliminated on disposals	-	-	(548)	(2,010)	(4,760)	-	(7,318)
At 31 December 2024	104,017	51,109	94,086	31,970	22,470	-	303,652
Provided for the year	15,131	11,865	9,717	1,307	9,216	-	47,236
Eliminated on disposals	-	-	(61)	(775)	(847)	-	(1,683)
Eliminated on disposal of a subsidiary(Note 40)	-	(267)	(1,292)	-	-	-	(1,559)
At 31 December 2025	119,148	62,707	102,450	32,502	30,839	-	347,646
CARRYING VALUES							
At 31 December 2025	192,221	32,644	79,941	-	43,959	17,937	366,702
At 31 December 2024	207,352	39,105	86,613	879	41,944	-	375,893

The above items of property, plant and equipment are depreciated over their estimated useful lives as follows:

Buildings	Over the shorter of the lease terms, or 20/40 years
Leasehold improvement	Over the shorter of the lease terms, or 10 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years

As at 31 December 2025, the Group had pledged property, plant and equipment to source bank borrowing and banking facilities granted to the Group. As at 31 December 2024, the Group had no pledged property, plant and equipment to source bank borrowing and banking facilities granted to the Group.

16. RIGHT-OF-USE ASSETS

	Leasehold land	Building	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2025			
Carrying amount	43,512	35,876	79,388
As at 31 December 2024			
Carrying amount	44,699	27,498	72,197
For the year ended 31 December 2025			
Depreciation charge	1,187	19,404	20,591
For the year ended 31 December 2024			
Depreciation charge	1,191	22,309	23,500

	Year ended 31/12/2025	Year ended 31/12/2024
	RMB'000	RMB'000
Expense relating to short-term leases	19,823	21,134
Total cash outflow for leases	(41,518)	(45,563)
Additions to right-of-use assets	27,782	19,573

For both years, the Group leases offices premises and warehouses for its operations. For the year ended 31 December 2025, lease contracts are entered into for fixed term of 1 year to 20 years with fixed payment. The Group does not have the option to purchase the leased properties for a nominal amount at the end of the relevant lease terms or any extension/termination options which are solely at the Group's discretion. The Group's obligations are secured by the rental deposits for such leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group determines the lease period to be the non-cancellable period based on the contractual terms of the contract.

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

As at 31 December 2025, the Group had pledged right-of-use assets to secure general banking facilities granted to the Group. As at 31 December 2024, the Group had no pledged right-of-use assets to secure general banking facilities granted to the Group.

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

During the year ended 31 December 2025, no payment for leasehold land was made. All the Group's leasehold lands represented prepaid land use right, are located in the PRC.

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE

(a) Interests in associates

	2025 RMB'000	2024 RMB'000
Cost of investments in associates		
Listed outside Hong Kong	2,304,356	2,304,356
Unlisted	604,394	479,229
Impairment loss recognised (Note iii)	(120,000)	(100,000)
Share of post-acquisition profits and other comprehensive income, net of dividends received	689,345	682,399
Adjustment for the disposal of the associate (Note ii)	(8,008)	-
Exchange adjustments	39,507	23,843
	3,509,594	3,389,827
Fair value of listed investment (note)	5,123,196	4,416,423

Note: As at 31 December 2025, the fair value of the Group's interest in its listed associate, Tibet Rhodiola Pharmaceutical Holding Company ("Tibet Pharmaceutical"), of which its shares are listed on the Shanghai Stock Exchange (the "SSE"), was approximately RMB 5,123 million (2024: approximately RMB 4,416 million) based on the quoted market price available on the SSE, which is a level 1 input in terms of IFRS 13 Fair Value Measurement.

As at 31 December 2025 and 2024, details of the associates are as follows:

Names of associates	Place of establishment/ incorporation	Principal place of business	Proportion of ownership interest /voting rights held by the Group		Principal activities
			2025	2024	
Tibet Pharmaceutical (Note i)	PRC	PRC	37.36%	37.36%	Production of medicines and sale of drugs
Shenzhen Kangmai Biotechnology Co., Ltd. (Note ii)	PRC	PRC	N/A	50.00%	Research and development of antibodies medicines
Eye Tech Care (Note iii)	France	France	36.21%	36.17%	Research and development of therapeutic ultrasound device
PharmaGend Global Medical Services Pte. Ltd ("PharmaGend") (formerly known as Rxilient Biohub Pte. Ltd (Note iv))	Singapore	Singapore	41.98%	41.98%	Production of medicines and sale of drugs

Notes:

(i) As the Group is able to exercise significant influence over Tibet Pharmaceutical in both years, it is accounted for as an associate of the Group. Included in the cost of investment in Tibet Pharmaceutical as at 31 December 2025, there is a goodwill of approximately RMB1,654,481,000 (2024: RMB1,654,481,000).

As at 31 December 2025 and 2024, no impairment indicator on interest in Tibet Pharmaceutical and no impairment assessment was carried out.

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Notes: - continued

(ii) The Group owns 50.00% of equity interest in Shenzhen Kangmai Biotechnology Co., Ltd ("Shenzhen Kangmai"), however, the Group appointed one director out of three directors and is able to exercise significant influence over Shenzhen Kangmai. On 7 August 2025, Shenzhen Kangmai has ceased its business.

At the time of the cessation of business of Shenzhen Kangmai, the carrying amount of interest in an associate related to Shenzhen Kangmai was RMB12,308,000. The consideration received by the Group includes the cash and cash equivalents balance of RMB 1,208,000 at the time of cessation, as well as the compensation payment of RMB 6,800,000 received from the other shareholder of Shenzhen Kangmai. The investment on Shenzhen Kangmai was disposed, resulting in a disposal loss of RMB 4,300,000.

(iii) As the Group is able to exercise significant influence over Eye Tech Care ("ETC") in both years, it is accounted for as an associate of the Group. As at 31 December 2025, included in the investment cost, there is a goodwill of approximately RMB48,075,000 (2024: RMB68,075,000) arising from the investment in ETC.

The Group performed impairment assessment on the interest in ETC, an associate of the Group. As at 31 December 2025 impairment indicator was observed and the Group engaged a third party qualified valuer to perform the valuation. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The recoverable amount of the Group's interest in ETC has been determined based on a value in use calculation. The recoverable amount is based on certain key assumptions including discount rate and the estimated cash flows. The value in use calculation uses cash flow projections based on financial forecasts approved by management covering a 5-year period with a pre-tax discount rate of 22.0% (2024:21.2%). Cash flow projections beyond the 5-year period are extrapolated using a steady 2% (2024:2%) growth rate. This growth rate does not exceed the average long-term growth rate for the relevant industry in which the business of ETC operates. Cash flow projections during the forecast period for ETC are also based on management's estimation of cash inflows/outflows including gross revenue, gross margin, operating expenses and working capital requirements during the forecast period. The assumptions and estimations are based on ETC's past performance, management's expectations of the market development. Due to the continuing unfavourable market conditions, ETC faced a lower than expected demand during the year ended 31 December 2025, its financial performance is less satisfactory than expected. As a result, an impairment loss of RMB20,000,000 (2024:RMB100,000,000) has been recognised in respect of the Group's interest in ETC during the year ended 31 December 2025.

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Notes: - continued

(iv) During the year ended 31 December 2024 and 2025, PharmaGend has increased its share capital from US$30,000,000 to US$50,000,000 and then US$50,000,000 to US$100,000,000, respectively and the Group and other shareholders of PharmaGend have made capital injection into PharmaGend in proportion to the original equity interest held by them.

Summarised financial information of associates

Summarised financial information in respect of each of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS Accounting Standards. All of these associates are accounted for using the equity method in these consolidated financial statements.

Tibet Pharmaceutical

	31.12.2025 RMB'000	31.12.2024 RMB'000
Current assets	4,637,317	3,569,908
Non-current assets	1,630,071	1,177,430
Current liabilities	(1,640,126)	(766,571)
Non-current liabilities	(489,780)	(28,662)

	2025 RMB'000	2024 RMB'000
Revenue	2,981,538	2,806,713
Profit for the year	937,931	1,051,288
Other comprehensive (expense) income for the year	(18,052)	16,352
Total comprehensive income for the year	919,879	1,067,640
Dividends received from the associate during the year	225,276	184,691

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements.

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Summarised financial information of associates – continued

Tibet Pharmaceutical - continued

	31.12.2025 RMB'000	31.12.2024 RMB'000
Net assets of Tibet Pharmaceutical	4,137,482	3,952,105
Non-controlling interests	(339,052)	(34,289)
	3,798,430	3,917,816
Proportion of the Group's ownership interest in Tibet Pharmaceutical	37.36%	37.36%
	1,419,093	1,463,696
Goodwill	1,654,481	1,654,481
Effect of fair value adjustment at acquisition	32,861	32,861
Effect of deferred tax relating to fair value adjustment at acquisition	(8,215)	(8,215)
Effect of redemption liabilities adjustment (Note)	162,911	-
Other adjustments	(13,649)	(11,357)
Carrying amount of the Group's interest in Tibet Pharmaceutical	3,247,482	3,131,466

Note: Recognition of redemption liabilities arising from redemption rights embedded in preferred shares held by non-controlling interest holders in a subsidiary acquired through a business combination, including the initial measurement of the liability at amortization cost and the related interest over the expected settlement period.

ETC

	31.12.2025 RMB'000	31.12.2024 RMB'000
Current assets	66,576	85,417
Non-current assets	15,054	13,870
Current liabilities	(22,919)	(22,253)
Non-current liabilities	(5,773)	(12,530)

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(a) Interests in associates - continued

Summarised financial information of associates - continued

ETC – continued

	2025 RMB'000	2024 RMB'000
Revenue	1,124	1,604
Loss for the year	(29,040)	(31,272)
Other comprehensive income for the year	488	146
Total comprehensive loss for the year	(28,552)	(31,126)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements.

	31.12.2025 RMB'000	31.12.2024 RMB'000
Net assets of ETC	52,938	64,504
Proportion of the Group's ownership interest in ETC	36.21%	36.17%
	19,169	23,331
Goodwill	168,075	168,075
Impairment loss recognised	(120,000)	(100,000)
Exchange adjustment of goodwill	33,844	16,441
Effect of fair value adjustment at acquisition	24,841	24,841
Others	(10,049)	(7,288)
Carrying amount of the Group's interest in ETC	115,880	125,400

Aggregate information of associates that are nor individually material

	31.12.2025 RMB'000	31.12.2024 RMB'000
The Group's share of losses and total comprehensive expense for the year	(98,731)	(40,513)

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(b) Interest in a joint venture

	31.12.2025 RMB'000	31.12.2024 RMB'000
Cost of investment in a joint venture	220,161	220,161
Share of post-acquisition (loss) profits and other comprehension income net of dividends received	(3,853)	5,643
Impairment loss on interest in a joint venture	(44,000)	(44,000)
	172,308	181,804

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of joint venture	Place of establishment/ incorporation	Principal place of business	ownership interest /voting rights held by the Group		Principal activities
			2025	2024	
Hebei Xinglong Xili Pharmaceutical Co., Ltd. ("Xili Pharmaceutical")	PRC	PRC	52.01%	52.01%	Production of medicines and sale of drugs

Summarised financial information of a joint venture

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS Accounting Standards.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Xili Pharmaceutical

	31.12.2025 RMB'000	31.12.2024 RMB'000
Current assets	90,258	100,646
Non-current assets	64,137	69,807
Current liabilities	(22,947)	(20,745)
Non-current liabilities	(13,621)	(13,622)

The above amounts of assets and liabilities include the following:

	31.12.2025 RMB'000	31.12.2024 RMB'000
Cash and cash equivalents	23,342	40,057

17. INTERESTS IN ASSOCIATES/A JOINT VENTURE - continued

(b) Interest in a joint venture - continued

Xili Pharmaceutical - continued

	2025 RMB'000	2024 RMB'000
Revenue	119,275	130,535
Profit for the year	6,739	5,297
Total comprehensive income for the year	6,739	5,297
Dividends received from the joint venture during the year	13,001	-
The above profit for the year includes the following:		
Depreciation and amortisation	6,882	6,882
Interest income	52	26
Interest expense	-	-
Income tax expense	(2,247)	(1,766)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	31.12.2025 RMB'000	31.12.2024 RMB'000
Net assets of Xili Pharmaceutical	117,827	136,086
Proportion of the Group's ownership interest in Xili Pharmaceutical	52.01%	52.01%
	61,282	70,778
Goodwill	155,026	155,026
Impairment loss recognised	(44,000)	(44,000)
Carrying amount of the Group's interest in Xili Pharmaceutical	172,308	181,804

18. INTANGIBLE ASSETS

	Exclusive distribution rights RMB'000 (Note a & Note b(i))	Patent rights RMB'000 (Note b)	Product rights RMB'000 (Note c)	Others RMB'000	Total RMB'000
COST					
At 1 January 2024	2,590,093	244,648	895,217	1,687	3,731,645
Transfer from deposits paid for acquisition of intangible assets	152,636	-	2,927	-	155,563
Additions	114,674	-	-	-	114,674
At 31 December 2024	2,857,403	244,648	898,144	1,687	4,001,882
Transfer from deposits paid for acquisition of intangible assets	87,405	-	62,821	-	150,226
Disposal of a subsidiary(Note 40)	-	(38,706)	-	-	(38,706)
At 31 December 2025	2,944,808	205,942	960,965	1,687	4,113,402
AMORTISATION					
At 1 January 2024	889,173	135,148	400,548	331	1,425,200
Charge for the year	138,064	4,001	42,750	168	184,983
At 31 December 2024	1,027,237	139,149	443,298	499	1,610,183
Charge for the year	148,544	2,752	47,645	160	199,101
At 31 December 2025	1,175,781	141,901	490,943	659	1,809,284
IMPAIRMENT LOSS					
At 1 January 2024, 31 December 2024 and 2025	32,755	57,598	-	-	90,353
CARRYING VALUES					
At 31 December 2025	1,736,272	6,443	470,022	1,028	2,213,765
At 31 December 2024	1,797,411	47,901	454,846	1,188	2,301,346

18. INTANGIBLE ASSETS - continued

Notes:

(a) Exclusive distribution rights

(i) On 9 March 2008, the Group entered into an exclusive distribution agreement and a supplementary agreement (the "XinHuoSu Agreements") with Tibet Pharmaceutical in connection to a finished drug product (Lyophilized Recombinant Human Brain Natriuretic Peptide) which was distributed in the PRC market under the trade name of XinHuoSu for a term of three years with effect from 1 July 2008 to 30 June 2011.

Pursuant to the XinHuoSu Agreements, the Group obtained the exclusive distribution right of XinHuoSu for nil consideration and committed to handle the Phase IV clinical trials of XinHuoSu for 2,000 cases in the PRC to meet the drug safety standards set by the China Food and Drug Administration. The drug, XinHuoSu, to be used in the 2,000 case clinical trials would be provided by Tibet Pharmaceutical free of charge. All other costs of the 2,000 case clinical trials should be borne by the Group.

In the opinion of the directors of the Company, the Group obtained the exclusive distribution right of XinHuoSu on the basis that the Group should complete the clinical trials of XinHuoSu and would bear all the costs of the clinical trials. Therefore, the costs incurred in clinical trials of approximately RMB4,745,000 were capitalised as an intangible asset.

As at 31 December 2011, the exclusive distribution right was fully amortised.

(ii) On 23 August 2012, the Group entered into a product rights transfer agreement with an independent third party (the "Seller"). According to the Agreement, Tianjin Kangzhe purchased from the Seller the exclusive distribution rights of three Traditional Chinese Medicinal Products - Yin Lian Qing Gan Ke Li, Xiang Fu Yi Xue Kou Fu Ye, Ma Jiang Jiao Nang (collectively referred to as the "Three Products") for a term of 20 years with effect from 23 August 2012 at a consideration of RMB33,000,000. Tianjin Kangzhe exclusively promotes and sells the Three Products in the PRC and the Seller is responsible for the production of the Three Products as required by Tianjin Kangzhe and sells the Three Products exclusively to Tianjin Kangzhe.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(ii) - continued

During the year ended 31 December 2016, as the market base of the Three Products was relatively weak and the actual sales of the Three Products was lower than previously expected, there was an impairment indicator. Management performed an impairment assessment by estimating the recoverable amount of the Three Products. The recoverable amount of the Three Products had been determined from a value in use, based on the expected free cash flow up to the end of the exclusive distribution right at a discount rate of 11%. The recoverable amount of approximately RMB5,850,000 was lower than the carrying amount of approximately RMB25,850,000, an impairment loss of RMB20,000,000 was recognised for the year ended 31 December 2016.

During the year ended 31 December 2019, the management considered that there is an impairment indicator on the carrying amount of the Three Products as the actual sales of the Three Products was lower than previously expected. Management performed an impairment assessment by estimating the recoverable amount of Three Products. The recoverable amount of the Three products has been determined from a value in use, based on the expected free cash flow up to the end of the exclusive distribution right as at a discount rate of 11% and an impairment loss of RMB4,730,000 was recognised for the year ended 31 December 2019.

During the years ended 31 December 2025 and 2024, management reviews the performance of the Three Products and concludes that there is no indication that the impairment losses previously recognised no longer exist or have decreased.

As at 31 December 2025 and 2024, the exclusive distribution rights are fully impaired.

(iii) On 26 February 2016, the Group entered into an exclusive license agreement with an independent third party, pursuant to which an exclusive license was granted to the Group for the commercialisation of Plendil (Felodipine Sustained Release Tablet) in the PRC, at a consideration of US$310,000,000 (equivalent to approximately RMB2,029,012,000). US$155,000,000 had been paid in 2016 and the remaining balance of US$155,000,000 had been paid in 2017. As at 31 December 2025, the carrying amount of the exclusive distribution right was approximately RMB1,031,414,000 (2024: RMB1,132,865,000).

Under the exclusive license agreement, the Group has agreed to meet certain pre-agreed annual sales target in relation to the sales of Pendil in the PRC for the first three years of the term of the exclusive license agreement from years ended 31 December 2016 to 2018 and the annual sales target of respective years has been met. No additional annual sales target is required under the exclusive license agreement during the years ended 31 December 2025 and 2024.

The expected useful life of the exclusive license right is 20 years.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(iv) The Group acquired 100% of equity interest in Luqa Ventures Co., Limited ("Luqa") on 1 February 2021. This included the acquisition of the exclusive agency rights of prescription medical aesthetic products including Aethoxysklerol and other aesthetic medical drugs. The exclusive agency rights were measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by an independent valuer.

The fair value of the exclusive agency rights at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the exclusive agency rights for the remaining term of the exclusive agency rights. As at the acquisition date, the exclusive agency rights of prescription medical aesthetic products owned by Luqa amounted to RMB101,509,000. As at 31 December 2025, the carrying amount was approximately RMB43,642,000 (2024: RMB52,365,000).

The expected useful lives of the exclusive agency rights are ranging from 2 years to 10 years.

(v) On 27 June 2019, the Group entered into an exclusive license agreement with an independent third party, pursuant to which an exclusive license was granted to the Group for the commercialisation of Tildrakizumab Injection in the PRC, at a consideration of US$32,000,000 (equivalent to approximately RMB221,687,000). During the year ended 31 December 2023, regulatory approval of Tildrakizumab Injection has been obtained from the National Medical Products Administration of the People's Republic of China ("NMPA") and the related deposits paid for acquisition of the exclusive distribution right has been transferred to intangible assets accordingly. As at 31 December 2025, the carrying amount of the exclusive distribution right under intangible assets was of approximately RMB265,512,000 (2024: RMB280,331,000).

(vi) On 3 December 2020, the Group entered into an exclusive license agreement with an independent third party, pursuant to which an exclusive license was granted to the Group for the commercialisation of Methylthioninium Chloride Cosmo in the PRC, at a consideration of approximately RMB105,291,000. During the year ended 31 December 2024, regulatory approval of Methylthioninium Chloride Cosmo has been obtained from the NMPA. The related deposits paid for acquisition of the exclusive distribution right of approximately RMB105,291,000 has been transferred to intangible assets accordingly. As at 31 December 2025, the carrying amount of the exclusive distribution right under intangible assets was of approximately RMB99,149,000(2024: RMB104,414,000).

18. INTANGIBLE ASSETS - continued

Notes: - continued

(a) Exclusive distribution rights - continued

(vii) On 2 February 2024, the Group entered into a novation agreement with independent third parties, pursuant to which an exclusive license was novated to the Group for the commercialisation of sucroferric oxyhydroxide chewable tablets in the PRC, at a consideration of USD15,000,000 and CHF1,000,000 (equivalent to approximately RMB114,674,000). As at 31 December 2025, the carrying amount of the exclusive distribution right under intangible assets was of approximately RMB104,639,000 (2024: RMB110,372,000).

(viii) The Group entered into an exclusive license agreement with an independent third party, pursuant to which an exclusive license was granted to the Group for the commercialisation of the injectable poly-L-lactic acid microsphere filler Lichenran in the PRC. This product was approved for market launch in China in July 2025. As at 31 December 2025, the carrying amount of the exclusive distribution right was approximately RMB45,597,000.

(b) Acquisition of exclusive distribution rights and patent rights

(i) The Group acquired 100% of equity interest in Great Move Enterprises Limited ("Great Move") and 51% of equity interest in Guangxi Kangzhe Guangming Pharmaceutical Co., Ltd. ("Kangzhe Guangming") on 3 April 2011 and 30 April 2011, respectively. This included the acquisition of exclusive distribution rights and patent rights for the sales of several products. The exclusive distribution rights and patent rights were measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the patent rights at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patents for the remaining term of the patent right. The fair value of the exclusive distribution rights at the date of acquisition was determined based on the multi-period excess earnings method by capitalising future cash flows derived from the intangible assets for the remaining term of the distribution rights.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(b) Acquisition of exclusive distribution rights and patent rights - continued

(i) - continued

As at the acquisition date, the major patent rights owned by Tianjin Kangzhe, the wholly owned subsidiary of Great Move, represented YiNuoShu and ShaDuoLiKa amounting to RMB137,917,000 and RMB8,287,000, respectively and the exclusive distribution rights owned by Tianjin Kangzhe amounted to RMB39,350,000.

During the year ended 31 December 2020, the management considers that there is an impairment indicator on the carrying amount of YiNuoShu as there is adverse change in the Group's market shares in selling YiNuoShu. Therefore, a full impairment loss of RMB57,598,000 was recognised for the year ended 31 December 2020.

During the year ended 31 December 2025 and 2024, management reviews the performance of YiNuoShu and concludes that there is no indication that the impairment loss previously recognised no longer exist or have decreased.

As at 31 December 2025 and 2024, the carrying amounts of patent rights of YiNuoShu, ShaDuoLiKa and other exclusive distribution rights owned by Tianjin Kangzhe were RMB nil, nil and nil, respectively.

The Group also acquired the exclusive distribution right and patent right of XiDaKang amounting to RMB5,813,000 and RMB7,715,000, respectively through the acquisition of a former subsidiary, Kangzhe Guangming. As at 31 December 2025, the carrying amount of the exclusive distribution right and patent right of XiDaKang were approximately RMB700,000 and RMB557,000, respectively (2024: RMB1,000,000 and RMB787,000).

The expected useful lives of the exclusive distribution rights and patent rights are ranging from 1 year to 17 years.

(ii) On 27 December 2013, the Group entered into a transfer agreement with the shareholders of non-controlling interests of Kangzhe Guangming (the "Sellers") in connection with the transfer of the patent right of XiDaKang at a consideration of RMB40,000,000. The Sellers, who directly held 49% equity interest of Kangzhe Guangming, agreed to transfer the 49% interest in the patent right of XiDaKang to Kangzhe Hunan, a wholly-owned subsidiary of the Company. The consideration will be settled by the first payment of RMB30,000,000 and annual payment of RMB1,000,000 to the Kangzhe Guangming over the next ten years. The directors of the Company recognised the payable as a deferred consideration payable in the amount of RMB6,145,000 at initial recognition which represents the present value of the annual consideration of RMB1,000,000 over next ten years discounted at 10%.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(b) Acquisition of exclusive distribution rights and patent rights - continued

(ii) - continued

Pursuant to the transfer agreement, the 51% interest in the patent right of XiDaKang was also transferred from Kangzhe Guangming to Kangzhe Hunan. Starting from 27 December 2013, Kangzhe Hunan has replaced Kangzhe Guangming as the patent right owner of XiDaKang. As at 31 December 2025, the carrying amount of the patent right was approximately RMB 5,884,000 (2024: RMB8,405,000).

The expected useful lives of the patent right is 14 years.

(iii) The Group acquired 100% of equity interest in Kangzhe Lengshuijiang Pharmaceutical Co., Ltd. (formerly known as Sinopharm Traditional Chinese Medicine Lengshuijiang Pharmaceutical Co., Ltd.) ("Kangzhe Lengshuijiang") on February 2013. This included the acquisition of the patent right of GanFuLe. The patent right was measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the patent right at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patents for the remaining term of the patent right. As at the acquisition date, the patent right of GanFule owned by Kangzhe Lengshuijiang amounted to RMB16,005,000.

During the year ended 31 December 2016, Kangzhe Lengshuijiang was deregistered and merged with Kangzhe Hunan. The assets and liabilities held by Kangzhe Lengshuijiang were transferred to Kangzhe Hunan at the time of merger and Kangzhe Hunan is responsible for the production of GanFuLe after the merger. As at 31 December 2025, the carrying amount of the patent right of GanFuLe was fully amortised.

(iv) The Group acquired 52.01% of equity interest in Xili Pharmaceutical on 16 February 2015. This included the acquisition of the patent right of DanShenTong. The patent right was measured at their fair values at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(b) Acquisition of exclusive distribution rights and patent rights - continued

(iv) - continued

The fair value of the patent right at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patents for the remaining term of the patent right. As at the acquisition date, the patent right of DanShenTong owned by Xili Pharmaceutical, amounted to RMB114,489,000. The expected useful live of the patent right is 18 years.

In February 2023, the patent right of DanShenTong was disposed through the deemed disposal of Xili Pharmaceutical.

(v) The Group acquired 64.81% of equity interest in Shanghai Carnation Medical Technology Co., Ltd. ("Carnation") on 8 June 2021. This included the acquisition of the patent right of a medical aesthetic device, FUBA5200 Focused Ultrasound Body Contouring System. The patent right was measured at its fair value at the date of acquisition and the valuation of the intangible assets was performed by Vigers Appraisal & Consulting Limited, an independent valuer.

The fair value of the patent right at the date of acquisition was determined based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the patent right for the remaining term of the patent right. As at the acquisition date, the patent right of the medical aesthetic device owned by Carnation amounted to RMB38,706,000. During the year ended 31 December 2025, this patent right was disposal as part of a disposal of subsidiary. For details, please refer to Note 40. The expected useful life of the patent rights is 10 years.

(c) Acquisition of product rights

(i) On 1 July 2014, the Group entered into a series of agreements related to Stulln with an independent third party in connection with the transfer of all assets related to Stulln for the Chinese market (including Hong Kong and Macau Special Administration Regions ("SAR")), including but not limited to the right of manufacturing Stulln for the Chinese market, marketing authorisation for the Chinese market and relevant intellectual property rights, including trademark in Chinese characters and know-how of Stulln, and has been licensed the exclusive right to utilise the trademark in English characters, at a consideration of EUR10,000,000 (equivalent to approximately RMB72,317,000). During the year ended 31 December 2014, the residual balance of the exclusive agency right of Stulln of approximately RMB14,625,000 was transferred to product right accordingly. As at 31 December 2025, the carrying amount of the product right was approximately RMB32,437,000 (2024: RMB36,253,000).The expected useful life of the product right is 20 years.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(c) Acquisition of product rights - continued

(ii) On 17 December 2014, the Group entered into a series of agreements related to Lamisil Tablet and Parlodel Tablet (the "Products") with two independent third parties, the suppliers of the Products in Switzerland in connection with the transfer of all assets related to the Products, including the drug production license of Lamisil Tablet, co-marketing authorisation in Switzerland and imported drug license in China of Parlodel Tablet, all know-how, books and records, commercial and medical information exclusively to the Products for Chinese market (For Lamisil Tablet, Chinese market refers to Chinese Mainland; For Parlodel Tablet, Chinese market refers to Chinese Mainland and Hong Kong SAR and Taiwan), at a consideration of US$25,000,000 (equivalent to approximately RMB152,972,000). As at 31 December 2025, the carrying amount was approximately RMB73,053,000 (2024: RMB81,170,000).

The expected useful life of the product rights is 20 years.

(iii) On 25 March 2015, the Group entered into a series of agreements related to Combizym and Hirudoid (the "Purchased Products") with an independent third party in connection with the purchase of (i) all trademarks regarding the Purchased Products; (ii) all market authorisations or similar licenses, certificates or approvals regarding the Purchased Products and all rights, benefits or other interests obtained; (iii) the exclusive right and title to develop, manufacture, register, apply for registration, import, market, distribute, sell or otherwise use and/or exploit the Purchased Products; and (iv) all books and records, commercial information and medical information related to the Purchased Products, with respect to Combizym in China, Hong Kong and Switzerland, and certain other designated countries or areas in Asia, and with respect to Hirudoid in China, at a consideration of Swiss Franc ("CHF") 76,600,000 (equivalent to approximately RMB486,019,000). As at 31 December 2025, the carrying amount was approximately RMB237,644,000 (2024: RMB263,335,000).

The expected useful life of the product rights is 20 years.

(iv) On 30 December 2014, the Group entered into an agreement related to Movicol (the "Product") with an independent third party in connection with the purchase of the right to import, register, market, distribute, promote and sell the Product in the PRC including Hong Kong and Macau (the "Product Right"), at a consideration of EUR9,000,000 (equivalent to approximately RMB72,100,000), and such consideration has been recognised as deposit paid for acquisition of intangible asset as the Product is still under approval by the regulatory body. During the year ended 31 December 2019, the commercialisation of the Product has been approved by relevant regulatory body and therefore, the deposit has been transferred to intangible assets as it is probable that the expected future economic benefits that are attributable to the Product Right will flow to the Group. As at 31 December 2025, the carrying amount was approximately RMB46,865,000 (2024: RMB50,470,000). The expected useful life of the product rights is 20 years.

18. INTANGIBLE ASSETS - continued

Notes: - continued

(c) Acquisition of product rights - continued

(v) The Group entered into an entrusted development agreement with an independent third party, pursuant to which the Group obtained all the rights including but not limited to results of research and development, registration, production and commercialisation of the product Irbesartan/ Amlodipine Besilate. This product was approved for market launch in China in 2025. As at 31 December 2025, the carrying amount of the product right was approximately RMB45,833,000.

19. GOODWILL

	RMB'000
COST	
At 1 January 2024 and 31 December 2024	1,717,903
Disposal of a subsidiary (Note 40)	(36,642)
At 31 December 2025	1,681,261
IMPAIRMENT LOSS	
At 1 January 2024,31 December 2024 and 2025	170,000
CARRYING VALUES	
At 31 December 2024	1,547,903
At 31 December 2025	1,511,261

For the purposes of impairment testing, the entire amount of goodwill has been allocated to seven (2024: eight) CGUs, representing seven (2024: eight) subsidiaries, namely Tianjin Kangzhe, Kangzhe Hunan, Sky United Trading Limited ("Sky United"), Tibet Kangzhe Development, Luqa, Xuli and Heling Medical (Guangzhou) Company Limited ("Heling"). Tianjin Kangzhe is engaged in marketing, promotion and sale of drugs. Sky United and Tibet Kangzhe Development are engaged in trading of drugs. Kangzhe Hunan is engaged in production of medicines. Luqa and Xuli are engaged in sales of medical aesthetic products. Heling is engaged in research, development and production of skincare products. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

19. GOODWILL - continued

	2025 RMB'000	2024 RMB'000
Tianjin Kangzhe	990,333	990,333
Kangzhe Hunan	21,295	21,295
Sky United	2,963	2,963
Tibet Kangzhe Development	1,854	1,854
Luqa	460,002	460,002
Xuli	30,576	30,576
Heling	4,238	4,238
Carnation	-	36,642
	1,511,261	1,547,903

The recoverable amounts of Tianjin Kangzhe, Kangzhe Hunan, Sky United, Tibet Kangzhe Development, Luqa, Xuli and Heling are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past performance and expectations of future changes in the market.

Tianjin Kangzhe

At 31 December 2025, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 15.1% (2024: 12.6%). Tianjin Kangzhe's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2024: 2%). This growth rate is based on management's best estimate and past experience on the industry.

During the year ended 31 December 2025 and 2024, no impairment loss was recognised.

Kangzhe Hunan

At 31 December 2025, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 11.0% (2024: 11.0%). Kangzhe Hunan's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2024: 2%). This growth rate is based on management's best estimate and past experience on the industry.

During the years ended 31 December 2025 and 2024, no impairment loss was recognised.

19. GOODWILL - continued

Luqa

At 31 December 2025, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 15.6% (2024: 14.8%). Luqa's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2024: 2%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2025 and 2024, no impairment loss was recognised.

Xuli

At 31 December 2025, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 13.3% (2024: 13.3%). Xuli's cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2024: 2%). This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2025 and 2024, no impairment loss was recognised.

The goodwill of Sky United, Tibet Kangzhe Development and Heling was immaterial as at the end of both reporting periods. No impairment loss was recognised for both years.

Carnation

At 31 December 2024, the impairment review is determined based on cash flow projections which were derived from the financial budgets approved by management covering a five-year period, with a discount rate of 24.4%. Carnation's cash flows beyond the five-year period are extrapolated using a growth rate of 2%. This growth rate is based on management's best estimate and past experience on the industry. During the year ended 31 December 2024, no impairment loss was recognised. During the year ended 31 December 2025, Carnation was disposed and for details regarding the disposal of subsidiaries, please refer to Note 40.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Financial assets at FVTPL

	2025 RMB'000	2024 RMB'000
Listed investments:		
Equity securities listed on the Hong Kong Stock Exchange (the "HKEX") (Note i)	7,704	2,474
Unlisted investments:		
Capital funds (Note ii)	1,174,198	926,124
Equity securities (Note iii)	1,727,280	1,051,789
Convertible bond (Note iv)	175,720	179,710
	3,077,198	2,157,623
Total	3,084,902	2,160,097

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - continued

(a) Financial assets at FVTPL - continued

Notes:

(i) The listed equity investment represents ordinary shares of two entities listed on the HKEX.(2024: one entity) . These investment is held for trading, and its fair value is based on the quoted market price. During the year ended 31 December 2025, the Group invested RMB3,536,000 into listed equity investment (2024: Nil). As at 31 December 2025, the fair values of the equity investments amounted to RMB7,704,000, and a gain on change in fair value of RMB1,694,000 has been recognised in profit and loss (2024: a fair value loss of RMB128,000).

(ii) During the year ended 31 December 2025, the Group further invested approximately RMB 224,455,000 (2024: RMB97,145,000) into various capital funds. During the year ended 31 December 2025, the Group disposed investment in a capital fund amounted to RMB14,478,000 (2024: RMB6,007,000). As at 31 December 2025, the fair values of these capital funds amounted to RMB 1,174,198,000 (2024: RMB926,124,000), and a gain on change in fair value of RMB 38,097,000 (2024: a loss of RMB8,204,000) has been recognised in profit and loss.

(iii) During the year ended 31 December 2025, the Group further invested approximately RMB480,305,000 (2024: RMB68,129,000) in various unlisted equity investments. As at 31 December 2025, the fair values of the equity investments amounted to RMB1,727,280,000 (2024: RMB 1,051,789,000), and a gain on change in fair value of RMB 195,186,000 (2024: a loss of RMB2,806,000) has been recognised in profit and loss.

(iv) During the year ended 31 December 2025, the Group further invested approximately Nil (2024: RMB177,598,000) in a convertible bond. As at 31 December 2025, the fair values of the convertible bond amounted to RMB 175,720,000 (2024: RMB179,710,000), and a loss on change in fair value of RMB3,990,000 (2024: a gain of RMB2,113,000) has been recognised in profit and loss.

(b) Equity instruments at FVTOCI

	2025 RMB'000	2024 RMB'000
Listed investments:		
Equity securities listed on National Association of Securities Dealers Automated Quotations (the "NASDAQ") (Note i)	-	20
	-	20
Unlisted investments:		
Equity securities (Note ii)	357,593	129,763
Total	357,593	129,783

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - continued

(b) Equity instruments at FVTOCI - continued

The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Notes:

(i) The listed equity investment represents ordinary shares of Biodexa Pharmaceuticals PLC ("Biodexa") listed on NASDAQ. The fair values are based on the quoted market price. The Group invested approximately GBP4,000,000 (equivalent to RMB34,705,000) in Biodexa during year ended 31 December 2019. During the year ended 31 December 2023, Biodexa transferred its listing from LSE to NASDAQ. As at 31 December 2025, the fair value of Biodexa amounted to Nil (2024: RMB20,000), and a loss on change in fair value of RMB20,000 (2024: a fair value gain of RMB8,000) has been recognised in other comprehensive income.

(ii) The unlisted equity investments represent the Group's equity interests in the various biotech/ pharmaceutical companies.

As at 31 December 2025, the fair values of the equity investments amounted to RMB357,593,000 (2024: RMB129,763,000). The fair values of the above unlisted equity investments were performed by a professional independent valuer. During the year ended 31 December 2025, a gain on change in fair value of RMB 227,830,000 (2024: a gain of RMB4,419,000) has been recognised in other comprehensive income.

21. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	56,850	56,024
Work in progress	7,759	3,595
Finished goods	739,349	708,520
	803,958	768,139

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2025 RMB'000	2024 RMB'000
Trade receivables	1,599,130	1,232,012
Less: Allowance for credit losses	(11,256)	(9,533)
	1,587,874	1,222,479
Bills receivables	226,480	198,805
Purchase prepayments	261,226	204,617
Other receivables and deposits	182,986	154,582
	2,258,566	1,780,483

As at 1 January 2024, trade receivables from contracts with customers amounted to RMB1,146,738,000.

The Group normally allows a credit period ranging from 0 to 90 days to its trade customers, but longer credit period up to four months is allowed to some selected customers.

The following is an analysis of trade receivables by age, net of allowance for credit losses presented based on the dates of receipt of goods at the respective reporting dates, which approximate the revenue recognition dates and an analysis of bills receivables by age, net of allowance for credit losses, presented based on the bills issuance date at the end of the reporting period:

	2025 RMB'000	2024 RMB'000
Trade receivables		
0 - 90 days	1,543,981	1,186,892
91 - 365 days	43,893	35,587
	1,587,874	1,222,479
Bills receivables		
0 - 90 days	123,833	133,854
91 - 120 days	38,525	32,616
121 - 180 days	64,122	32,335
	226,480	198,805

As at 31 December 2025, total bills receivables amounting to RMB226,480,000 (2024: RMB198,805,000) are held by the Group. All bills receivable by the Group are accepted by banks with a maturity period of less than six months.

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS - continued

As at 31 December 2025, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB4,587,000 (2024: RMB4,243,000) which are past due at the reporting date. RMB 4,171,000 (2024: RMB525,000) was more than 90 days past due and is not considered as in default. Based on the historical experiences of the Group, trade receivables past due are generally recoverable due to the long-term relationship and good repayment record.

The Group does not hold any collateral over these balances. Details of impairment assessment of trade and other receivables as at 31 December 2025 and 2024 are set out in Note 34.

23. DEPOSITS PAID FOR ACQUISITION OF INTANGIBLE ASSETS

These deposits were paid to independent third parties not connected with the Group for certain exclusive distribution or product rights of medical products to be approved by relevant regulatory bodies for the sales in specific territories. During the year ended 31 December 2025, the Group made approximately RMB473,374,000 (2024: RMB308,615,000) additional deposits in various medical products. During the year ended 31 December 2025, amount of RMB150,226,000 (2024: RMB155,563,000) of certain exclusive distribution or product rights have been transferred to intangible assets when regulatory approvals of the products have been obtained. During the year ended 31 December 2025, an impairment loss of RMB 31,740,000 (2024: RMB1,152,000) was recognised in profit or loss.

24. AMOUNTS DUE FROM ASSOCIATES

As at 31 December 2025, the balance of approximately RMB30,000,000 (2024: RMB30,000,000) was non-trade nature and non-interest bearing, represented deposit to Tibet Pharmaceutical for exclusive distribution right.

As at 31 December 2025, the balance of approximately RMB448,493,000(2024: RMB284,088,000) was trade nature and non-interest bearing, represented promotion income receivables from Tibet Pharmaceutical and associates. The Group allows a credit period of 90 days to Tibet Pharmaceutical. The balance as at 31 December 2025 was aged within three months (2024: within three months) based on the invoice date.

25. BANK BALANCES AND CASH

Cash and cash equivalents/pledged/restricted bank deposits

Cash and cash equivalents include short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.0001% to 3.60% (2024: 0.0001% to 4.47%). Included in bank balances mainly are the following amounts denominated in currencies other than functional currency of the relevant group entities:

	2025 RMB'000	2024 RMB'000
Euro ("EUR")	77,638	116,671
Hong Kong Dollar ("HK$")	18,081	22,384
United States Dollar ("US$")	864,876	1,457,783

Details of the impairment of bank balances are set out in Note 34.

26. TRADE AND OTHER PAYABLES

An aging analysis of the trade payables presented based on the invoice date at the end of the reporting periods is as follows:

	2025 RMB'000	2024 RMB'000
0 - 90 days	99,938	135,883
91 - 365 days	2,803	4,212
Over 365 days	3,834	2,337
Trade payables	106,575	142,432
Payroll and welfare payables	235,252	214,922
Other tax payables	85,087	27,416
Accrued promotion expenses	23,818	26,315
Accruals	29,794	61,232
Other payables	15,190	12,480
	495,716	484,797

The credit period on purchases of goods is ranging from 0 to 120 days.

27. LEASE LIABILITIES

	2025 RMB'000	2024 RMB'000
Lease liabilities payable:		
Within one year	16,597	16,933
Within a period of more than one year but not more than two years	10,743	7,192
Within a period of more than two years but not more than five years	10,924	5,318
	38,264	29,443
Less: Amount due for settlement with 12 months shown under current liabilities	(16,597)	(16,933)
Amount due for settlement after 12 months shown under non-current liabilities	21,667	12,510

The weighted average incremental borrowing rate applied to lease liabilities is 4.75% for both years.

28. CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Receipts in advance from customers - finished goods	12,133	16,610

As at 1 January 2024, contract liabilities amounted to RMB12,733,000.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2025 RMB'000	2024 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	16,610	12,733

When the Group receives a deposit from customers before the goods are delivered to and received by the customers, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

29. BANK BORROWINGS

	2025 RMB'000	2024 RMB'000
Bank loans	651,815	831,300
Analysed as:		
Unsecured	650,033	831,300
Secured	1,782	-

	2025 RMB'000	2024 RMB'000
The carrying amounts of the above borrowings are repayable*:		
Within one year	651,815	831,300
	651,815	831,300
Less: Amounts due within one year shown under current liabilities	(651,815)	(831,300)
Amounts shown under non-current liabilities	-	-

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The ranges of effective interest rates (which are also equal to contractual interest rate) on the Group's borrowings and their carrying values are as follows:

	2025 RMB'000	2024 RMB'000
Fixed-rate borrowing		
Denominated in RMB at fixed rate of 1.00% per annum as at 31 December 2025	8,000	-
Denominated in RMB at fixed rate of 1.10% per annum as at 31 December 2024	-	40,300
Denominated in RMB at fixed rate of 1.35% per annum as at 31 December 2024	-	19,000
Denominated in RMB at fixed rate of 1.90% per annum as at 31 December 2025	360,000	-
Denominated in RMB at fixed rate of 2.40% per annum as at 31 December 2025 and 2024	270,000	185,000
Denominated in RMB at fixed rate of 2.50% per annum as at 31 December 2025 and 2024	5,000	500,000
Denominated in RMB at fixed rate of 2.51% per annum as at 31 December 2025	1,782	-
Denominated in RMB at fixed rate of 2.60% per annum as at 31 December 2024	-	87,000
Denominated in RMB at fixed rate of 3.00% per annum as at 31 December 2025	7,033	-
Total	651,815	831,300

29. BANK BORROWINGS - continued

As at 31 December 2025, the Group had unutilised banking facilities of approximately RMB 3,895,427,000 (2024: RMB1,880,341,000). And approximately RMB 1,782,000 (2024: Nil)borrowings secured by land, property, plant and equipment.

30. DEFERRED TAX

The following are the deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Unrealised profits on inventories	Fair value adjustments to assets acquired in business combinations	Unrealised profit of equity instruments at FVTOCI	Unrealised profit of equity instruments at FVTPL	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	25,044	(10,205)	(63,964)	(34,804)	14,151	1,201	(68,577)
Credit (charge) to profit or loss for the year (Note 11)	6,566	1,255	-	(8,391)	5,731	-	5,161
At 31 December 2024	31,610	(8,950)	(63,964)	(43,195)	19,882	1,201	(63,416)
Credit (charge) to profit or loss for the year (Note 11)	3,890	(727)	-	(59,391)	4,389	1,082	(50,757)
Disposal of a subsidiary (Note 40)	-	9,677	-	-	(1,911)	-	7,766
At 31 December 2025	35,500	-	(63,964)	(102,586)	22,360	2,283	(106,407)

The following is the analysis of the deferred tax assets (liabilities) for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Deferred tax assets	58,795	52,693
Deferred tax liabilities	(165,202)	(116,109)
	(106,407)	(63,416)

At 31 December 2025, the Group had unused tax losses of approximately RMB955,149,000 (2024: RMB455,987,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB168,758,000 (2024: RMB138,603,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB786,391,000 (2024: RMB317,384,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2025 are tax losses of approximately RMB309,388,282 (2024: RMB73,650,000) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely. During the year ended 31 December 2025, tax losses of approximately RMB1,086,000 (2024: RMB1,364,000) was expired.

30. DEFERRED TAX - continued

As at 31 December 2025, the Group had deductible temporary differences of RMB859,223,000 (2024: RMB844,095,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of RMB152,696,000 (2024: RMB126,436,000) of such deductible temporary difference. No deferred tax asset has been recognised in respect of the remaining balance of RMB706,527,000 (2024: RMB717,659,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary, from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB8,955,832,000 (2024: RMB7,753,081,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Ordinary shares of US$0.005 each		
Authorised		
At 1 January 2024, 31 December 2024 and 31 December 2025	20,000,000	765,218
Issued and fully paid		
At 1 January 2024	2,451,989	83,991
Shares repurchased and cancelled (Note)	(12,460)	(427)
At 31 December 2024 and 2025	2,439,529	83,564

Note: During the year ended 31 December 2025, The number of ordinary shares is the same as that of the last year. During the year ended 31 December 2024, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares of US$0.005 each	Price per share		Aggregated consideration paid
		Highest	Lowest	
		HK$	HK$	HK$
March 2024	1,180,000	8.43	8.24	9,841,438
April 2024	21,780,000	8.00	6.95	161,037,720
May 2024	12,500,000	7.63	7.09	91,913,310
Total	35,460,000			262,792,468

31. SHARE CAPITAL - continued

During the year ended 31 December 2025, 3,973,000 shares were issued to employees as equity incentives, reducing treasury stock. The remaining 19,027,000 shares were held as treasury stock at a cost of HK$142,132,000 (RMB130,661,000), presented as a deduction from equity.

During the year ended 31 December 2024, 12,460,000 shares were cancelled, the rest of 23,000,000 shares were repurchased by the trustee of the Company and were not cancelled and remained as treasury stock as at 31 December 2024 at a cost of HK$171,810,000 (equivalent to RMB157,947,000) in equity.

32. RESERVES

Capital reserve

Capital reserve resulted from transactions between the Group and its shareholders. It mainly represents equity shares of Shenzhen Kangzhe granted by Mr. Lam Kong, a director and former shareholder of Shenzhen Kangzhe, to certain employees for their services rendered in prior year, rights granted by Mr. Lam Kong to certain employees to receive cash at a pre-determined formula for their services rendered in prior year, waiver of an advance to the Company by Mr. Lam Kong in 2006, discount on acquisitions of additional interest in subsidiaries from Mr. Lam Kong in 2004 and 2005, the difference between the transfer of the entire interest in Shenzhen Kangzhe to Sino Talent Limited ("Sino Talent") pursuant to the group restructuring in 2005 and the nominal value of Shenzhen Kangzhe's share capital, and difference between the par value of shares issued by the Company for the entire interest in CMS International Limited ("CMS International") and Healthlink Consultancy Inc. ("Healthlink") pursuant to the group reorganisation in 2006 and the nominal value of the issued share capital of CMS International and Healthlink in preparation for the listing of the Company's shares. The balance was reduced by the capitalisation issue in 2007. The equity shares and rights granted by Mr. Lam Kong to certain employees had been terminated on or before 2006.

On 19 April 2010, the Group acquired an additional interest in Sky United. An amount of approximately RMB15,026,000, representing the excess of the fair value of the new ordinary shares issued by the Company over the decrease in the carrying value of the non-controlling interests is charged to capital reserve.

During the year ended 31 December 2010, a deemed distribution to a shareholder was charged to capital reserve in respect of expenses incurred for a shareholder during the initial public offering exercise by the Company.

Surplus reserve fund

Articles of Association of the Group's subsidiaries established in the PRC require the appropriation of certain percentage of their profit after taxation each year to the surplus reserve fund until the balance reaches 50% of the registered capital of the relevant subsidiaries. In normal circumstances, the surplus reserve fund shall only be used for making up losses, capitalisation into registered capital and expansion of the subsidiaries' production and operation. For the capitalisation of surplus reserve fund into registered capital, the remaining amount of such reserve shall not be less than 25% of the registered capital.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of cash and cash equivalents, bank borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves including accumulated profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2025 RMB'000	2024 RMB'000
Financial assets		
Financial assets at amortised cost	5,297,429	5,668,682
Equity instruments at FVTOCI	357,593	129,783
Financial assets at FVTPL	3,084,902	2,160,097
Financial liabilities		
At amortised cost	(1,008,832)	(1,201,134)

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, bill receivable, loan receivable, amounts due from associates, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and other price risk), credit risk, liquidity risk and risks arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

34. FINANCIAL INSTRUMENTS - continued

Market risk

Interest rate risk management

The Group and the Company are exposed to fair value interest-rate risk in relation to fixed rate bank borrowings (Note 29) and lease liabilities (Note 27). The Group is exposed to fair value interest rate risk in relation to lease liabilities (see Note 27). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 25).

Interest income of RMB82,348,000 was earned (2024: RMB126,344,000) from financial assets that are measured at amortised cost (including cash and cash equivalents) for the year ended 31 December 2025.

Interest expense of RMB 20,297,000(2024: RMB38,610,000) was incurred on financial liabilities not measured at FVTPL that are measured at amortised cost for the year ended 31 December 2025.

Sensitivity analysis

The directors of the Company considers that the exposure of fair value interest rate risk in relation to fixed-rate lease liabilities and bank borrowings and cash flow interest rate risk arising from variable-rate bank balances is insignificant. No sensitivity analysis is presented accordingly.

Foreign currency risk management

Some subsidiaries of the Company have foreign currency purchases, which expose the Group to foreign currency risk. Approximately 73% (2024: 67%) of the Group's purchases are denominated in currencies other than the functional currencies of the group entities making the purchase. All sales of the Group are denominated in functional currency of the group entities making the sale. Management conducts periodic review of exposure and settlements of various currencies and will consider hedging significant foreign currency exposures should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets (representing financial assets at FVTPL, trade and other receivables, loan receivable and bank balances and cash) and monetary liabilities (representing trade and other payables and bank borrowings) at the reporting date are as follows:

	Assets		Liabilities	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
US$	2,227,364	2,380,684	9,805	2,130
EUR	236,480	214,648	6,881	5,182
HK$	27,675	31,085	-	1,530

34. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Foreign currency risk management - continued

The Group is mainly exposed to currency risk of the US$, Eur and HK$. The following table details the Group's sensitivity to a 5% (2024: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2024: 5%) change in foreign currency rates. The sensitivity analysis includes financial assets at FVTPL, derivative financial instruments, loan receivable, bank balances, trade and other payables and bank borrowings of which the foreign currency exposures are not hedged with hedging instruments. A positive/negative number below indicates an increase/decrease in post-tax profit for the year where the functional currencies of the relevant group entities strengthen 5% (2024: 5%) against the relevant foreign currencies. If there is a 5% (2024: 5%) weakening in functional currencies of the relevant group entities against the relevant foreign currencies, there would be an equal and opposite impact on the profit for the year:

	2025 RMB'000	2024 RMB'000
RMB (as functional currency of the relevant group entities) against US$	(83,158)	(89,196)
RMB (as functional currency of the relevant group entities) against EUR	(8,610)	(7,855)
RMB (as functional currency of the relevant group entities) against HK$	(1,038)	(1,108)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during both years.

Other price risk management

The Group is exposed to equity price risk through its investments in equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in pharmaceutical industry sector quoted in the LSE, ENV and NYSE.

34. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Sensitivity analysis

The following details the Group's sensitivity to a 10% (2024: 10%) increase and decrease in the quoted market price of the equity securities. 10% (2024: 10%) is the sensitivity rate used when reporting other price risk internally to key management personnel and represents management's assessment of the reasonably possible change in the quoted market price of the equity securities measured at FVTOCI. If there is a 10% (2024:10%) higher/lower in the quoted market price of the equity securities, the other comprehensive income would be increased/decreased by Nil (2024: RMB2,000).

The management considers that the other price risk in respect of financial assets at FVTPL is minimal due to the insignificant balance as at 31 December 2025 and 2024.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, bank balances, amounts due from associates and loan receivable. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix based on share credit risk characteristics by reference to repayment history for recurring customers and current past due exposure for the new customers.

Except for the derivative financial instruments, financial assets at FVTPL and equity instruments at FVTOCI, the Group performed impairment assessment for financial assets and other items under ECL model.

34. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed every year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued or guaranteed by reputable PRC banks, if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which almost accounted for 100% (2024: 100%) of the total trade receivables as at 31 December 2025. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for credit-impaired trade receivables, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for new customers and forward-looking information. An impairment loss of RMB1,723,000 (2024:net reversal of impairment loss of RMB499,000) is recognised for the year ended 31 December 2025. Details of the quantitative disclosures are set out below in this note.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on this, the 12m ECL on bank balances is considered to be insignificant.

Amounts due from associates

The Group regularly monitors the business performance of the associate. The Group's credit risk in this balance is mitigated through the value of the assets held by this entity and the power to participate in the financial and operating policy decision of this entity. The Group assessed the loss allowance for trade related balance with the associate on lifetime ECL basis and non-trade related balance with the associate on 12m ECL basis. The Group performs impairment assessment under ECL model on this trade balance individually and the directors of the Company believe that there are no significant increases in credit risk at the reporting date of these amounts and the trade receivables due from the associates have been subsequently settled. For the years ended 31 December 2025 and 2024, the Group assessed the ECL for amounts due from associates to be insignificant and thus no loss allowance was recognised.

34. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportable and forward-looking information available without undue costs or effort. The directors of the Company believe that there is no significant increase in credit risk at the reporting date of these amounts since initial recognition. During the year ended 31 December 2025 and 2024, no impairment has been recognised.

Loan receivable

The Group has a policy for assessing the impairment on loans receivable on individual basis. These debtors include a supplier of the Group and an entity in which the Group has invested in its equity interest and accounted for as equity instrument at FVTOCI. The ECL rates are estimated based on the credit quality classification and forward-looking information, including but not limited to the financial status of each borrower. During the year ended 31 December 2025 and 2024, no impairment has been recognised and the accumulated impairment loss was RMB35,414,000.

The Group's internal credit risk scoring assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Normal risk	The counterparty has either a low risk of default and does not have any past-due amounts or frequently settles after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

34. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	2025 Gross carrying amount		2024 Gross carrying amount	
				RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost							
Trade receivables	22	Note 1	Lifetime ECL - not credit-impairment Provision matrix	1,595,615		1,225,639	
		Loss	Credit-impaired	3,515	1,599,130	6,373	1,232,012
Bills receivables (Note 2)	22	Low risk	12m ECL	226,480		198,805	
Amounts due from associates (Notes 2 and 3)	24	Low risk	12m ECL	30,000		30,000	
			Lifetime ECL - Not credit-impaired	448,493	478,493	284,088	314,088
Bank balances (Note 2)	25	Low risk	12m ECL	2,701,380		3,706,501	
Other receivables and deposits (Note 2)	22	Low risk	12m ECL	182,986		154,582	
Loan receivable (Note 2)		Low risk	12m ECL	120,216		72,227	
		Loss	Credit-impaired	35,414	155,630	35,414	107,641

Notes:

(1) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired balances, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating.

Provision matrix - internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2025 and 2024 within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amount of RMB3,515,000 as at 31 December 2025 (2024: RMB6,373,000) were assessed individually.

34. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Notes: - continued

(1) - continued

Gross carrying amount

Internal credit rating	2025 Average loss rate	2025 Trade receivables	2024 Average loss rate	2024 Trade receivables
		RMB'000		RMB'000
Normal risk	0.5%	1,592,591	0.2%	1,214,804
Doubtful	6.7%	3,024	6.3%	10,835
		1,595,615		1,225,639

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2025, a provision of impairment of RMB1,723,000 was recognised (2024: net reversal impairment loss of RMB499,000) impairment allowance for trade receivables based on provision matrix. Impairment allowance of RMB3,515,000 (2024: RMB6,373,000) were made on credit-impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired)	**Lifetime ECL (credit-impaired)**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2024	3,659	6,373	10,032
Impairment losses reversed	(499)	-	(499)
As at 31 December 2024	3,160	6,373	9,533
Impairment losses provision(reversed)	4,581	(2,858)	1,723
As at 31 December 2025	7,741	3,515	11,256

34. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Notes: - continued

(1) - continued

Gross carrying amount - continued

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier. The Group has taken legal action against the debtors to recover the amount due.

(2) The Group assessed the loss allowance for bills receivables, other receivables, bank balances, amounts due from associates and loan receivable on 12m ECL basis. In determining the ECL of the bank balances, the Group has taken into account the counterparties are reputable banks with high credit ratings assigned by international credit agencies and forward-looking information as appropriate. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies and the management considers that the ECL on the bank balances is immaterial. In determining the ECL other than the bank balances, the Group has taken into account the historical default experience and forward-looking information as appropriate, including changes in growth rate of gross domestic product of the PRC. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that the ECL on these balances is immaterial.

(3) The Group assessed the loss allowance for amounts due from associates with trade nature on lifetime ECL basis. In determining the ECL, the Group has taken into account the value of the assets held by this entity and the power to participate in the financial and operating policy decision of this entity. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that the ECL on these balances is immaterial.

The Group rebuts the presumption of default under ECL for trade receivables over 90 days past due based on the strong financial position with good repayment records of those customers and continuous business relationship with the Group.

34. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2025, the Group has available unutilised banking facilities of approximately RMB3,895,427,000 (2024: RMB1,880,341,000) respectively. Details of which are set out in Note 29.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments, The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of financial instruments.

	Weighted average interest rate	Repayable on demand or less than 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2025
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2025					
Non-derivative financial liabilities					
Trade and other payables	-	357,017	-	357,017	357,017
Fixed-rate bank borrowings	2.12	665,611	-	665,611	651,815
Lease liabilities	4.75	17,385	24,505	41,890	38,264
		1,040,013	24,505	1,064,518	1,047,096

34. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

	Weighted average interest rate	Repayable on demand or less than 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2024
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024					
Non-derivative financial liabilities					
Trade and other payables	-	369,834	-	369,834	369,834
Fixed-rate bank borrowings	2.39	851,202	-	851,202	831,300
Lease liabilities	4.75	17,737	13,727	31,464	29,443
		1,238,773	13,727	1,252,500	1,230,577

Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities at measurement date;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

34. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

	Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
		31/12/2025	31/12/2024			
1)	Equity instruments at FVTOCI - listed equity securities	Nil	Listed equity securities on the LSE, ENV, NYSE and NASDAQ- RMB20,000	Level 1	Quoted bid prices in an active market	Nil
2)	Equity instruments at FVTOCI - unlisted equity securities	Unlisted equity investments - RMB 357,593,000	Unlisted equity investments - RMB129,763,000	Level 3	Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies	The ratio of market capital to net book value from comparable companies
3)	Financial asset at FVTPL - listed equity securities	Listed equity securities on the HKEX – RMB7,704,000	Listed equity securities on the HKEX - RMB2,474,000	Level 1	Quoted bid prices in an active market.	Nil
4)	Financial assets at FVTPL - capital funds	Assets - RMB 1,174,198,000	Assets - RMB926,124,000	Level 3	Direct comparison – reference to market evidence of recent transaction prices of the underlying investments	Recent transaction prices of underlying investments
5)	Financial assets at FVTPL - unlisted equity securities	Assets - RMB 1,375,526,000	Assets - RMB801,581,000	Level 2	Recent Transaction method, quoted bid prices in an inactive market	Nil
6)	Financial assets at FVTPL - convertible bond	Assets - RMB 175,720,000	Assets - RMB179,710,000	Level 2	Recent Transaction method, quoted bid prices in an inactive market	Nil
7)	Financial assets at FVTPL - unlisted equity securities	Assets - RMB 351,754,000	Assets - RMB250,208,000	Level 3	Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies	The ratio of market capital to net book value from comparable companies

34. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

(ii) Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI	Financial assets at FVTPL	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2024	125,344	1,319,120	1,444,464
Purchases	-	97,145	97,145
Disposal	-	(6,007)	(6,007)
Transfers into level 2 from level 3	-	(87,740)	(87,740)
Total gains			
- in profit	-	(146,186)	(146,186)
- in other comprehensive income	4,419	-	4,419
As at 31 December 2024	129,763	1,176,332	1,306,095
Purchases	-	224,455	224,455
Disposal	-	(14,478)	(14,478)
Transfers into level 3 from level 2	-	240,177	240,177
Transfers into level 2 from level 3	-	(43,880)	(43,880)
Total gains			
- in profit	-	(56,654)	(56,654)
- in other comprehensive income	227,830	-	227,830
As at 31 December 2025	357,593	1,525,952	1,883,545

(iii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings	Deferred consideration payables	Dividend payables	Lease liabilities	Total
	RMB'000 (Note 29)	RMB'000	RMB'000 (Note 13)	RMB'000 (Note 27)	RMB'000
At 1 January 2024	1,269,650	1,000	-	32,087	1,302,737
Financing cash flows	(479,248)	(1,000)	(556,162)	(24,429)	(1,060,839)
Dividends declared	-	-	556,162	-	556,162
Finance costs	36,398	-	-	2,212	38,610
Net foreign exchange loss	4,500	-	-	-	4,500
Commencement of new leases	-	-	-	19,573	19,573
At 31 December 2024	831,300	-	-	29,443	860,743
Financing cash flows	(197,048)		(660,555)	(21,695)	(879,298)
Dividends declared	-	-	660,555	-	660,555
Finance costs	17,563	-	-	2,734	20,297
Commencement of new leases	-	-	-	27,782	27,782
At 31 December 2025	651,815	-	-	38,264	690,079

36. CAPITAL COMMITMENTS

	2025 RMB'000	2024 RMB'000
Capital Expenditure is respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	76,020	-
Capital expenditure in respect of the acquisition of below items contracted for but not provided in the consolidated financial statements		
- financial assets at FVTPL	409,813	576,499
- interests in an associate	172,206	34,541

37. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related financial parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below, in addition to the transactions and balances disclosed elsewhere in the consolidated financial statements.

(a) The Group entered into the following transactions with related parties during the year:

Name of related company	Relationship	Nature of transactions	2025 RMB'000	2024 RMB'000
Tibet Pharmaceutical	Associate	Promotion income	1,468,071	1,395,476
ETC	Associate	Purchase of goods	16,183	9,337
ETC	Associate	Promotion income	5,505	9,110
Shenzhen Mediportal Health Medical Internet Limited	Related party	Service fee	6,880	6,904
Shenzhen Mediportal Health Technology Co. Ltd.	Related party	Service fee	515	1,030
A&B (HK) Company Limited	Related party	Royalty expenses	2,018	2,699
PharmaGend Global Medical Services Pte. Ltd.	Related party	Service fee	9,408	-

(b) On 8 May 2015, A&B entered into agreements with Faron Pharmaceuticals, Ltd ("Faron"), to acquire 15.72% of the shareholding of Faron, assets related to a drug, Traumakine in China (including Hong Kong SAR, Macau SAR and Taiwan) (the "Territory"), intellectual properties related to Traumakine from the Territory and the right to exchange Traumakine information with Faron.

On 19 May 2015, the Group entered into agreements with A&B and/or Faron respectively, to acquire the assets related to Traumakine in the Territory (the "Acquisition of Assets"). On 31 December 2024, the Group entered into a termination agreement with A&B for the acquisition of asset.

The Group has not paid any consideration to A&B in respect of this acquisition as at 31 December 2025 and 2024.

37. RELATED PARTY TRANSACTIONS - continued

(c) On 14 August 2018, the Group entered into an asset transfer and license agreement with Blueberry Therapeutics Limited ("Blueberry"). According to the terms of such agreement, the Group has acquired all related assets of Blueberry's leading product BB2603 (for the treatment of onychomycosis and tinea pedis) in China (including Hong Kong SAR Macau SAR and Taiwan), Republic of Korea and Mongolia (the "Asia Territory") and the Group further acquired access to all related assets of other pipeline products being or to be developed subsequently by Blueberry utilizing its unique nano formulation delivery system in dermatology and other fields (such as products used for treating atopic dermatitis and acne, etc., together with the product BB2603 as the "Product of BB2603") in the Asia Territory in consideration of (1) an upfront payment of USD600,000 (equivalent to RMB4,090,000), (2) fixed lump sum payments upon the achievement of the pre-determined milestones stipulated in the agreement and (3) a royalty at a fixed rate on the basis of the net sales of Product of BB2603 in Asia Territory. The aforementioned assets include, among others, all the national patents covering the development, commercialization and formulation of the Product of BB2603, national trademarks and necessary regulatory approvals in or for the Asia Territory.

As the milestone as well as the commercialisation of Product of BB2603 has not yet been achieved as at 31 December 2025 and 2024, the Group has only paid the upfront payment of USD600,000 (equivalent to RMB4,090,000) as the consideration for Product of BB2603 during year ended 31 December 2018. Such amount has been included in deposits paid for acquisition of intangible assets (see Note 23) as at 31 December 2025 and 2024. During the year ended 31 December 2023, the amount of RMB4,090,000 was fully impaired.

(d) On 20 August 2018, the Group entered into a framework asset transfer agreement with A&B relating to the portable neurostimulation devices (the "Product of PoNS") developed by or for Helius Medical Technologies group ("Helius"). According to the terms of such agreement, the Group has agreed to acquire from A&B all assets related to the Product of PoNS (the "Assets of PoNS") in the Territory (the "Transaction of PoNS"). The Assets were originally purchased by A&B from Helius, in which A&B has equity interest. Both the Group and A&B have not agreed on the definitive terms and conditions of the Transaction, including the consideration for the transfer of the Assets of PoNS under the agreement. On 31 December 2024, the Group entered into a termination agreement with A&B for the Transaction of PoNS. The Group has not paid any consideration to A&B in respect of the Transaction of PoNS as of 31 December 2025 and 2024.

37. RELATED PARTY TRANSACTIONS - continued

(e) On 20 August 2018, the Group entered into a framework asset transfer agreement with A&B relating to the pharmaceutical preparation, formulation, dosage form, or delivery vehicle, containing or comprising NRL-1 etc. and/or line extensions developed by or for Neurelis, Inc. ("Neurelis") (collectively, the "Product of NRL-1"). Neurelis is one of Group's unlisted equity investments under Note 20(b)(ii). According to terms of such agreement, the Group has agreed to acquire from A&B all assets related to the Product of NRL-1 (the "Assets of NRL-1") in the Territory (the "Transaction of NRL-1"). A&B obtained the Assets of NRL-1 from its related entity which in turn obtained the Assets of NRL-1 from Neurelis. During the year ended 31 December 2023, the Group and A&B had negotiated and agreed on the terms of the Transaction of NRL-1, the Group has agreed to pay A&B a royalty payment of up to US$0.6 per Unit of NRL-1 imported into or sold in the Territories, and the Group has agreed to pay A&B a royalty payment of 9.0% on the net sales of NRL-1 sold by the Group in the Territories. Royalty expenses of RMB2,018,000 was recognised during the year ended 31 December 2025 (2024: RMB2,699,000).

(f) The key management personnel includes solely the directors of the Company and the compensation paid to them as disclosed in Note 9.

38. RETIREMENT BENEFITS SCHEMES

The employees of the Group's subsidiary in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The employees employed in Hong Kong are required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Ordinance of Hong Kong.

The employees employed in Macau are required to join the Social Security Fund (the "FSS"). Contributions to FSS are made in accordance with the statutory limits prescribed by the Social Security System of Macau.

The employees employed in Dubai are required to be entitled to gratuity based on the years of services under the labour law of United Arab Emirates Ministry of Human Resources and Emiratisation.

During the year, the total expense recognised in the profit or loss for the above schemes amounted to RMB 335,400,000(2024: RMB301,167,000).

39. EMPLOYEE BENEFIT SCHEME

The 2009 Scheme was adopted by the Board on 31 July 2009 ("Adoption Date"). Unless terminated earlier by the Board, the 2009 Scheme shall be valid and effective for a term of 20 years commencing on the Adoption Date. Pursuant to the rules of the 2009 Scheme, the Company set up a trust through a trustee (the "Trustee"), Fully Profit Management (PTC) Limited, for the purpose of administration the 2009 Scheme. A summary of some of the principal terms of the 2009 Scheme is set out in below.

(a) The purpose of the 2009 Scheme is to recognise the contributions by certain employees who have been actively involved in the business development of the Group and to establish and maintain a superannuation fund for the purpose of providing retiring allowances for certain employees (including without limitation employees who are also directors) of the Group, and to give incentive in order to retain them for the continual operation and development of the Group.

(b) Under the 2009 Scheme, the Board of Directors (the "Board") may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think appropriate select an employee (the "Member") who completed 10 years' services in the Group (subject to consent of the Board if the employee completed 5 years' services in the Group) for participation in the 2009 Scheme for 10 years after retirement (the "Payment Year") (subject to adjustment set out in (d) below).

(c) The Company will, on a yearly basis, contribute the sum equal to an amount not less than 0.5%, but no more than 3% of its after tax profits shown on the audited consolidated financial statements of the Group, or issue such number of shares of the Company to the Trustee in consideration of payment of such amount as the Board may determine with reference to the aforesaid contribution as against the then market value of the shares of the Company (the "Yearly Contributions"), subject to the Board's approval.

(d) The amount payable to the Members depends on the value of the assets held by the Trustee (the "Fund"). If the value of the Fund is less than the aggregate amount of contributions previously made by the Company, the amount payable to the Members and the Payment Year will be adjusted by a factor derived from the value of the Fund and the aggregate amount of contributions previously made by the Company. The only obligation of the Company is to make the Yearly Contributions to the Fund. As such, the 2009 Scheme is classified as defined contribution scheme.

On 22 December 2016, the Board has resolved to adopt two new employee incentive schemes, with details as follows:

(a) The Bonus Scheme

i. This scheme is for the purpose of providing discretionary cash bonuses to selected employees of the Group to recognise their contribution to the Group.

ii. This scheme is open to the employees employed by the Group, except for the directors of the Company.

39. EMPLOYEE BENEFIT SCHEME - continued

(b) The New KEB Scheme

i. The New KEB Scheme will replace the 2009 Scheme and shall comprise terms which are substantially similar to the 2009 Scheme, except for the ratio of contribution, which was determined by the audited consolidated financial performance.

ii. The subsisting rights of all participants under 2009 Scheme will be rolled over to the New KEB Scheme.

For the purposes of effecting the merger and facilitating the administration of the Bonus Scheme and the New KEB Scheme, the Company has resolved to set up a new trust comprising the Bonus Scheme and KEB Scheme (collectively referred to as the "Master Scheme"). Unless terminated earlier by the Board, the Master Scheme shall be valid and effective until the later of the termination of the Bonus Scheme or the New KEB Scheme. The term of each of the Bonus Scheme and the New KEB Scheme is 20 years subject to the terms of their respective scheme rules. TMF Trust (HK) Limited ("TMF"), a company incorporated in Hong Kong, is appointed as the initial trustee of the new trust (the "New Trustee").

The amount payable to the members of the Bonus Scheme in a financial year depends on a variety of factors, including the value of the assets held by the New Trustee (the "New Fund"), the appreciation in the value of the assets held under the New Fund, the financial performance of the Group and the performances of individual employees during the year. The New Fund is independent from the Company and the change in value of the New Fund has no impact on the Group's financial performance and financial position. The only obligation of the Company is to make the Annual Contributions to the New Fund subject to the terms of the scheme rules of the Bonus Scheme. The Bonus Scheme is classified as a discretionary scheme of the Company. No employee benefit expenses were recognised by the Company and the Group for both years.

During the year ended 31 December 2025, the Company recognised an expense of RMB5,520,000 (2024: RMB7,680,000) on the Master Scheme based on the Group's financial performance, in which such amount was recognised as employee benefit expenses in the consolidated statement of profit or loss and other comprehensive income.

CMS SHARE AWARD SCHEME

On 17 January 2024, the Board has resolved to adopt a new employee incentive scheme and has a validity period of 10 years from the date of adoption. The Company has engaged an independent professional trustee to administer the CMS share award scheme ("CMS Scheme"), and the trustee will use the Company's funds to purchase the Company's shares (the "Shares") from the secondary market. No more than 100 million Shares will be granted at nil consideration to eligible participants, comprising the Group's core management, key employees in the product team (including employees responsible for product launch, research and development, and registration), key employees in the sales team (including employees responsible for marketing and promotion), and key employees in the operations team.

39. EMPLOYEE BENEFIT SCHEME - continued

The CMS Scheme shall be subject to the administration of the Board whose decisions on all matters arising in relation to the Scheme shall be final and conclusive. The Board has authorized to establish a management committee (the "Management Committee"), which will exercise such powers as delegated by the Board.

Performance Targets:

(a) Share awards for the launch of new products: the Group will implement incentive programme with three-year (or other durations to be determined by the Board) cycles to encourage the introduction of new products. Eligible participants who contribute to the launch of new products will be considered for share awards. The vesting of these awards is contingent upon the achievement of defined product launch targets within the specified timeframes. The criteria for what constitutes a qualified new product include, but are not limited to, the anticipated investment, the potential for sales revenue, and the expected profitability of the new product, and the performance targets will be set accordingly.

(b) Share awards for the sale of new products: the Group will set sales targets for the new products and other relevant existing products within a specified period. Vesting of the relevant share awards will depend on whether such sales targets are met. These awards will be allocated to eligible participants who are expected to make significant contributions to achieving the outlined sales performance.

During the year ended 31 December 2025, the Company recognised an expense of RMB27,310,000 (2024: Nil) on the CMS Scheme based on individual's contributions to meeting those targets, in which such amount was recognised as share-based payment in the consolidated statement of profit or loss and other comprehensive income.

40. DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2025

In December 2025, the Group entered into a shareholder agreement with the other shareholders of Shanghai Carnation Medical Technology Co., Ltd., which was a subsidiary of the Group at the time, pursuant to which the Articles of Hainan Kangzhe Venture Capital Co., Ltd. transferred its entire 64.81% equity interest in the subsidiary to a third party. As a result, the Group has fully disposed the subsidiary. The net assets of Shanghai Carnation Medical Technology Co., Ltd. at the date of disposal were as follows:

40. DISPOSAL OF A SUBSIDIARY - continued

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment (Note 15)	756
Goodwill (Note 19)	36,642
Intangible assets (Note18)	38,706
Deferred tax assets (Note 30)	1,911
Inventories	86
Trade and other receivables	1,676
Cash and cash equivalents	9
Deferred tax liability (Note 30)	(9,677)
Trade and other payables	(12,342)
	57,767

Consideration:

	RMB'000
Cash received	35,000
Consideration receivable(Note)	35,000
Total consideration received and receivable	70,000

Gain on disposal of a subsidiary:

	RMB'000
Consideration received and receivable	70,000
Net assets disposed of	(57,767)
Non-controlling interest	7,361
Gain on disposal	19,594

Net cash inflow arising on disposal:

	RMB'000
Cash consideration	35,000
Less: cash and cash equivalents disposed of	9
	34,991

Note: The consideration receivable will be settled in cash by the purchaser three months after the completion of the business registration change.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

As at 31 December 2025 and 2024, the details of the Company's principal subsidiaries are set as follows:

Name of subsidiaries	Place of incorporation/ establishment and operation	Issue and fully paid share capital/ registered capital		Equity interest held by the Group				Principal activities
		31 December 2025	31 December 2024	31 December 2025		31 December 2024		
				Directly	Indirectly	Directly	Indirectly	
Kangzhe Hunan (wholly-owned domestic enterprise)	PRC	RMB36,750,000	RMB36,750,000	-	100%	-	100%	Production of medicines
Tibet Kangzhe Enterprise Management Co. Ltd. (wholly-owned domestic enterprise)	PRC	RMB10,000,000	RMB10,000,000	-	100%	-	100%	Investment holding
Shenzhen Kangzhe (wholly foreign-owned enterprise)	PRC	RMB355,000,000	RMB355,000,000	-	100%	-	100%	Marketing, promotion and sale of drugs
Sino Talent	Hong Kong	HK$1	HK$1	-	100%	-	100%	Investment holding
Sky United	Hong Kong	HK$10	HK$10	-	100%	-	100%	Trading of drugs
Kangzhe Pharmaceutical Investment Co., Ltd. (wholly-owned domestic enterprise)	PRC	RMB50,000,000	RMB50,000,000	-	100%	-	100%	Investment holding
Tianjin Kangzhe (wholly foreign-owned enterprise)	PRC	RMB500,000,000	RMB500,000,000	-	100%	-	100%	Marketing, promotion and sale of drugs
Tibet Kangzhe Development (wholly-owned domestic enterprise)	PRC	RMB100,000,000	RMB100,000,000	-	100%	-	100%	Marketing, promotion and sale of drugs
CMS Bridging Limited	Hong Kong	HK$1,000,000,000	HK$1,000,000,000	-	100%	-	100%	Investment holding
CMS Medical Venture Investment (HK) Limited	Hong Kong	HK$2,268,542,500	HK$2,268,542,500	-	100%	-	100%	Investment holding
CMS International Development and Management Limited	Macau	MOP113,340,100	MOP113,340,100	-	100%	-	100%	Trading of drugs
CMS Pharma DMCC	Dubai	AED104,490,000	AED104,490,000	-	100%	-	100%	Trading of drugs
Shanghai Carnation Medical Technology Co., Ltd (Note 40)	PRC	N/A	RMB2,842,105	-	N/A	-	64.81%	Research and development of medical aesthetics devices
Shanghai Dermavon Pharmaceutical Co., Ltd (wholly foreign-owned enterprise)	PRC	RMB10,000,000	RMB10,000,000	-	100%	-	100%	Marketing and promotion of drugs
Hainan Dermavon Pharmaceutical Technology Co., Ltd (wholly foreign-owned enterprise)	PRC	RMB400,000,000	RMB345,000,000	-	100%	-	100%	Marketing, promotion and sale of drugs
Hainan Kangzhe Venture Capital Co. Ltd	PRC	RMB1,000,000,000	RMB807,050,000	-	100%	-	100%	Investment holding
Dermavon Limited (formerly known as CMS Skinhealth Limited)	Hong Kong	HK$1	HK$1	-	100%	-	100%	Trading of drugs
RXILIENT MEDICAL (HONG KONG) LIMITED	Hong Kong	HK$1	HK$1	-	100%	-	100%	Trading of drugs

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

Name of subsidiaries	Place of incorporation/ establishment and operation	Issue and fully paid share capital/ registered capital		Equity interest held by the Group				Principal activities
		31 December 2025	31 December 2024	31 December 2025		31 December 2024		
				Directly	Indirectly	Directly	Indirectly	
Heling Medical (Guangzhou) Company Limited (wholly-owned domestics enterprise)	PRC	RMB3,000,000	RMB3,000,000	-	60%	-	60%	Production of skincare products
Hainan Kangzhe Vision Technology Co., Ltd (wholly foreign-owned enterprise)	PRC	RMB130,000,000	RMB130,000,000	-	100%	-	100%	Marketing, promotion and sale of drugs
CMS Vision International Management Limited	Macau	MOP25,000	MOP25,000	-	100%	-	100%	Trading of drugs
DERMAVON INTERNATIONAL BUSINESS LIMITED	Macau	MOP25,000	MOP25,000	-	100%	-	100%	Trading of drugs

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

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

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 RMB'000	2024 RMB'000
Non-current asset		
Interests in subsidiaries	5,837,014	3,554,735
Current assets		
Other receivable	-	3,695
Bank balances and cash	20,081	14,470
	20,081	18,165
Current liabilities		
Amount due to a subsidiary	2,958	2,958
Other payables and accruals	9,105	20,172
Bank borrowings	630,000	772,000
	642,063	795,130
Net current liabilities	(621,982)	(776,965)
Total assets less current liabilities	5,215,032	2,777,770
Capital and reserves		
Share capital (Note 31)	83,564	83,564
Reserves	5,131,468	2,694,206
Total equity	5,215,032	2,777,770

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY - continued

Movement in reserves

	Share premium	Capital reserve	Accumulated profits	Dividend reserve	Treasury stock	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024	2,105,621	6,960	1,264,593	191,991	-	3,569,165
Repurchase of ordinary shares	-	-	-	-	(237,967)	(237,967)
Cancellation of ordinary shares	(80,020)	-	-	-	80,020	-
Loss and total comprehensive expense for the year	-	-	(80,830)	-	-	(80,830)
Dividends paid	-	-	(364,171)	(191,991)	-	(556,162)
Dividends proposed	-	-	(283,700)	283,700	-	-
Balance at 31 December 2024	2,025,601	6,960	535,892	283,700	(157,947)	2,694,206
Distribution of treasury stock to employee(Note 31)	24	-	-	-	27,286	27,310
Profit and total comprehensive income for the year	-	-	3,070,507	-	-	3,070,507
Dividends paid	-	-	(376,855)	(283,700)	-	(660,555)
Dividends Proposed	-	-	(330,641)	330,641	-	-
Balance at 31 December 2025	2,025,625	6,960	2,898,903	330,641	(130,661)	5,131,468