



# Shanghai Pharmaceuticals Holding Co., Ltd.\*

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

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



# 2025 Annual Report

*\* For identification purpose only*



## OUR VISION

Become a respectful manufacturer with leading brand medicine and a service provider in healthcare field with industry reputation

## OUR MISSION

Perseverance, committed to enhancing people's healthy living quality

## OUR CORE VALUES

Innovation, integrity, cooperation, tolerance, responsibility



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

## Definitions of Common Terms

“the Group”, “Group”, “the Company”, “Company” or “Shanghai Pharmaceuticals”	Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability (shares of which are listed on the Shanghai Stock Exchange with stock code 601607, and on the Main Board of the Hong Kong Stock Exchange with stock code 02607) or Shanghai Pharmaceuticals Holding Co., Ltd. and its subsidiaries, where applicable
“Articles of Association” or “Articles”	the articles of association of Shanghai Pharmaceuticals (as amended from time to time)
“Reporting Period” or “Year”	the 12-month period from 1 January 2025 to 31 December 2025
“YOY”	year-on-year
“Shares”	shares of Shanghai Pharmaceuticals with a nominal value of RMB1.00 each, comprising both A Shares and H Shares
“A Shares”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“H Shares”	overseas shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC. In this report, unless otherwise specified, the currency generally refers to RMB
“HK\$” or “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America
“AUD”	Australian dollars, the lawful currency of Australia
“PRC” or “China”	the People’s Republic of China; unless the context otherwise requires, references to the PRC or China in this report do not include Hong Kong, Macau or Taiwan
“Shanghai Listing Rules”	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange (as amended, supplemented or otherwise modified from time to time)

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules (as amended, supplemented or otherwise modified from time to time)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules (as amended, supplemented or otherwise modified from time to time)
“Code Provision”	the code provisions of part II of the Corporate Governance Code
“SFO”	the Securities and Futures Ordinance, Chapter 571, the Laws of Hong Kong, as amended from time to time
“Controlling Shareholders”	unless otherwise stated, has the meaning ascribed to it under the Hong Kong Listing Rules, including Shanghai Shangshi, Golden Bell, SIIC and Shanghai Pharmaceutical (Group)
“FDA”	Food and Drug Administration of the United States
“MOF”	Ministry of Finance of the People’s Republic of China
“NMPA”	National Medical Products Administration of the People’s Republic of China (中華人民共和國國家藥品監督管理局)
“CDE”	Center For Drug Evaluation of NMPA (中華人民共和國國家藥品監督管理局藥品審評中心)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Shanghai SASAC”	Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)
“Shanghai Shangshi”	Shanghai Shangshi (Group) Co., Ltd. (上海上實(集團)有限公司)
“Golden Bell”	Golden Bell International Holdings Limited (金鐘國際控股有限公司)



“SIIC”	Shanghai Industrial Investment (Holdings) Co., Ltd. (上海實業(集團) 有限公司)
“Shanghai Pharmaceutical (Group)”	Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司)
“Shanghai Industrial”	Shanghai Industrial Holdings Limited
“Yunnan Baiyao”	Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司)
“New China Insurance”	New China Life Insurance Company Ltd.
“Guosheng Group”	Shanghai Guosheng Group Co., Ltd. (上海國盛(集團)有限公司)
“Shanghai Frontier”	Shanghai Biomedical Frontier Industry Innovation Center
“SPH Sine”	SPH Sine Pharmaceutical Factory Co., Ltd. (上海上藥信誼藥廠有限公司)
“SPH Xing Ling”	SPH Xing Ling Sci. & Tech. Pharmaceutical Co., Ltd. (上海上藥杏靈科技藥業股份有限公司)
“SHAPHAR”	Shanghai Pharmaceutical Co., Ltd. (上藥控股有限公司)
“SPH Cloud Health”	Shanghai Pharmaceuticals Grand Health Cloud Commerce Company Limited (上海醫藥大健康雲商股份有限公司)
“MediTrust Health”	Shanghai Meditrust Health Technology Group Co., Ltd. (上海鎂信健康科技集團股份有限公司)
“Shanghai Hutchison” or “Hutchison Pharmaceuticals”	Shanghai Hutchison Pharmaceuticals Co., Ltd. (上海和黃藥業有限公司)
“SPH Thailand”	Shanghai Pharma (Thailand) Co., Ltd. (上藥泰國有限責任公司)
“SPH Philippines”	Shanghai Pharma (Philippines) Co., Ltd. (上藥菲律賓有限責任公司)
“Eisai”	Eisai China Inc. (衛材(中國)藥業有限公司)
“Hisun Pharmaceutical”	Zhejiang Hisun Pharmaceutical Co., Ltd. (浙江海正藥業股份有限公司)
“Hapharm”	Hapharm Group Co., Ltd. (哈藥集團股份有限公司)
“North China Pharmaceutical”	North China Pharmaceutical Co., Ltd. (華北製藥股份有限公司)

“Shanghai Shyndec Pharmaceutical”	Shanghai Shyndec Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司)
“ANDA”	the Abbreviated New Drug Application
“GMP”	Good Manufacturing Practice
“GSP”	Good Supply Practice
“IQVIA”	Qwest Communications International Inc. (formerly known as IMSHealth Incorporated), established in the U.S., a world-leading provider of professional medical and health information and strategic consultation

# Corporate Information



## DIRECTORS

### Executive Directors

Mr. YANG Qihua (*Chairman*)  
Mr. SHEN Bo (*President*)  
Mr. LI Yongzhong (*Executive President*)  
Mr. DONG Ming

### Non-executive Director

Mr. ZHANG Wenxue

### Employee Director

Mr. ZHAO Yong

### Independent Non-executive Directors

Mr. GU Zhaoyang  
Mr. FOK Manson  
Mr. WANG Zhong  
Ms. MAN Kwan

## JOINT COMPANY SECRETARIES

Mr. ZHONG Tao  
Ms. WONG Pui Kiu Ingrid

## AUTHORISED REPRESENTATIVES

Mr. SHEN Bo  
Mr. ZHONG Tao

## STRATEGY COMMITTEE

Mr. YANG Qihua (*Convener*)  
Mr. ZHANG Wenxue  
Mr. WANG Zhong

## AUDIT COMMITTEE

Mr. GU Zhaoyang (*Convener*)  
Mr. FOK Manson  
Mr. WANG Zhong

## NOMINATION COMMITTEE

Mr. FOK Manson (*Convener*)  
Mr. SHEN Bo  
Mr. GU Zhaoyang  
Ms. MAN Kwan

## REMUNERATION AND ASSESSMENT COMMITTEE

Mr. WANG Zhong (*Convener*)  
Mr. YANG Qihua  
Mr. GU Zhaoyang

Note: On 9 December 2025, upon consideration and approval at the Company's shareholders' general meeting, the Company abolished the supervisory board and Mr. XU Youli, Mr. YU Weidong and Mr. MA Jia ceased to be supervisors. On 11 February 2026, Mr. ZHAO Yong was elected as the employee director by the employee representative meeting.

**COMPANY NAME**

Shanghai Pharmaceuticals Holding Co., Ltd.

**STOCK ABBREVIATION**

SH PHARMA

**REGISTERED ADDRESS**

No. 92 Zhangjiang Road, Pilot Free Trade Zone,  
China (Shanghai)  
Postal Code: 201203

**STOCK EXCHANGES ON WHICH  
SHARES ARE LISTED**

A Shares: Shanghai Stock Exchange  
Stock Code: 601607  
H Shares: The Stock Exchange of Hong Kong Limited  
Stock Code: 02607

**PRINCIPAL PLACE OF BUSINESS  
IN CHINA**

Shanghai Pharmaceutical Building,  
No. 200 Taicang Road, Shanghai, the PRC

**A SHARE REGISTRAR**

China Securities Depository and Clearing Corporation  
Limited, Shanghai Branch  
36/F, China Insurance Building, No. 166 Lujiazui East  
Road, Pudong New Area, Shanghai, the PRC

**PRINCIPAL PLACE OF BUSINESS  
IN HONG KONG**

Room 1918, 19/F, Lee Garden One,  
33 Hysan Avenue, Causeway Bay,  
Hong Kong

**H SHARE REGISTRAR**

Tricor Investor Services Limited  
17/F, Far East Finance Centre,  
16 Harcourt Road, Hong Kong

**LEGAL ADVISOR AS TO  
HONG KONG LAW**

Freshfields

**COMPANY WEBSITE**

<http://www.sphchina.com>

**LEGAL ADVISOR AS TO PRC LAW**

Grandall Law Firm (Shanghai)

**CONTACT METHODS**

Name: ZHONG Tao  
*(Vice President, Secretary to the Board, Joint Company  
Secretary)*  
Address: Shanghai Pharmaceutical Building,  
No. 200 Taicang Road, Shanghai, the PRC  
Telephone: +8621-63730908  
Facsimile: +8621-63289333  
E-mail: BoardOffice@sphchina.com

**AUDITOR**

Deloitte Touche Tohmatsu  
Certified Public Accountants LLP

**PRINCIPAL BANKS**

Bank of Communications  
Industrial and Commercial Bank of China  
Bank of China  
China Merchants Bank  
Citi Bank  
The Hongkong and Shanghai Banking Corporation  
Limited

# Financial Highlights



## MAJOR DATA ON RESULTS, ASSETS AND LIABILITIES OF THE COMPANY FOR THE PAST FIVE FINANCIAL YEARS

Unit: RMB'000

Operating Results	For the year ended 31 December				
	2021	2022	2023	2024	2025
Revenue	215,824,259	231,981,300	260,295,089	275,250,935	<b>283,579,601</b>
Profit before income tax	8,143,814	8,808,353	7,054,297	8,020,006	<b>9,819,805</b>
Income tax expenses	(1,869,245)	(1,816,338)	(1,887,727)	(2,149,995)	<b>(2,846,087)</b>
Profit for the year	6,274,569	6,992,015	5,166,570	5,870,011	<b>6,973,718</b>
Attributable to:					
Owners of the Company	5,093,467	5,617,152	3,768,000	4,552,528	<b>5,724,558</b>
Non-controlling interests	1,181,102	1,374,863	1,398,570	1,317,483	<b>1,249,160</b>

Unit: RMB'000

Assets and Liabilities	As at 31 December				
	2021	2022	2023	2024	2025
Total assets	163,435,509	198,134,901	211,972,534	221,209,430	<b>233,148,767</b>
Total liabilities	104,369,299	120,132,450	131,646,441	137,467,066	<b>143,361,473</b>
Total equity	59,066,210	78,002,451	80,326,093	83,742,364	<b>89,787,294</b>
Attributable to:					
Owners of the Company	49,359,480	67,063,006	68,524,143	71,675,620	<b>75,891,328</b>
Non-controlling interests	9,706,730	10,939,445	11,801,950	12,066,744	<b>13,895,966</b>

Note: The financial information of 2021, 2022, 2023, 2024 and 2025 is extracted from the financial statements of the Company prepared under the China Accounting Standards.



Yang Qihua  
Chairman

As the year turns and a new chapter begins, our achievements are forged through diligent endeavor. On the occasion of the release of the 2025 Annual Report, on behalf of the management team and all the staff of Shanghai Pharmaceuticals Holding Co., Ltd., I would like to extend our sincere gratitude and highest respect to all shareholders and investors for their unwavering trust and steadfast support over the years!

**Looking back on the past year, amid the complex and volatile market environment and industry challenges, we stayed committed to our strategy and forged ahead with solid actions. We translated our blueprint into concrete steps and turned our goals into tangible results, delivering a performance that is visible, measurable and verifiable. The Company successfully fulfilled its objectives during the “14th Five-Year Plan” period, reaching a new height in its high-quality development.**

**With innovation at our core, we tackled key problems and achieved breakthroughs, consolidating the foundation for development.** In terms of new drug R&D, Stogilan Malate Tablets, a class 1 innovative drug, has been successfully approved for marketing, providing a new treatment option for more than 300 million patients with primary hypertension in China and becoming one of the landmark achievements of the Company's innovation development in recent years; B001 Injection, a highly humanized, globally innovative anti-CD20 antibody drug for the treatment of neuromyelitis optica spectrum disorders, has completed its primary endpoint



analysis in pivotal trial; Shenqi Sherong Pill, a new drug of class 1.1 of traditional Chinese medicine for cervical spondylotic myelopathy, has completed phase III clinical trial with all cases dismissed; SHPL-49 Injection, a new drug of class 1 of chemical drug for acute ischemic stroke, and SRD4610 (Huoling Shengji Granules) for the treatment of amyotrophic lateral sclerosis are steadily advancing in phase III clinical trials, with the tiered pipeline layout continuously optimized. We have made positive progress in the new track of cell and gene therapy, which is expected to inject new momentum into innovation development in the future. In terms of the construction of an innovation ecosystem, we adhered to integrating resources of “industries, universities, research institutes, hospitals and capital” and accelerated the construction of the “One Academy, Four Institutes”. Internally, we strengthened the establishment of technology platforms for peptides, macromolecules, small molecules and small nucleic acids, and externally, we deepened cooperation with state key laboratories, Shanghai Jiao Tong University and other research institutes, so as to continuously consolidate a R&D management system that fosters internal and external synergy. Meanwhile, relying on Shanghai Frontier, we attracted high-quality enterprises and institutions to settle in, building bridges and providing continuous support in areas such as equity financing and policy support, working together to create an open-source and vibrant innovation ecosystem.

**With quality improvement as our priority, we promoted transformation and upgrading, unlocking industrial vitality.** In the pharmaceutical manufacturing segment, we continued to optimize the marketing system and specialty allocation, established a hierarchical management system for products, and strengthened production and marketing coordination as well as industrial and commercial linkage. Amisulpride Orally Disintegrating Tablets (Trade name: Aosian®) for the treatment of schizophrenia, was included in the “National Drug Catalogue for Basic Medical Insurance, Work Related-Injury Insurance and Maternity Insurance (2025)”, further meeting the clinical needs of Chinese patients with its dosage form advantages. We fully implemented lean management and cost reduction and efficiency improvement measures, refined the quality control system, vigorously fostered new quality productive forces, and drove the production end toward high-end, green and intelligent upgrades. In the pharmaceutical service segment, we accelerated innovation in business formats and models, continuously improved the national pure sales network and regional platform-based development, upgraded the life-cycle service system for innovative drugs, advanced the integrated new retail strategy, and improved the diversified payment system, so as to efficiently support the launch and out-of-hospital commercialization of innovative drugs. Meanwhile, we deepened digital and intelligent transformation to enhance the efficiency of logistics distribution and terminal services, realizing the transformation from scale expansion to quality improvement and efficiency enhancement and maintaining our leading position in the industry.

**With opening up as our sail, we implemented multiple measures, broadening our path forward.** In terms of M&A integration, the Company successfully acquired a controlling stake in Shanghai Hutchison, not only incorporating two major traditional Chinese medicine products, Shexiang Baoxin Pill and Danning Tablets but also leveraging superior resources to foster two-way empowerment and amplify synergy. In terms of Shanghai-Hong Kong linkage, based on the Hong Kong market, we focused on big health business development and registration of traditional Chinese medicine products, laying a solid foundation for traditional Chinese medicine to go global. In terms of overseas expansion, products such as Eslicarbazepine Acetate Tablets and Rivaroxaban Tablets successively obtained U.S. FDA approvals; Oxytocin Injection, Pregabalin Capsules, Rivaroxaban Tablets and other products completed marketing registration in the Philippines, Thailand and Malaysia. With the gradual improvement of the overseas sales system, it will provide new impetus for the development of the Company's overseas business.

**With digital technology as our wings, we empowered the entire chain with intelligence, leading the way in transformation.** We actively embraced the new wave of digital intelligence. For the top-level design, we issued the "Guidelines for Digital Intelligence Transformation and AI Application of Shanghai Pharmaceuticals", covering organizational guarantee, application scenarios, platform construction, security management, risk prevention and control, etc., and built a digital intelligence construction and management system covering pharmaceutical R&D, manufacturing and distribution. In terms of business empowerment, in the R&D field, the functional modules for managing R&D projects across the three major segments (macromolecules, small molecules and small nucleic acids) have been launched; in the production field, the Phase III QMS system and the AI assistant for quality regulations have been launched; in the commercial field, the Data and Artificial Intelligence Innovation Center was formally established, and two core data products completed data property rights registration and were successfully listed for trading at the Shenzhen Data Exchange.

**Looking ahead to the "15th Five-Year" Plan and beyond, we will firmly seize the strategic opportunity as the country upgrades the biomedical industry to an emerging pillar industry. We will stay focused on our goal of "accelerating the building of a world-class pharmaceutical and healthcare group led by scientific and technological innovation", and we will unite our efforts and forge ahead with determination.**

**We will plan for the long term, strengthen our foundation, pursue breakthroughs in innovation, and draw up a blueprint for high-quality development.** We will accurately grasp the new development trends and requirements of the industry and proactively seize the opportunities of our time brought by technological breakthroughs, market opening-up and industrial upgrading. Based on our position as a "national team" and "ecological chain owner" in the pharmaceutical industry, we will firmly implement innovation-driven strategies and resolutely follow the business policy of "strengthening foundation and improving quality to enhance efficiency; advancing innovation and overcoming challenges to promote transformation". With keen insight into future development and firm commitment to overcoming challenges, we will strive to create a new development landscape during the "15th Five-Year" Plan period and lay a solid foundation for the long-term development of the Company.

**We will take industrial operation as the foundation, pursue quality improvement and efficiency enhancement, achieve coordinated development, and strengthen the momentum for sustainable growth.** We will continue to focus on our core responsibilities and main businesses, and deepen our presence in core segments. We will further consolidate the foundation, improve quality and enhance efficiency in the pharmaceutical manufacturing business. We will intensify the development of the management system and the layout of innovative businesses to accelerate transformation and stimulate vitality in the pharmaceutical service business. We will continue to expand the performance contribution of the "second growth curves", including OTC and big health, the "appearance economy" and the "silver economy". We will strengthen the construction of the innovation system of "One Academy, Four Institutes", deepen innovative R&D and achievement transformation, enrich the product portfolio and enhance product competitiveness. We will actively promote M&A investment and BD to precisely strengthen and supplement the industrial chain and optimize resource allocation. We will earnestly reduce costs and improve efficiency, enhance management precision, effectively prevent and mitigate operation risks, and inject strong impetus into the sustained growth of the Company.



**We will prioritize talent, act with pragmatism and dedication, forge ahead with determination, and create the spiritual core of striving.** We will thoroughly implement the strategy of “developing a quality workforce”, enhance talent support and organizational development, systematically optimize the structure of middle and senior management talents, and increase the introduction, training and incentives for high-level scientific and technological talents, high-caliber management talents and highly skilled craftsmen. By benchmarking against world-class enterprises, we will comprehensively improve our capabilities in strategy execution, reform and innovation, risk prevention and control, and modern enterprise management, vigorously promote a work ethic characterized by innovation, practical action and a sense of responsibility, and foster a corporate culture where “everyone strives to be a striver”, energizing our development momentum with the vitality of talents, ensuring a strong start for the “15th Five-Year” Plan and repaying the trust of shareholders with solid performance.

With mountains and seas in our hearts, we never stop moving forward. We will remain steadfast in serving the greater good, stay true to the original aspiration of the pharmaceutical industry, and strengthen our sense of mission, opportunity and responsibility. By focusing on innovation, deepening our industrial development, fostering openness and mutual benefit, and striving for excellence, we will repay every ounce of trust and expectation with verifiable results, sustainable development and predictable value. Working hand in hand with all shareholders, we will forge ahead courageously on the journey of building a world-class pharmaceutical and healthcare group, and achieve new milestones in the vast expanse of safeguarding human health.

# Management Discussion and Analysis

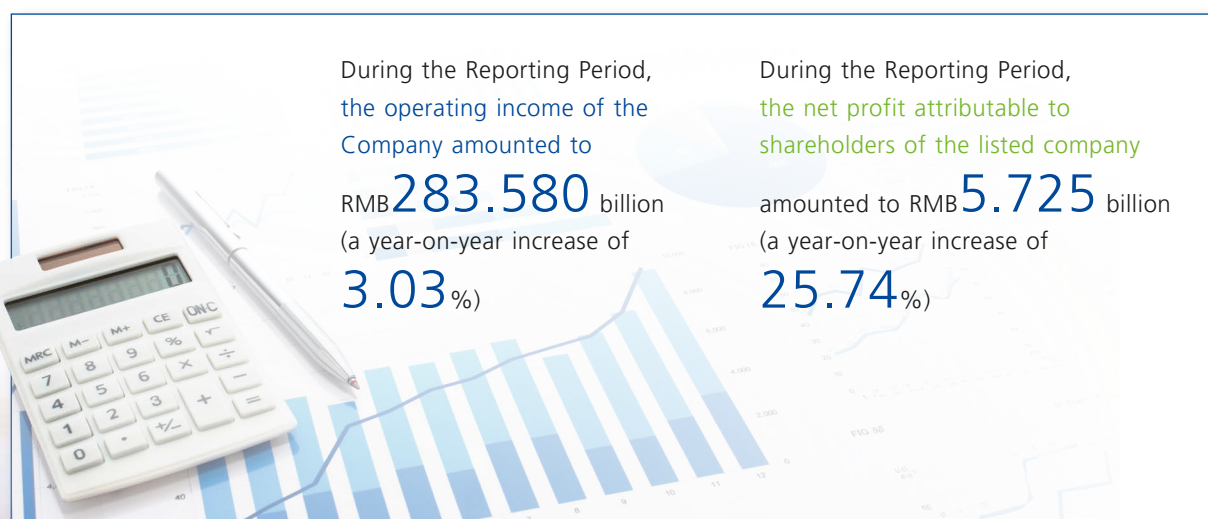
## DETAILS OF RESULTS

In 2025, Shanghai Pharmaceuticals remained committed to “building a solid chassis, strengthening the core and making breakthroughs in innovation”, and continuously optimized its “Three Horizontals and Three Verticals” system. Rising to challenges and seeking transformation through innovation, the Company successfully fulfilled its objectives during the “14th Five-Year Plan” period.

During the Reporting Period, Shanghai Pharmaceuticals ranked among the Fortune Global 500 for six consecutive years, climbing to the 407th position. Meanwhile, the Company was listed on the “2025 Global Most Valuable Pharma Brands”, “Global Top 10 Strongest Pharma Brands” and “China’s ESG Listed Companies Pioneer 100”, further solidifying its industry position and significantly enhancing its brand value.

**During the Reporting Period, the Company achieved operating income of RMB283.580 billion, representing a year-on-year increase of 3.03%.** Among which, the pharmaceutical manufacturing achieved sales revenue of RMB24.522 billion, representing a year-on-year increase of 3.33%; the pharmaceutical service achieved sales revenue of RMB259.058 billion, representing a year-on-year increase of 3.00%.

**During the Reporting Period, the Company recorded RMB5.725 billion of net profit attributable to shareholders of the listed company, representing a year-on-year increase of 25.74%,** mainly due to the one-off special gains arising from the change of the accounting treatment for Hutchison Pharmaceuticals from equity method accounting for a joint venture to subsidiary accounting, and net profit attributable to the owner of parent company after deduction of the above-mentioned one-off special profit or loss amounted to RMB4.721 billion, representing a year-on-year decrease of 5.56%. During the Reporting Period, the pharmaceutical manufacturing contributed profits of RMB2.039 billion, pharmaceutical service contributed profits of RMB3.457 billion and the major shareholding enterprises contributed profits of RMB325 million.





During the Reporting Period, the Company's R&D investment reached RMB2.604 billion, accounting for 10.62% of the sales of pharmaceutical manufacturing. Among them: R&D expenditure amounted to RMB2.340 billion, accounting for 9.54% of the sales of pharmaceutical manufacturing.

**During the Reporting Period, the operating net cash inflow of the Company amounted to RMB6.154 billion, representing a year-on-year increase of 5.61%, continuously maintaining its high-quality development.**

## OPERATING HIGHLIGHTS OF THE COMPANY

- **Pharmaceutical R&D: Major breakthroughs were achieved in innovative drug pipeline**

**1. Fruitful results were achieved in new drug R&D and the product pipelines advanced in a ladder layout**

In December 2025, the Company's class 1 innovative drug **Stogilan Malate Tablet (Trade name: Xintuoan®)** was officially approved for marketing, providing a new treatment option for more than 300 million patients with primary hypertension in China, marking a major breakthrough in the innovative drug R&D of Shanghai Pharmaceuticals.



**As of the end of the Reporting Period, there were 59 new drug pipelines for clinical application acceptance and entering the clinical study stage, including 47 innovative drugs and 12 improved new drugs.** Among the innovative drug pipelines, 1 innovative drug pipeline has been submitted for marketing application and accepted, and 6 innovative drug pipelines are in clinical phase III. New drug R&D pipelines have achieved a rational ladder layout, which is expected to provide new momentum for the sustainable development of the Company's pharmaceutical manufacturing.

- **Appendix 1: Statistics on major new drugs in development**

Classification	Quantity (by indication)	Remarks
Innovative drugs	47	1 project has been submitted for marketing application and accepted, 37 projects entered the clinical stage, 7 projects obtained the clinical approval and clinical application of 2 projects have been accepted
Improved new drugs	12	6 projects entered the clinical stage and 6 projects obtained the clinical approval or had their applications accepted
Total	59	/

• **Appendix 2: Details of innovative drug pipelines in development:**

No.	Treatment	Drug name/ Code	Indications	R&D progress in China and other countries as of the end of the Reporting Period
1	Immunity	BCD-085	Ankylosing spondylitis	Marketing application accepted
2	Cardiovascular	SHPL-49	Acute ischaemic stroke	Clinical Phase III
3	Neoplasm	BCD-100	Non-small cell lung cancer	Clinical Phase III
4	Immunity	BCD-085	Psoriasis	Clinical Phase III
5	Immunity	B001-C	Neuromyelitis optica	Clinical Phase III
6	Musculoskeletal	Shenqi Sherong Pill	Cervical spondylotic myelopathy	Clinical Phase III
7	Psychoneurotic	SRD4610	Amyotrophic lateral sclerosis (ALS)	Clinical Phase III
8	Immunity	I008-A	AIDS chronic abnormal immune priming	Clinical Phase II, completed
9	Digestive and metabolism	I001-A	Diabetic nephropathy	Clinical Phase II
10	Immunity	I001-B	Ulcerative colitis	Clinical Phase II
11	Neoplasm	I022 combination drugs	Liposarcoma	Clinical Phase II
12	Neoplasm	I022 combination drugs	Later line therapies for breast cancer	Clinical Phase II
13	Neoplasm	I022 combination drugs	Breast cancer and brain metastasis	Clinical Phase II
14	Neoplasm	I036	Juventus sarcoma	Clinical Phase IIa
15	Cardiovascular	I037	Acute ischaemic stroke	Clinical Phase II
16	Anti-infection	Benapenem	Bacterial infection	Clinical Phase II
17	Neoplasm	I025-A	Colorectal cancer	Clinical Phase II
18	Neoplasm	B013	Breast cancer	Clinical Phase II
19	Neoplasm	B013	Ovarian cancer	Clinical Phase II
20	Immunity	B007-A	Membranous nephropathy	Clinical Phase II
21	Immunity	B007	Pemphigus	Clinical Phase II
22	Musculoskeletal	B007	Myasthenia gravis	Clinical Phase II
23	Neoplasm	B015 combination drugs	Advanced solid tumors	Clinical Phase II
24	Neoplasm	B015	Melanoma	Clinical Phase II



No.	Treatment	Drug name/ Code	Indications	R&D progress in China and other countries as of the end of the Reporting Period
25	Respiratory system	SV001	Idiopathic pulmonary fibrosis	Clinical Phase II
26	Digestive and metabolism	SI006	Irritable bowel syndrome	Canada/US, Clinical Phase II
27	Cardiovascular	Salvianolic acid A for injection	Angina pectoris of coronary heart disease	Clinical Phase II
28	Cardiovascular	Guanxinning Tablet	Atherosclerotic cardiovascular disease	Clinical Phase II
29	Neoplasm	I022	Advanced solid tumors	Clinical Phase I
30	Neoplasm	I025	HER2-positive advanced breast cancer	Clinical Phase I
31	Neoplasm	I031	Neoplasm	Clinical Phase I
32	Immunity	I035	Inflammatory bowel disease	Clinical Phase I
33	Neoplasm	B019	Childhood leukemia	Clinical Phase I
34	Neoplasm	WST04	Solid tumors	Clinical Phase I
35	Neoplasm	Oncorine	Malignant peritoneal effusion	Clinical Phase I
36	Anti-infection	WST03	Bacterial vaginosis	Clinical Phase I
37	Psychoneurotic	I048	Schizophrenia	Clinical Phase I
38	Neoplasm	B019	Adult non-Hodgkin lymphoma	Clinical Phase I
39	Immunity	B019	Refractory systemic lupus erythematosus	Clinical approval obtained
40	Psychoneurotic	I040	Depression	Clinical approval obtained
41	Digestive and metabolism	WST01	Metabolic syndrome	US, Clinical approval obtained
42	Immunity	I039	Inflammatory bowel disease	Clinical approval obtained

No.	Treatment	Drug name/ Code	Indications	R&D progress in China and other countries as of the end of the Reporting Period
43	Neoplasm	SPH4336 in combination with Osimertinib – KRAS mutant advanced solid tumors	Advanced solid tumors	Clinical approval obtained
44	Musculoskeletal	Qiling Granules	Syndrome of dampness, phlegm, and blood stasis during the interval between gout attacks	Clinical approval obtained
45	Cardiovascular	Seven-Ingredient Stephania and Astragalus Granules	Chronic heart failure	Clinical approval obtained
46	Neoplasm	B023	Solid tumors	Clinical application accepted
47	Immunity	BCD-261	Inflammatory bowel disease	Clinical application accepted

**As of the end of the Reporting Period, among the Company's existing innovative drug pipelines:**

**BCD-085 Project:** BCD-085 is an innovative recombinant humanized anti-interleukin-17 (IL-17) monoclonal antibody. Clinically, due to their rapid onset of action, significant efficacy, long-lasting effects and favorable safety profile, IL-17 inhibitors have become first- or second-line therapies for autoimmune diseases such as moderate-to-severe plaque psoriasis, ankylosing spondylitis and psoriatic arthritis. During the Reporting Period, the Company submitted a New Drug Application (NDA) for ankylosing spondylitis, which has been accepted for review.



**B001 Project and B007 Project:** B001 (intravenous injection) and B007 (subcutaneous injection) were independently developed by Shanghai Pharmaceuticals. They are highly humanized, globally innovative anti-CD20 antibody drugs. B007 injection is expected to address clinical pain points associated with traditional intravenous CD20 monoclonal antibodies, such as lengthy administration times, low patient satisfaction and difficulties in nursing care. During the Reporting Period, the pivotal study of B001 injection for the treatment of neuromyelitis optica spectrum disorder (NMOSD) completed enrollment of all 130 subjects and the primary endpoint analysis. The B007 phase II clinical trial of the indication of membranous nephropathy, phase II clinical trial of the indication of myasthenia gravis and phase II clinical trial of the indication of pemphigus completed enrollment of all subjects.

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

**SHPL-49 Project:** SHPL-49 Injection is an innovative drug of class 1 of chemical drug, which is clinically intended to be used to treat acute ischemic stroke (AIS). SHPL-49 has a multi-target and multi-channel neuroprotective mechanism. In the early stage of the disease, SHPL-49 injection can inhibit the toxicity of excitatory amino acids, resist oxidative stress, and quickly improve the blood flow in ischemic penumbra. In the middle and late stage of the disease, it can inhibit the inflammatory reaction of microglia, increase the expression of neurotrophic factors, inhibit the apoptosis of nerve cells and improve microcirculation. As of the end of the Reporting Period, the phase III clinical trial of this project has commenced.

In addition, in the field of **rare disease drug R&D**, during the Reporting Period, the Company has completed the first subject enrollment for the phase III clinical trial of its new drug of class 1.1 of traditional Chinese medicine (TCM) **SRD4610 (intended for the treatment of amyotrophic lateral sclerosis, ALS)** in China, submitted a pre-IND application in the United States and received a written response from the FDA. In the field of **cell therapy**, in addition to the R&D progress set out in appendix 2, SPH Biological Therapy (Hong Kong) Co., Ltd. presented its research results at several international academic conferences, including the American Association for Cancer Research (AACR) Annual Meeting 2025, the Society for Immunotherapy of Cancer (SITC) 2025 Annual Meeting, and the 67th American Society of Hematology (ASH) Annual Meeting. It also jointly published an SCI paper entitled "Functional tumor-reactive CD8+T cells in pancreatic cancer" in the international journal *Journal of Experimental & Clinical Cancer Research*, with an impact factor of 12.8.

## 2. *Internal and external R&D systems collaborated, amplifying the innovation ecosystem*

The Company has always adhered to integrating “industries, universities, research institutes, hospitals and capital”, actively building an internally and externally synergistic R&D system and an open source innovation ecosystem.

In terms of optimizing the R&D system, the Company has continuously strengthened the construction of technical platforms including peptides, macromolecules, transformation and small nucleic acids, further consolidating the foundation of its independent R&D system. Meanwhile, relying on the National Key Laboratory of Innovative Immunotherapy, the Company has intensified research into the discovery of candidate new drugs with new targets and new mechanisms, initiating 10 projects during the Reporting Period. In addition, the Company has made solid progress in the development of “Four Institutes”, focusing on key tasks such as the introduction of key talents, the construction of technical platforms and the revival of dormant products. The Company has also established a Joint Center for API Technology Innovation together with Shanghai Jiao Tong University to actively promote the supporting development of raw materials.

In terms of the open source innovation ecosystem, relying on Shanghai Frontier, the Company has attracted 24 high-quality institutions and enterprises including Lilly Gateway Labs (LGL) to settle in. During the Reporting Period, Shanghai Frontier and Shanghai Jiao Tong University School of Medicine jointly established the “Frontier New Drug Technology Concept Verification Center”. It promoted the transformation of achievements through a professional review mechanism, collecting and exhibiting over 40 projects throughout the year, with the first batch of 9 projects successfully approved and receiving funding support. Furthermore, through close collaboration with a matrix of state-owned and market-oriented funds, Shanghai Frontier has assisted 7 incubated enterprises in securing accumulative financing exceeding RMB500 million.

## 3. *Secondary development generated encouraging results, and the varieties of the pharmaceutical manufacturing continuously consolidated*

During the Reporting Period, the Company continued to persist in evidence-based medical research on large varieties of traditional Chinese medicine (TCM) and achieved positive outcomes. The LESS research results of **Shexiang Baoxin Pill** were published in Phytomedicine; **Weifuchun** was included in the Management Guide for Chronic Atrophic Gastritis in the Elderly (2025); **Yangxinshi Tablet** was included in China’s Guidelines for Percutaneous Coronary Intervention (2025); and **Guanxinning Tablet** was included in the Clinical Application Guidelines for Combined Prevention and Treatment of Dyslipidemia with Traditional Chinese and Western Medicine. **In 2025, the Company’s revenue from traditional Chinese medicine manufacturing reached RMB11.1 billion, representing a year-on-year increase of 15.97%.**

In addition, during the Reporting Period, the Company continued to advance generic drug R&D, obtaining 9 new drug production approvals. **A total of 13 varieties (14 specifications) passed the consistency evaluation of quality and efficacy** (please refer to the “Major R&D projects” below for details) throughout the year, bringing the cumulative number of products that have passed the evaluation to 87 varieties (117 specifications), thereby further solidifying the advantages in terms of varieties of the pharmaceutical manufacturing.



- **Pharmaceutical manufacturing: Deepened transformation enhanced competence and capacity**

1. ***Intelligent upgrading of pharmaceutical manufacturing achieved remarkable results in cost reduction and efficiency improvement***

The Company has steadily promoted the digital intelligence transformation of its pharmaceutical manufacturing. During the Reporting Period, SPH Sine, a subsidiary of the Company, achieved intelligent optimization of the entire production process by deepening the application of the Manufacturing Execution System (MES), which seamlessly integrated production planning, process implementation, equipment operation, quality control and other links. Another subsidiary, SPH Xing Ling, drove the upgrading of the traditional Chinese medicine industry through scientific and technological innovation; by implementing digital intelligence practices across the chain, it achieved 100% CNC control of key equipment, increased overall equipment effectiveness (OEE) by 18%, improved inventory turnover by 15%, enhanced production efficiency by 15%, increased comprehensive resource utilization by 3%, and reduced comprehensive energy consumption per unit of product by 22%.

During the Reporting Period, the Company focused on implementing its “six measures to reduce costs”, implementing more than 100 specific cost-cutting and efficiency-enhancing measures targeted at centralized procurement products. The Company formulated and promoted key indicator improvement plans for 20 production bases. In terms of lean management, the Company launched 156 key research and tackling projects, generating cost reduction and efficiency improvement benefits of over RMB40 million. In addition, the Company continued to strengthen supply chain management, organizing 74 joint procurement events for Chinese herbal medicines throughout the year, reducing the procurement cost by approximately 8%.

2. ***Marketing transformation yielded results, and the layout for the second curve accelerated***

During the Reporting Period, the Company continuously optimized its pharmaceutical manufacturing marketing system, improved terminal promotion capabilities, and implemented the sorting and restructuring of business segments including business units (BU) in advantageous fields, commercial distribution and refined investment invitation, achieving sound results. In December 2025, **Amisulpride Orally Disintegrating Tablets (Trade name: Aosian®)** for the treatment of schizophrenia, **was included in the “National Drug Catalogue for Basic Medical Insurance, Maternity Insurance and Work Related-Injury Insurance (2025)”**. It has not only become the Company’s first improved new drug included in the catalogue, but also further meets the clinical needs of Chinese patients with its dosage form advantages.

During the Reporting Period, **the Company achieved 40 products with annual sales revenue from pharmaceutical manufacturing exceeding RMB100 million, including 4 with annual sales revenue from pharmaceutical manufacturing exceeding RMB1 billion**. The sales revenue of 60 key varieties was RMB13.443 billion, covering the therapeutic fields of immunity, psychoneurology, tumor, cardiovascular, digestive metabolism and anti-infection.

In addition, the Company accelerated the cultivation of the “second growth curve” and deeply expanded OTC and big health businesses and strove to build a diversified online platform covering both B end and C end. Among which, sales revenue from micro-ecology, Qingliang series and other relevant products exceeded RMB600 million during the Reporting Period.

- **Pharmaceutical service: Business innovation consolidated leading advantages**

In terms of pharmaceutical service, the Company drove transformation through innovation, and through comprehensively improving quality and efficiency, it provided all-round technology-enabled healthcare service solutions for upstream and downstream partners, further consolidating advantageous business and achieving high-quality development.

- 1. Cornerstone businesses upgraded with improved quality and in-depth network layout accelerated**

The Company has continuously promoted the nationwide regional platform-based and integrated construction, focusing on the development of an access system and the integration of middle and back offices to drive the capability upgrade of provincial platforms. During the Reporting Period, the Company's pure sales business, which covers 25 provinces and cities across the country, maintained steady growth, and the number of provinces with total business scale exceeding RMB10 billion increased to 8.

- 2. Innovative businesses performed well, and their value contribution continued to grow**

During the Reporting Period, the Company's innovative businesses of pharmaceutical service continued its outstanding performance and maintained strong momentum. Specifically:

- (1) CSO business:** The overall scale of the CSO business exceeded RMB10 billion. The Company signed multiple new pharmaceutical cooperation projects and obtained regional promotion rights for a number of vaccine products, efficiently linking global pharmaceutical resources with local market demand.
- (2) Innovative drugs business:** The service advantages in innovative drugs continued to expand, with annual sales reaching RMB53.7 billion, achieving a year-on-year significant increase.
- (3) Import and export:** The construction of three major import platforms progressed steadily. During the year, the Company newly imported 28 product specifications under general agency, covering 21 world-renowned pharmaceutical enterprises. During the 8th China International Import Expo (CIIE), the Company signed strategic cooperation agreements with several internationally leading pharmaceutical companies including Pfizer and Eisai, with a cumulative contract value exceeding RMB14 billion. Meanwhile, the Company made positive progress in the layout of its international supply chain, successfully launching China's first direct export business supplying pharmaceuticals via cruise ships.
- (4) Devices and big health business:** The structure of devices and big health business continued to optimize, and relevant professional service capabilities continuously strengthened. During the Reporting Period, the Company has entered into contracts for more than 30 new SPD projects. The sales scale of the devices and big health business exceeded RMB44.7 billion, achieving steady growth.



- (5) **New retail:** The “New Retail Integration” strategy was implemented in an orderly manner, and the development of the large retail system was accelerated. During the Reporting Period, the Company further improved quality and efficiency, accelerated the integration of national retail businesses and focused on developing core stores. The Company also focused on enhancing the integrated service capabilities of its specialised pharmacies, improved the “system + data + knowledge” empowerment system through SPH Cloud Health and the “two-wheel drive” of specialization and digital intelligence, and innovated service models through digital empowerment.

In addition, relying on the business advantages of MediTrust Health in innovative payment of commercial insurance, the Company has built a collaborative “medical – pharmaceutical – insurance” ecosystem. While providing one-stop diversified payment solutions for innovative pharmaceutical companies, insurance companies and individual customers, the Company has accelerated the commercialization of innovative drugs through digital intelligence measures, thereby supporting clinical research and reshaping the patient service experience.

- **External expansion strategy: Multiple measures were implemented to empower the development of core businesses**

**1. *The acquisition of Shanghai Hutchison successfully completed, realizing two-way empowerment and resource synergy***

During the Reporting Period, the Company successfully completed the acquisition and closing of the equity interests of Shanghai Hutchison and implemented post-investment integration work including the “100-Day Plan” to promote two-way empowerment and resource synergy across areas including R&D pipeline, academic promotion and traditional Chinese medicine production. In 2025, the income, net profit and other core indicators of Shanghai Hutchison’ main business all increased, and its core advantages in evidence-based research and brand value were continuously consolidated.

**2. *Shanghai and Hong Kong collaborated in strategic planning, advancing international business in multiple countries***

During the Reporting Period, the Company focused on the traditional Chinese medicine and big health products to steadily advance the Shanghai-Hong Kong linkage strategy. On the basis of building a system of sales, production, R&D and operation, the Hong Kong Headquarters has submitted registration applications for 5 traditional Chinese medicine varieties in Hong Kong, researched the big health products market in Hong Kong, and promoted the development of 2 big health products. In addition, 9 traditional Chinese medicine enterprises under the Company participated in the First Hong Kong International Traditional Chinese Medicine Expo, comprehensively showcasing the Company’s achievements in the inheritance and innovation of the traditional Chinese medicine industry, promoting cooperation and exchange, enhancing brand influence, and laying a solid foundation for promoting traditional Chinese medicine globally.

During the Reporting Period, having established a business presence in multiple countries across Southeast Asia and the Middle East, the Company pressed ahead with two key tasks in parallel. On the one hand, the Company actively advanced its overseas registration efforts: 11 products involving 16 specifications were approved throughout the year and the registration declarations of 18 new overseas projects were completed. At present, the registration applications of 32 projects were under official review. On the other hand, the Company further strengthened the construction of overseas sales system. During the Reporting Period, SPH Thailand achieved a 250.1% year-over-year increase in sales revenue, while SPH Philippines realized its first sales revenue, marking a business breakthrough.

- **Digital intelligence transformation: AI applications drove quality improvement and business renewal**

In 2025, the Company steadily advanced the deep integration of AI technology and digital construction, with business operations and management needs serving as the core drivers.

1. ***Strengthen top-level design layout and issue special work guidelines***

During the Reporting Period, the Company formulated and implemented the Work Guidelines for Digital Intelligence Transformation and AI Application of Shanghai Pharmaceutical, which covers organizational guarantee, application scenarios, platform construction, security management, risk prevention and control and other content, establishing a management system for digital intelligence construction encompassing pharmaceutical R&D, manufacturing and distribution.

2. ***Focus on core business segments and achieve results in digital intelligence construction***

In the R&D field, the project management function module has been fully launched, covering more than 50 research projects. For macromolecules, we have built the WeMol intelligent molecular computing software platform, with local deployment of IgFold (a deep learning model for protein structure prediction) and the lightweight AlphaFold (ColabFold), GROMACS for atomic-level dynamic simulation, as well as MDAnalysis for data mining and the PyMOL visualization system, enabling the whole process from static structure prediction to atomic-level dynamic interaction analysis. For small molecules, we have put a structure-based AI-designed high-throughput cyclic peptide generation platform into practical application. The structure-based cyclic peptide membrane permeability prediction model (CycPAMPA-pred) has achieved the expected prediction accuracy on both the test and validation sets. In the pharmaceutical manufacturing field, the Company completed the launch and acceptance of the Phase III QMS system, and simultaneously launched the AI Assistant for quality regulations, realizing the intelligent upgrade of quality control and management. In the pharmaceutical service field, the Company officially established the Data and Artificial Intelligence Innovation Center and carried out more than 30 "AI+" projects. Two core data products, Master Data of Pharmaceutical Enterprises and Master Data of Hospitals, completed data property rights registration and were successfully listed for trading at the Shenzhen Data Exchange.



## SITUATION OF THE INDUSTRY IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD

### Development stage and cyclical characteristics of the industry in which the Company was engaged during the Reporting Period

Pharmaceutical consumption has a rigid attribute, and the pharmaceutical industry is characterized by weak periodicity. Biomedicine is a key track for the new round of global scientific and technological revolution and industrial transformation, an active field in frontier scientific research in the world and a strategic emerging industry related to the national economy, people's livelihood and national security.

Generally, China's pharmaceutical industry is in the development stage of deepening reform, differentiated development and accelerated innovation, and presents the following characteristics:

1. China's pharmaceutical industry is in the stage of terminal pattern adjustment. With the continuous deepening of domestic medical reform, the overall growth rate of the industry has declined and the logic of the market competition has shifted from "scale expansion" to a dual-track approach of "ensuring basic needs + strengthening innovation", accelerating structural adjustments and transforming into differentiated development.
2. China's pharmaceutical innovation has strong momentum, further improving quality and increasing efficiency. The number of China's pipelines under research ranks the second in the world, with the continuous emergence of independent innovation achievements and active cross-border technical cooperation and licensing transactions, and China has become an important supplier of the global pharmaceutical development system.
3. The new quality productive forces of the pharmaceutical industry have gradually shown their vitality. The number of China's new drug applications remained high, and the number of approved new drugs repeatedly reached a new high. Pharmaceutical companies are accelerating their overseas expansion, and their quality, efficiency and cost advantages have gradually been recognized by the international market. A number of significant policies have been issued in the field of traditional Chinese medicine, covering the entire industry chain and systematically supporting the inheritance, innovation, and modernization of traditional Chinese medicine.

## Industry Situation

During the Reporting Period, the state issued a number of significant policies to encourage innovation in biomedicine, improve the level of pharmaceutical technology, and promote high-quality development of the pharmaceutical industry.

Release Date	Issuing Authority	Document	Main Content
15 January 2025	Standing Committee of the Shanghai Municipal People's Congress	Regulations of Shanghai Municipality on the Administration of Drugs and Medical Devices	Realize institutional innovations in clinical trials, production licensing, local production conversion, and clinical application of cell and gene therapy as the first local regulation to regulate the whole chain of drug and medical device administration nationwide.
20 March 2025	General Office of the State Council	Opinions on Improving the Quality of Traditional Chinese Medicine and Promoting the High-quality Development of the Traditional Chinese Medicine Industry	Provide full-chain deployment from resource protection, industrial upgrading to scientific and technological innovation, systematically supporting the inheritance, innovation and modernization of traditional Chinese medicine.
30 June 2025	National Healthcare Security Administration, National Health Commission	Several Measures on Supporting the High-quality Development of Innovative Drugs	Put forward a "dual catalogue" mechanism, aiming to open up diversified payment channels for innovative drugs and build a multi-level medical security system through coordination between the basic medical insurance catalogue and the Catalogue of Innovative Drugs for Commercial Health Insurance.
20 September 2025	National Joint Procurement Office for Drugs	National Centralized Drug Procurement Document (GY-YD2025-1) (Eleventh Batch)	Implement the centralized procurement optimization plan, abandon the "lowest price only" principle in rules, introduce price difference control and cost investigation mechanisms, and raise quality requirements.



Release Date	Issuing Authority	Document	Main Content
28 September 2025	State Council	Regulations on the Administration of Clinical Research and Clinical Translational Application of New Biomedical Technologies (State Council Order No. 818)	Establish a clear regulatory path and framework for clinical research and translational application of cutting-edge biomedical technologies such as cell and gene therapy.
5 December 2025	National Healthcare Security Administration	Catalogue of Innovative Drugs for Commercial Health Insurance	As a drug list supplementing the medical insurance catalogue, it aims to provide payment support for drugs with high innovation degree, significant clinical value but high prices through commercial health insurance.

## UPDATE ON THE BUSINESSES ENGAGED DURING THE REPORTING PERIOD

The Company is a large pharmaceutical industry group listed in Shanghai and Hong Kong, and the core enterprise of the big health industry segment of Shanghai Shangshi, the Controlling Shareholder. The pharmaceutical manufacturing and pharmaceutical service covered by main businesses are all in the leading position in China.

The Company's pharmaceutical manufacturing covers a wide range of sectors, including chemical and biological drugs, modern traditional Chinese medicine and healthcare products, as well as medical devices, focusing on disease fields including immunity, psychoneurology, tumor, cardiovascular system, digestion metabolism and anti-infection. With drug production bases in 12 provinces and municipalities across China as well as overseas, the Company routinely manufactures approximately 800 specifications, involving more than 30 dosage forms. Adhering to innovation-driven development, the Company takes clinical needs as the guidance, actively allocates resources to advance independent research and development as well as product introduction, and accelerates its transformation toward innovation.

In terms of pharmaceutical service, the Company is the second largest national pharmaceutical circulation enterprise and the leading service platform for imported drugs in China. The Company's direct sale network directly covered 25 provinces, municipalities directly under the Central Government and autonomous regions in China. Based on its national terminal network, the Company continuously expanded into new business areas including life-cycle services for innovative drugs, drug retail and professional pharmacies, medical devices and big health, SPD services, CSO for drugs/vaccines and medical aesthetics, as well as medical health insurance and diversified payment, providing efficient, convenient and reliable services for medical institutions, retail institutions, partners and patients at all levels.

**During the Reporting Period, the Company maintained its leading position in the industry:**

1. Ranked 407th in the 2025 Fortune Global 500 — Fortune magazine
2. Ranked 19th in the 2025 Global Pharma Brand Value Ranking and 10th among the World's Top 10 Strongest Pharma Brands — Brand Finance
3. Ranked 98th in the 2025 China's Top 500 Enterprises — Shanghai Enterprise Confederation, China Enterprise Confederation
4. Ranked 36th in the 2025 China's Top 500 Manufacturing Enterprises — Shanghai Enterprise Confederation, China Enterprise Confederation
5. Recognized as an Excellent Case of Best Industrial Enterprise in China for Pharmaceutical R&D Product Line in 2025 — 2025 (42nd) China Pharmaceutical Industry Information Annual Conference
6. Listed in the 2025 Top 100 Listed Companies by Brand Value — Brand Value List of Chinese Listed Companies
7. Selected in the China's ESG Listed Companies Pioneer 100 (2025) — CMG (China Media Group)
8. Achieved an ESG Rating of AA — MSCI (Morgan Stanley Capital International)

Explanations on new major non-principal business of the Company during the Reporting Period

Applicable Not applicable

**CORE COMPETITIVENESS ANALYSIS****1. Integrated advantages of the industrial chain**

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



## 2. Innovation transformation advantages

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

## 3. Green intelligent manufacturing advantages

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

## 4. Service innovation advantages

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

## 5. Brand advantages

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

## MAJOR OPERATIONS DURING THE REPORTING PERIOD

### Analysis of principal business

#### 1. Analysis on changes in relevant items of statement of profit and statement of cash flows

Unit: RMB

Item	Amount for the Reporting Period	Amount for the same period of last year	Change (%)	Reasons for changes
Operating income	283,579,600,562.98	275,250,934,889.66	3.03	Increase in sales income during the Reporting Period
Operating cost	253,163,120,898.92	244,619,261,051.98	3.49	Increase in sales income during the Reporting Period
Costs of sales	13,206,178,224.37	12,713,976,431.27	3.87	Increase in costs of sales during the Reporting Period
Management expense	5,312,780,131.53	5,689,841,057.16	-6.63	Decrease in operation and administration expense during the Reporting Period
Finance costs	1,407,223,909.92	1,480,912,176.43	-4.98	Decrease in interest expense during the Reporting Period
R&D expenditure	2,340,009,450.65	2,394,433,810.21	-2.27	Decrease of investment in R&D during the Reporting Period
Assets impairment loss	1,018,555,938.73	614,373,564.47	65.79	Increase in provisions for assets impairment loss during the Reporting Period
Credit impairment loss	574,707,845.19	226,162,119.97	154.11	Increase in impairment provisions of receivables during the Reporting Period
Other income	579,808,611.17	634,371,906.48	-8.60	Decrease in government grants received during the Reporting Period
Investment income	3,170,143,585.98	380,426,728.73	733.31	Increase in investment gains arising from deemed disposal of joint ventures during the Reporting Period
Gains arising from changes in fair value	332,120,868.45	203,853,796.87	62.92	Increase in fair value of financial assets measured at fair value during the Reporting Period
Gains on assets disposal	157,152,717.09	187,967,998.85	-16.39	Decrease in gains from disposal of fixed assets and intangible assets during the Reporting Period
Non-operating income	105,652,418.79	156,399,886.60	-32.45	Decrease in compensation received during the Reporting Period
Non-operating expenses	227,933,534.31	277,106,289.03	-17.75	Decrease in the estimated penalty cost during the Reporting Period



Item	Amount for the Reporting Period	Amount for the same period of last year	Change (%)	Reasons for changes
Net cash flow generated from operating activities	6,154,201,379.37	5,827,257,731.33	5.61	Increase in the cash received from selling goods and providing services during the Reporting Period
Net cash flow generated from investing activities	-3,982,229,655.70	415,979,699.69	-1,057.31	Increase in cash paid for investment in financial assets held for trading during the Reporting Period
Net cash flow generated from financing activities	-5,651,768,378.58	-1,863,930,378.66	-203.22	Decrease in cash received from issuance of extra short-term financing bill during the Reporting Period

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

On 25 April 2025, the Company completed the closing for the acquisition of 10% equity interest in Shanghai Hutchison Pharmaceuticals Co., Ltd. (for details, please refer to the A share announcement of the Company (Lin No. 2025-050)). As a result, the Company's total equity interest in Hutchison Pharmaceuticals increased from 50% to 60%, and the financial results of Hutchison Pharmaceuticals were consolidated into the consolidated financial statements of the Group. The accounting treatment has changed from equity method accounting for a joint venture to subsidiary accounting. According to accounting standards, when control over an investee under non-common control is obtained through additional investment or other means, the equity interest held in the acquiree prior to the acquisition date shall be remeasured at its fair value on the acquisition date. The difference between the fair value and the carrying amount shall be recognized in the current period's investment income.

## 2. Income and cost analysis

### (1) Principal business by industry

Unit: RMB

By industry	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income year-on-year (%)	Increase/decrease in operating cost year-on-year (%)	Increase/decrease in gross profit margin year-on-year
Manufacturing	24,522,097,522.47	10,513,369,037.05	57.13	3.33	8.60	-2.08 percentage points
Distribution	258,828,144,233.01	243,841,650,832.11	5.79	3.05	3.22	-0.15 percentage point
Retail	8,665,522,175.11	7,679,224,503.42	11.38	1.77	3.47	-1.45 percentage points
Others	282,184,624.87	214,355,744.69	24.04	2.91	3.33	-0.31 percentage point
Offsetting	-9,745,507,522.48	-9,704,786,182.74	/	/	/	/

### (2) Principal business by region

Unit: RMB

By region	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income year-on-year (%)	Increase/decrease in operating cost year-on-year (%)	Increase/decrease in gross profit margin year-on-year
Domestic Sales	277,954,129,889.97	249,263,642,370.55	10.32	2.86	3.31	-0.39 percentage point
Overseas Sales	4,598,311,143.01	3,280,171,563.98	28.67	15.92	17.61	-1.03 percentage points



(3) Principal business by product field

Unit: RMB0'000

Therapeutic area	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income year-on-year (%)	Increase/decrease in operating cost year-on-year (%)	Increase/decrease in gross profit margin year-on-year (%)	Gross profit margin of the same products in the same industry and field
Cardiovascular system	581,905	167,902	71.15	53.67	37.14	3.48	72.71
Digestive and metabolism	316,705	87,603	72.34	13.05	11.35	0.42	51.69
Systemic anti-infection	52,658	34,308	34.85	-40.10	-38.48	-1.71	31.61
Central nervous system	145,105	50,822	64.98	-10.45	-6.20	-1.58	60.18
Anti-tumour and immunomodulatory agents	92,443	17,961	80.57	-48.68	-30.87	-5.01	73.43
Musculoskeletal system	82,111	19,189	76.63	-3.62	0.56	-0.97	70.25
Respiratory system	59,490	26,207	55.95	-13.80	-15.79	1.04	49.10
Others	1,121,791	647,343	42.29	-0.72	11.45	-6.30	/
Total	2,452,210	1,051,337	57.13	3.33	8.60	-2.08	/

- Notes:
- ① Gross profit margin in the above table = (operating income – operating cost)/operating income\* 100%;
  - ② The increase in operating income from cardiovascular system year-on-year was mainly due to the fact that the Company consolidated the financial statements of Shanghai Hutchison Pharmaceuticals Co., Ltd. (上海和黃藥業有限公司) in 2025;
  - ③ The decrease in operating income from systemic anti-infection year-on-year was due to the adjustment on listed prices of products;
  - ④ The decrease in operating income from anti-tumour and immunomodulatory agents year-on-year was mainly due to the fact that the product of the Company, hydroxychloroquine sulfate tablets, failed to win the bid for the national centralized drug procurement during the Reporting Period.
  - ⑤ The data of gross margin of the same products in the same industry and field in terms of cardiovascular system was sourced from the gross profit margin of “cardiovascular drug” products set out in the 2024 annual report of Hisun Pharmaceutical;
  - ⑥ The data of gross profit margin of the same products in the same industry and field in terms of digestive and metabolism, systemic anti-infection and anti-tumour and immunomodulatory agents was sourced from the gross profit margin of “digestive system”, “anti-viral & anti-infection” and “anti-tumor” products set out in the 2024 annual report of Hapharm;
  - ⑦ The data of gross profit margin of the same products in the same industry and field in terms of central nervous system was sourced from the gross profit margin of “nervous, blood system drug” products set out in the 2024 annual report of North China Pharmaceutical;
  - ⑧ The data of gross profit margin of the same product in the same industry or field of musculoskeletal system and the respiratory system was sourced from the gross profit margin of “musculoskeletal system drug”, “respiratory system drug” products set out in the 2024 annual report of Shanghai Shyndec Pharmaceutical.

- (4) Analysis of main sales model of the drugs (products) of the Company
- During the Reporting Period, the sales network of pharmaceutical manufacturing of the Company covered 31 provinces, regions and direct-controlled municipalities in China and the clients include various medical institutions, pharmaceutical-related commercial companies and drug stores, etc. Mainly adopting the sales mode of “self-running + investment agency”, the Company realized the goal of covering the hospital terminals and retail terminals throughout the country through self-owned sales channel and sales channel of distributors and agents.

The pricing principles of the prescription drugs of the Company are determined according to the prices of selected products in the national centralized drug procurement and the bidding prices of the provinces and cities; the prices of the OTC products and healthcare products are determined according to the market-competition based price system.

The operational risk lies in the possible occurrence of reduced price, unsuccessful bidding and other uncertainties in the process of bidding.

- (5) Bid-winning information of major drugs in centralized drug procurement bidding

Major drugs name	Bid-winning price range (RMB)	Actual purchase quantity in total by medical institutions	Unit
Iron Polysaccharide Complex Capsules	RMB44.8 (150mg*20 tablets)	36,119.0	Ten thousand tablets
Weifuchun Capsules	RMB75 (350mg*60 tablets)	49,787.8	Ten thousand tablets
Bifid Triple Viable Preparation	RMB0.67 (capsules 210mg)	52,316.7 (capsules 210mg)	Ten thousand tablets
	RMB2.54 (pulvis 1g)	1,303.3 (pulvis 1g)	Ten thousand stick pack
	RMB5.02 (pulvis 2g)	1,843.9 (pulvis 2g)	Ten thousand stick pack
Ulinastatin for Injection	RMB83.13 (100,000 units)	1,490.3 (100,000 units)	Ten thousand bottles
	RMB48.9 (50,000 units)	35.0 (500,000 units)	Ten thousand bottles

- Notes:
- ① During the Reporting Period, Shexiang Baoxin Pills have not included in the national centralized drug procurement catalog;
  - ② The bid-winning price range in the above table refers to the median bid-winning price of the major products in the centralized drug procurement bidding during the Reporting Period;
  - ③ The data source of the actual purchase quantity in total by medical institutions is from IQVIA.



(6) Table of analysis of cost

Unit: RMB0'000

By industry	Cost composition	By industry			Change ratio of the amount of the current period compared to that of the corresponding period of last year (%)	
		Amount for the current period	Proportion of the cost to the total cost of the Reporting Period (%)	Amount for the corresponding period of last year		
			Proportion of the cost to the total cost of the corresponding period of last year (%)			
Manufacturing	Raw materials, ancillary materials and packaging materials	712,571.68	67.78	669,358.84	69.14	6.46
Manufacturing	Power expenses	38,572.30	3.67	35,959.30	3.71	7.27
Manufacturing	Depreciation expense	81,673.19	7.77	64,797.63	6.69	26.04
Manufacturing	Salaries	93,826.55	8.92	84,690.55	8.75	10.79
Manufacturing	Other manufacturing cost	124,693.18	11.86	113,261.81	11.70	10.09
Manufacturing	Total manufacturing cost	1,051,336.90	100.00	968,068.13	100.00	8.60
Service and others	Cost	25,227,769.45	/	24,442,887.03	/	3.21
Offsetting total cost		-962,794.26	/	-949,029.05	/	1.45
Total operating cost		25,316,312.09	/	24,461,926.11	/	3.49

### 3. Expenses

See “Analysis of principal business – analysis on changes in relevant items of statement of profit and statement of cash flows” of this chapter for reasons of changes by more than 30% in financial data such as sales expenses, management expenses, financial expenses, income taxes, etc. during the Reporting Period.

(1) Table of analysis of sales cost

Unit: RMB0'000

Specific items	The amount incurred in current period	Proportion of the amount incurred in current period accounting for total sales costs (%)
Employee compensations and relevant welfares	199,187.68	27.25
Marketing promotion and advertising costs	367,020.92	50.21
Travels and conferences costs	64,563.34	8.83
Rental costs	4,738.23	0.65
Office costs	14,781.78	2.02
Amortization of intangible assets	7,124.45	0.97
Depreciation of fixed assets	724.21	0.10
Others	72,889.61	9.97
Total	731,030.22	100.00

### 4. R&D investment

(1) Table of R&D investment

Unit: RMB0'000

Expensed R&D investment for the current period	234,000.95
Capitalized R&D investment for the current period	26,421.69
Total investment in R&D	260,422.64
Proportion of the total amount of R&D investment to operating income (%)	10.62
Proportion of capitalized R&D investment (%)	10.15
Number of R&D personnel of the Company	1,817
Proportion of the number of R&D personnel to the total number of personnel of the Company (%)	3.66

Note: Proportion of R&D investment represents that to the manufacturing operating income.



(2) Accounting policies for R&D

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

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

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

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

## (3) R&amp;D investment in major projects

Unit: RMBO'000

R&D project	R&D investment amount	Expensed R&D investment amount	Capitalized R&D investment amount	Proportion of R&D investment to the operating income (%)	Change ratio of the amount of the current period compared to that of the corresponding period of last year (%)	Explanation
B001-C	7,322	7,322	-	0.30%	154	<ol style="list-style-type: none"> <li>In 2025, process validation and the related research of the project have been conducted.</li> <li>The year 2025 marked the peak period for subject enrollment, resulting in increased R&amp;D investment.</li> </ol>
I001	3,941	3,941	-	0.16%	32	The drugs obtained regulatory approval for marketing. The expenditures in 2025 primarily covered project collaboration milestone payments, costs for process validation and preparation of intermediates and active pharmaceutical ingredients (APIs), as well as final payments to clinical trial suppliers.
I001-A	1,812	1,812	-	0.074%	-3	-
B007 (SPH-B007-302)	1,653	1,653	-	0.067%	142	<ol style="list-style-type: none"> <li>In 2025, process validation and related research of the project have been conducted.</li> <li>Newly enrolled cases and follow-up subjects were added in 2025, leading to an increase in R&amp;D investment.</li> </ol>
B007 (SPH-B007-303)	1,400	1,400	-	0.057%	113	<ol style="list-style-type: none"> <li>Same as point 1 under SPH-B007-302.</li> <li>Newly enrolled cases and follow-up subjects were added in 2025, with a long follow-up period of one year, resulting in an increase in R&amp;D investment.</li> </ol>

Note: Operating income was the corresponding manufacturing operating income of that product during the Reporting Period.



(4) Major R&D projects

R&D Project (including consistency evaluation projects)	Name of drug (product)	Classification of registration	Indications or main function	Whether it belongs to prescription drugs	Whether it belongs to the protection varieties of traditional Chinese medicines (if available)	Phase of R&D (Registration)
B001-C	/	Class 1 of biological products	Neuromyelitis optica	No	No	Clinical Phase III
I001	Stogilan Malate Tablets	Class 1 of chemical drugs	Primary hypertension	Yes	No	Approved for marketing
I001-A	/	Class 1 of chemical drugs	Diabetic kidney disease	No	No	Clinical Phase II
B007 (SPH-B007-302)	/	Class 1 of biological products	Idiopathic membranous nephropathy	No	No	Clinical Phase II
B007 (SPH-B007-303)	/	Class 1 of biological products	Myasthenia gravis	No	No	Clinical Phase II
Consistency evaluation	Sotalol Hydrochloride Tablet	Supplementary Application	Arrhythmia, etc.	Yes	No	Approved
Consistency evaluation	Tramadol Hydrochloride Injection	Supplementary Application	Moderate to severe pain	Yes	No	Approved
Consistency evaluation	Aztreonam for Injection (0.5g, 1.0g)	Supplementary Application	Anti-infection	Yes	No	Approved
Consistency evaluation	Cefuroxime Sodium for Injection	Supplementary Application	Anti-infection	Yes	No	Approved
Consistency evaluation	Nicorandil Tablets	Supplementary Application	Anti-angina	Yes	No	Approved
Consistency evaluation	Verapamil Hydrochloride Injection	Supplementary Application	Supraventricular tachycardia, etc.	Yes	No	Approved
Consistency evaluation	Tranexamic Acid Injection	Supplementary Application	All kinds of bleeding caused by hyperfibrinolysis	Yes	No	Approved
Consistency evaluation	Noradrenaline Bitartrate Injection	Supplementary Application	Hypotension and hypovolemia	Yes	No	Approved
Consistency evaluation	Ceftizoxime Sodium for Injection	Supplementary Application	Anti-infection	Yes	No	Approved
Consistency evaluation	Famotidine for Injection	Supplementary Application	H2 receptor blocker	Yes	No	Approved
Consistency evaluation	Dobutamine Hydrochloride Injection	Supplementary Application	Heart failure	Yes	No	Approved
Consistency evaluation	Salbutamol Sulfate Injection	Supplementary Application	Respiratory disease	Yes	No	Approved
Consistency evaluation	Diprophylline Injection	Supplementary Application	Respiratory disease	Yes	No	Approved

- Notes:
- ① “No” for first five R&D projects represents that the R&D project is under research and development and certain contents are not available;
  - ② Aztreonam for Injection: A new specification of 1.0g was added and the specifications of 0.5g and 1.0g have passed the consistency evaluation for generic drug quality and therapeutic efficacy;
  - ③ Salbutamol Sulfate Injection: A new specification of 1ml:0.5mg (calculated as  $C_{13}H_{21}NO_3$ ) was added and has passed the consistency evaluation for generic drug quality and therapeutic efficacy;
  - ④ Diprophylline Injection: A new specification of 2 ml:0.3g was added and has passed the consistency evaluation for generic drug quality and therapeutic efficacy.

The R&D investment of the Company grew in a sustained and steady way, to ensure that there were new products set up and new products approved for marketing in the existing R&D product line, which provided the continuous impetus for the Company to keep a stable and sound development and continuously enhanced the core competitiveness of the Company.

- (5) During the Reporting Period, drugs (products) submitted to the supervision department for approval or obtained approval
- ① Information about submitting and approval  
During the Reporting Period, the Company has a total of 17 varieties of drugs applied for production.

No.	Drugs (products) submitted to the state drug supervision department for approval	Approval matters	Application No.	Indications	Classification of registration
1	Esomeprazole Magnesium Enteric-coated Capsules	Production application	CYHS2500036 CYHS2500037	Gastric ulcer, duodenal ulcer, stress ulcer, reflux esophagitis and Zollinger-Ellison syndrome	Class 3 of chemicals drug
2	Rosuvastatin Calcium and Ezetimibe Tablets (I)	Production application	CYHS2500048	Homozygous familial hypercholesterolemia	Class 4 of chemicals drug
3	Sulfasalazine Oral Suspension	Production application	CYHS2500341	Ulcerative colitis	Class 3 of chemicals drug
4	Ruxolitinib Phosphate Tablets	Production application	CYHS2500386 CYHS2500387 CYHS2500388	Myelofibrosis, etc.	Class 4 of chemicals drug
5	Roxadustat Capsules	Production application	CYHS2500419 CYHS2500420	Anemia of chronic kidney disease	Class 4 of chemicals drug
6	Paclitaxel Injection	Production application	CYHS2500804	Tumor	Class 4 of chemicals drug
7	Safinamide Mesylate Tablets	Production application	CYHS2500970 CYHS2500971	Parkinson's disease	Class 4 of chemicals drug
8	Vitamin B6 Injection	Production application	CYHS2501936	Prevention and treatment of vitamin B6 deficiency, etc.	Class 3 of chemicals drug



No.	Drugs (products) submitted to the state drug supervision department for approval	Approval matters	Application No.	Indications	Classification of registration
9	Baloxavir Marboxil Tablets	Production application	CYHS2501820 CYHS2501819	Influenza	Class 4 of chemicals drug
10	Vericiguat Tablets	Production application	CYHS2501834 CYHS2501833 CYHS2501832	Heart failure with reduced ejection fraction	Class 4 of chemicals drug
11	Ciclesonide Inhalation Aerosol	Production application	CYHS2501937	Asthma	Class 3 of chemicals drug
12	Doxazosin Mesylate Extended Release Tablets	Production application	CYHS2502476	Benign prostate hyperplasia, Hypertension	Class 4 of chemicals drug
13	Pimecrolimus Cream	Production application	CYHS2503311	Atopic dermatitis	Class 4 of chemicals drug
14	Sodium Nitroprusside Injection	Production application	CYHS2503741	Hypertensive emergency, Acute heart failure	Class 3 of chemicals drug
15	Penicillamine Capsules	Production application	CYHS2503913	Wilson disease	Class 3 of chemicals drug
16	Glycopyrronium Bromide and Neostigmine Metilsulfate Injection	Production application	CYHS2504051	Reversal of residual non-depolarizing (competitive) neuromuscular blockade	Class 3 of chemicals drug
17	BCD-085	Production application	JXSS2500135	Ankylosing spondylitis	Class 3.1 of biological products

② Information on approval

During the Reporting Period, the application for marketing of SPH3127 developed by the Company has been approved.

No.	Drugs (products) submitted to the state drug supervision department for approval	Approval matters	Application No.	Indications	Classification of registration
1	SPH3127 (Stogilan malate tablet)	Marketing approval	Guoyaozhunzi No. H20250067	Hypertension	Class 1 of chemicals drug

During the Reporting Period, 3 R&D projects have been approved for clinical trial.

No.	Drugs (products) that obtained approval	Approval matters	Approval No. / Notice No.	Indications	Classification of registration
1	B019	Clinical Phase I	2025LP01884	Refractory systemic lupus erythematosus	Class 1 of biological products
2	Qiling Granules	Clinical Phase I	2025LP03031	Syndrome of dampness, phlegm, and blood stasis during the interval between gout attacks	Class 1.1 of Chinese medicines
3	Seven-Ingredient Stephania and Astragalus Granules	Clinical Phase I	2025LP03576	Chronic heart failure	Class 1.1 of Chinese medicines

During the Reporting Period, Company obtained production approval for 9 drugs (excluding SPH3127 (Stogilan malate tablet)).

No.	Drugs (products) that obtained approval	Approval matters	Approval No.	Indications	Classification of registration
1	Ursodeoxycholic Acid Capsules	Production	Guoyaozhunzi No. H20253177	Cholestatic liver disease, etc.	Class 4 of chemicals drug
2	Omeprazole and Sodium Bicarbonate for Suspension (II)		Guoyaozhunzi No. H20253507	Gastric ulcer	Class 3 of chemicals drug
3	Wen Jing Tang Granules		Guoyaozhunzi No. C20250007	Warming the meridian and tonifying deficiency, and removing blood stasis and relieving pain	Class 3.1 of Chinese medicines
4	Formoterol Fumarate Inhalation Solution		Guoyaozhunzi No. H20254361	COPD	Class 4 of chemicals drug
5	Amisulpride Orally Disintegrating Tablets		Guoyaozhunzi No. H20250041 Guoyaozhunzi No. H20250042	Schizophrenia	Class 2.2 of chemicals drug
6	Pyridostigmine Bromide Extended Release Tablet		Guoyaozhunzi No. H20255730	Myasthenia gravis	Class 3 of chemicals drug
7	Tofacitinib Citrate Extended Release Tablets		Guoyaozhunzi No. H20255805	Rheumatoid arthritis, etc.	Class 4 of chemicals drug
8	Minoxidil Liniment		Guoyaozhunzi No. H20256053 Guoyaozhunzi No. H20256054	Alopecia and alopecia areata	Class 3 of chemicals drug
9	Pyridostigmine Bromide Oral Solution		Guoyaozhunzi No. H20256499	Myasthenia gravis	Class 3 of chemicals drug



During the Reporting Period, the Company has obtained approval for marketing of 2 APIs.

No.	Name of API	Approval matters	Registration Standard No.	Indications
1	Vericiguat API	Application for marketing of	Y20230000952	Heart failure
2	Isavuconazonium Sulfate API	domestically produced chemical APIs	Y20230001128	Fungal infection

(6) Information on international certification of drugs (products)

During the Reporting Period, the Company has obtained approval for marketing of 11 drugs in the United States or Southeast Asia, among which Rivaroxaban Tablets obtained approval for marketing in both the United States and Malaysia.

No.	Drugs (products) that obtained approval	Approval matters	Approval No.	Countries of Approval
1	Hydroxychloroquine Sulfate Tablets	Production	ANDA 218027	ANDA – USA
2	Rivaroxaban Tablets (10mg, 15mg, 20mg)		ANDA 216995	ANDA – USA
3	Mometasone Furoate Nasal Spray		ANDA 211706	ANDA – USA
4	Doxycycline Capsules		ANDA 219978	ANDA – USA
5	Ticagrelor Tablets (60mg, 90mg)		ANDA 216187	ANDA – USA
6	Eslicarbazepine Acetate (200mg, 400mg, 600mg, 800mg)		ANDA 211247	ANDA – USA
7	Pregabalin Capsules (50mg, 75mg, 150mg)		1C 97/68 (NG); 1C 98/68 (NG); 1C 99/68 (NG)	Thailand
8	Oxytocin Injection		DR-XY49450	Philippines
9	Octreotide Acetate Injection		DRP-16801	Philippines
10	Aripiprazole Tablets		DRP-16802	Philippines
11	Rivaroxaban Tablets (10mg, 15mg, 20mg)		MAL25106012ACZ; MAL25106013ACZ; MAL25106014ACZ	Malaysia
12	Hydroxychloroquine Sulfate Tablets		DRP-17305	Philippines

**5. Cash flows**

During the Reporting Period, the net cash flow generated from operating activities of Shanghai Pharmaceuticals was RMB6.154 billion, representing a year-on-year increase of 5.61%; the net cash flow generated from investing activities was RMB-3.982 billion; and the net cash flow generated from financing activities was RMB-5.652 billion. The net cash flow generated from operating activities accounted for 88.25% of net profit.

## Assets and liabilities

Unit: RMB

Item	Current Ending Amount	Proportion of Ending Amount to Total Assets (%)	Last Ending Amount	Proportion of Last Ending Amount to Total Assets (%)	Change Ratio of Current Ending Amount to Last Ending Amount (%)	Explanation
Derivative financial assets	721,010.06	0.00031	16,224,786.35	0.0073	-95.56	Decrease in fair value of derivative financial assets during the Reporting Period
Dividends receivable	18,742,898.66	0.008	94,189,935.96	0.043	-80.10	Decrease in dividends receivable during the Reporting Period
Bearer biological assets	4,774,514.95	0.002	133,381,840.87	0.06	-96.42	Increase in impairment provision for bearer biological assets during the Reporting Period
Intangible assets	8,743,750,239.23	3.75	5,617,462,430.33	2.54	55.65	Increase in intangible assets due to business combinations during the Reporting Period
Development costs	103,244,846.29	0.044	215,324,899.96	0.10	-52.05	Increase in developments costs transferred into intangible assets during the Reporting Period
Derivative financial liabilities	13,294,428.53	0.0057	1,598,178.46	0.00072	731.85	Increase in fair value of derivative financial liabilities held during the Reporting Period
Dividends payable	1,074,213,335.02	0.46	381,062,451.26	0.17	181.90	Increase in dividends payable during the Reporting Period
Non-current liabilities due within one year	2,809,599,313.10	1.21	842,162,528.36	0.38	233.62	Increase in long-term borrowings due within one year during the Reporting Period
Long-term borrowings	4,235,875,600.03	1.82	8,331,334,115.57	3.77	-49.16	Increase in non-current liabilities due within one year transferred in during the Reporting Period



Item	Current Ending Amount	Proportion of Ending Amount to Total Assets (%)	Last Ending Amount	Proportion of Last Ending Amount to Total Assets (%)	Change Ratio of Current Ending Amount to Last Ending Amount (%)	Explanation
Provisions	74,699,932.37	0.032	36,025,175.59	0.016	107.35	Increase in provisions for pending litigations during the Reporting Period
Deferred tax liabilities	1,945,081,137.22	0.83	816,452,826.21	0.37	138.24	Increase in deferred tax liabilities recognized due to business combinations during the Reporting Period
Other non-current liabilities	132,280,455.35	0.057	249,262,699.13	0.11	-46.93	Increase in non-current liabilities due within one year transferred in during the Reporting Period

## Analysis on Investment Conditions

### 1. Overall analysis on external equity investments

Unit: RMB0'000

Amount of investment during the Reporting Period	219,991.65
Increase or decrease in amount of investment	122,794.11
Amount of investment in the same period of last year	97,197.54
Percentage of increase or decrease in amount of investments (%)	126.33

### 2. Major equity investment

As at 31 December 2025, the Company did not have any significant investment under paragraph 32(4A) of Appendix D3 to the Hong Kong Listing Rules.

### 3. Analysis on companies under control or in which the company has shares

Unit: RMB100 million

Company Name	Company Type	Principal Business	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Profit
Shanghai Pharmaceutical Co., Ltd.	Subsidiary	Sales of drugs	50.00	942.40	213.80	1,595.66	31.53	22.77
SPH Sine Pharmaceutical Factory Co., Ltd.	Subsidiary	Production and sales of drugs	11.92	78.74	46.90	44.85	7.63	6.44
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	3.24	25.44	7.41	15.04	2.58	2.08
SPH New Asia Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	10.52	12.82	6.31	5.32	-4.47	-4.64
Shanghai TCM Co., Ltd.	Subsidiary	Production and sales of drugs	16.66	75.97	47.41	66.07	0.14	-0.45
Chiatai Qingchunbao Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	1.29	38.63	27.44	11.99	0.30	0.27
SPH Changzhou Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	1.58	55.51	31.53	64.47	2.70	2.27
SPH Zhongxi Sunve Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	5.46	36.22	27.79	8.55	3.18	2.73
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	0.93	22.76	15.59	22.33	3.51	3.00
Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	1.35	16.94	13.16	14.32	3.85	3.13
Xiamen TCM Factory Co., Ltd.	Subsidiary	Production and sales of drugs	2.00	6.42	5.67	4.97	0.24	0.23
Liaoning Herbex Pharmaceutical (Group) Co., Ltd.	Subsidiary	Production and sales of drugs	1.02	11.83	5.51	8.81	1.06	0.97
Shanghai Zhonghua Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	0.94	4.62	2.57	2.88	0.11	-0.03
Shanghai Medical Instruments Co., Ltd.	Subsidiary	Production and sales of medical instruments	3.27	5.68	4.07	4.81	-0.27	-0.21
Shanghai Pharma Sales Co., Ltd.	Subsidiary	Sales of drugs	0.50	13.12	0.62	11.73	-0.44	-0.48
TECHPOOL Bio-pharma Co., Ltd.	Subsidiary	Production and sales of drugs	1.00	29.72	22.96	18.42	4.91	4.10
SPH Changzhou Kony Pharmaceutical Co., Ltd.	Subsidiary	Production and sales of drugs	0.15	3.66	2.72	2.35	0.31	0.28



#### 4. Acquisition and disposal of subsidiaries during the Reporting Period

Unit: RMB100 million

Company Name	Principal Business	Method of Acquisition	Investment Amount	Shareholding Percentage	Whether Consolidated in the Financial Statements	Sources of Funds	Progress as at the Balance Sheet Date	Impact on Profit or Loss for the Current Period	Whether Involved in Litigation	Disclosure Date	Disclosure Index
Shanghai Hutchison Pharmaceuticals Co., Ltd.	Manufacturing	Acquisition	43.25	60%	Yes	Self-owned funds	Completed	21.96	No	2025-04-28	A share announcement Lin No. 2025-050

## DISCUSSIONS AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT

### Industry landscape and development trends

The year 2026 is the first year of the "15th Five-Year" Plan. The pharmaceutical industry will embrace a critical window period for a new round of structural adjustments and innovation upgrades and generally evolve towards a more specialized and intensive development path, stepping into a new stage of high-quality development centered on systematic innovation and sustainable development. (For details, please refer to the paragraph headed "Development stage and cyclical characteristics of the industry in which the Company was engaged during the Reporting Period".

### Development Strategy

Building on the development of the "15th Five-Year" Plan, the Company will proactively respond to changes in the industrial environment, accurately judge the development trends of the industry, and exert every effort to build a full-chain advantage of "pharmaceutical manufacturing and service research and investment". Besides, the Company will consolidate the foundation for high-quality development amid the improvement of the industrial system and fierce market competition, maintain a sustainable development momentum, and grow into a leading enterprise with strong comprehensive strength.

In terms of pharmaceutical service, the Company will build a national-level modern pharmaceutical supply chain service platform and a first-class health technology innovation platform. First, the Company will consolidate its leading position in the domestic CSO market, improve profitability and reshape the full-channel integrated marketing system; second, the Company will upgrade the life-cycle service system for innovative drugs and enhance strategic control; third, the Company will focus on SPD and ecological construction, and iterate the supply chain service strategy for the devices and big health business; fourth, the Company will focus on consumer-facing services and technology empowerment, and reshape the commercial health insurance and general retail business system; fifth, the Company will strengthen the core role of cornerstone businesses and improve regional competitiveness.

In terms of pharmaceutical manufacturing, the Company will focus on the principle of “building a solid chassis, strengthening the core and making breakthroughs in innovation”, enhance the core competitiveness of the manufacturing segment, and continuously build product strength through clinical value, pipeline iteration, commercial operation and other aspects. First, the Company will consolidate the industrial foundation, improve the layout of production bases, and ensure production continuity and supply chain resilience; second, the Company will strengthen core businesses to stabilize the fundamental market; third, the Company will focus on out-of-hospital online and offline non-pharmaceutical businesses and overseas markets, actively foster a second growth curve business and continuously expand development space; fourth, the Company will focus on technology platforms and development function platforms, form a sustainable and gradient innovative product pipeline, and build a new engine for medium and long-term growth.

### Business Plan

The year 2026 is the first year of the “15th Five-Year” Plan. The Company adopts the general business guideline of “consolidating foundations, enhancing quality and efficiency, and driving transformation through innovation-driven breakthroughs”.

For the pharmaceutical service segment, the Company will accelerate its penetration into advantageous regions, core cities and key customers, and consolidate its market position as a provincial platform. Besides, the Company will adhere to transformation and breakthroughs, upgrade the life-cycle service system for innovative drugs, and elevate the innovation level of its CSO business.

For the pharmaceutical manufacturing segment, the Company will continue to implement refined product management and maintain product life cycles, agilely iterate its innovation model to increase the contribution of the second growth curve, and also firmly advance innovation-driven transformation to strengthen foundations, build up strength and increase efficiency and profitability.

The Company will continue to carry out mergers and acquisitions (M&A) and business development (BD) activities to actively reinforce the industrial chain, seize the development trend of digital and intelligent technology innovation, integrate business and management needs, and explore and promote AI+ scenario applications. The Company will also strengthen risk management and control, strictly uphold the bottom lines of safety, quality and compliance, and enhance the Company’s core competitiveness and sustainable development capacity.



## Potential risk factors

In consideration of the impact of geopolitics and international economic situation, the business development of international trade, international investment and import of bulk raw materials may face fluctuation risks in the short term.

The normalization of medical insurance cost control and payment reform will lead to further price reductions for some drugs. The Company will take the initiative to adjust its market strategy according to market changes, actively expand the international market, and accelerate innovation and transformation, thereby striving to market key new products as planned.

Innovative drug research and development projects have long lead times and large investments, and the progress, approval results and timing are subject to certain uncertainties. Therefore, there is a risk that the project development progress or clinical trial results are not as expected. The Company will closely monitor changes in the industry, continue to increase investment in R&D, optimize the allocation of innovation resources, and vigorously introduce market-oriented innovative talents to steadily improve innovation competitiveness.

Impairment test for goodwill is based on the forecast of future cash flow and contains the management's relevant assumptions and professional judgments. Goodwill is exposed to certain risks of impairment. For possible risks, the Company will actively propose solutions to lower their overall effect on the business of the Company.

# Report of the Board of Directors

The board of directors of the Company (the “Board” or the “Board of Directors”) is pleased to present its report together with the audited annual financial statements of the Group for the year ended 31 December 2025. The annual report has been reviewed by the audit committee of the Company and approved at the 29th meeting of the eighth session of the Board. Deloitte Touche Tohmatsu Certified Public Accountants LLP issued standard unqualified auditor’s reports for the financial reports prepared by the Company based on the China Accounting Standards.

## PRINCIPAL BUSINESS

Shanghai Pharma is the large-scale pharmaceutical industry group listed in Shanghai and Hong Kong, and it is the core enterprise subordinate to the massive health industry sector of its Controlling Shareholder, namely, Shanghai Shangshi. Its principal business covers pharmaceutical industry, distribution and retail, and Shanghai Pharma possesses unique comprehensive advantages of industry chain, is capable of sharing the sustainable growth opportunity of China’s healthcare and pharmaceutical industry, and furthermore, bringing synergy effect via resources sharing among business sectors.

Details of the principal business of the Group’s main subsidiaries are set out in note (6) 1 to the financial statements. During the Reporting Period, there were no significant changes in the nature of the Group’s principal business.

## BUSINESS REVIEW

The details of Business review (including major risks and uncertainties of relevant business and its likely future developments), please refer to the chapter headed “Management Discussion and Analysis” above.

## RESULTS AND DIVIDEND

The profit of the Group for the year ended 31 December 2025 and the financial position of the Group as at that date are set out in the financial statements and the notes thereto.

The Board recommends the following profit distribution plan for 2025: The Company proposes to distribute a cash dividend of RMB3.50 (tax inclusive) per 10 shares to all shareholders based on 3,708,361,809 shares of the total share capital as of 31 December 2025, with the total proposed cash dividend amounting to RMB1,297,926,633.15 (tax inclusive). The Company has distributed cash dividend of RMB445,003,417.08 (tax inclusive) for the half year of 2025. The total cash dividend of RMB1,742,930,050.23 (tax inclusive) has been distributed for 2025, accounting for 30.45% of consolidated net profit attributable to shareholders of the listed company for the year. After distribution, the Company’s balance of the consolidated undistributed profit will be RMB39,423,941,543.45. During the Reporting Period, there is no conversion of capital reserve into share capital of the Company.

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



The above profit distribution plan needs to be approved by the 2025 annual general meeting of the Company.

Cash dividend of H Shares is expected to be paid before 30 August 2026. The Company will publish a circular containing, among other things, the proposed final dividend and further information on the forthcoming annual general meeting to shareholders as soon as practicably possible.

## RESERVE FUND AVAILABLE FOR DISTRIBUTION

In accordance with the PRC Company Law, the Company can only distribute dividends out of its annual profit available for distribution. Annual profit available for distribution refers to: the balance of the Company's profit after tax after deducting (i) accumulated loss in the previous years; and (ii) allocation to statutory surplus reserve, and (if any) allocation to discretionary surplus reserve (according to such priorities for allocations to those reserves). Calculated on the aforesaid basis, the Company's reserve fund available for distribution as at 31 December 2025 was RMB2,920,388,024.49 based on the financial statements prepared under the China Accounting Standards. In addition, details of the changes in reserves (including the reserve fund available for distribution) as at 31 December 2025 are set out in the note (15) 6 to the financial statements.

## TAX CONCESSION

For investors of the Hong Kong Stock Exchange investing in the A Shares of the Company listed on the Shanghai Stock Exchange (the "Northbound Trading of the Shanghai Stock Exchange"), the Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding pursuant to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation guidelines and the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprise on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (國稅函[2008]897號) issued by the State Taxation Administration on 6 November 2008. For investors of Northbound Trading of the Shanghai Stock Exchange who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

For investors of the Shanghai Stock Exchange investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (the "Southbound Trading of the Hong Kong Stock Exchange"), the Company will withhold and pay individual income taxes at the rate of 20% for individual mainland investors pursuant to Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)). For securities investment funds from Mainland China, tax payable shall be the same as that for individual investors. For enterprise investors from Mainland China, the Company will not withhold and pay the income tax of dividends and such enterprise investors shall report and pay the relevant tax themselves.

For all investors investing the Shares of the Company through the Southbound Trading of Shenzhen Stock Exchange, tax on dividends shall be paid in accordance with tax policies under the Northbound Trading of Shanghai Stock Exchange and Southbound Trading of the Hong Kong Stock Exchange pursuant to the “Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect” (Cai Shui [2016] No. 127) 《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號).

## CHARITY AND OTHER DONATIONS

See the “2025 Sustainable Development Report and Environmental, Social, and Governance (ESG) Report of Shanghai Pharmaceuticals Holding Co., Ltd.” disclosed by the Company for details.

## MAJOR CUSTOMERS AND MAJOR SUPPLIERS

The customer or supplier under the control of the same controller shall be considered to be presented as the same customer or supplier on a consolidated basis, except those actually controlled by the same state-owned asset management institution.

The aggregate sales to the five largest customers was RMB15,814.48 million, accounting for 5.58% of the total sales for the year; the sales to the related parties among the sales to the five largest customers was RMB3,708.88 million, accounting for 1.31% of the total sales for the year.

The aggregate purchase from the five largest suppliers was RMB23,084.97 million, accounting for 9.12% of the total purchase for the year; the purchase from the related parties among the purchase from the five largest suppliers was RMB0, accounting for 0% of the total purchase for the year.

None of the Directors, close associates of the Directors, or any shareholder (who to the knowledge of the Board own more than 5% of issued shares of the listed issuer) has any interest in the suppliers or customers disclosed above.

## DIRECTORS, AND SENIOR MANAGEMENT

Please see the chapter headed “Directors and Senior Management” below.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Hong Kong Listing Rules from each of the independent non-executive directors (namely Gu Zhaoyang, Manson Fok, Wang Zhong and Man Kwan) and the Company considers such directors to be independent during the Reporting Period.



## INTEREST OF DIRECTORS IN COMPETING BUSINESS

As of 31 December 2025, no director of the Company has interest in any business which competes or may compete, either directly or indirectly with any business of the Group.

## SERVICE CONTRACTS

During the Reporting Period, none of directors entered into the service contract with the Company which was not terminable by the Company within one year without payment of compensation other than statutory compensation except for the service contracts of management of the Company.

## MATERIAL INTEREST OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, no director (including any entity connected with a director) of the Company had a material personal interest, whether directly or indirectly, in any transaction, arrangement or contract of significance of the Company (including its subsidiaries) except service contracts.

## CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Save as disclosed in this annual report, during the Reporting Period, the Company or any of its subsidiaries had not entered into any contract of significance with the Controlling Shareholder (as defined under the Hong Kong Listing Rules) or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

## MANAGEMENT CONTRACTS

During the Reporting Period, the Company has not entered into any contract with any individual, company or body corporation to manage or dispose all or any part of major business of Shanghai Pharmaceuticals.

## TOP 10 SHAREHOLDERS AND THEIR SHAREHOLDINGS AT THE END OF THE REPORTING PERIOD (EXCLUDING THE SHARES LENT UNDER REFINANCING BUSINESS)

Name of shareholders	Increase/ decrease during the Reporting Period	Number of Shares held at the end of the Reporting Period	Shareholding percentage (%)	Number of trade restricted Shares held	Pledged, labelled or frozen	Class of shares	Nature of shareholders
HKSCC NOMINEES LIMITED <sup>Note 1</sup>	30,100	918,254,349	24.762	0	Unknown	Overseas listed foreign shares	Foreign legal person
Shanghai Pharmaceutical (Group) Yunnan Baiyao	0	716,516,039 665,626,796	19.322 17.949	0	Nil	RMB ordinary shares RMB ordinary shares	State-owned legal person Domestic non-state-owned legal person
SIIC International Investment Company Limited	73,509,500	311,518,000	8.4	0	Nil	Overseas listed foreign shares	State-owned legal person
Shanghai Shangshi	0	221,801,798	5.981	0	Nil	RMB ordinary shares	State-owned legal person
Shanghai Tandong Enterprise Consulting Services Co., Ltd.	0	187,000,000	5.043	0	Nil	RMB ordinary shares	State-owned legal person
New China Life Insurance Company Ltd. – Traditional – General Insurance Products – 018L – CT001Hu	7,489,022	154,032,826	4.154	0	Nil	Including: 122,145,326 RMB ordinary shares, 31,887,500 overseas listed foreign shares	State-owned legal person
China Securities Finance Corporation Limited	0	41,330,543	1.115	0	Unknown	RMB ordinary shares	State-owned legal person
Hong Kong Securities Clearing Company Limited <sup>Note 2</sup>	-37,100,736	39,676,740	1.070	0	Unknown	RMB ordinary shares	Foreign legal person
New China Life Insurance Company Ltd. – Dividends – Individual Dividends – 018L – FH002Hu	0	29,020,495	0.783	0	Nil	RMB ordinary shares	State-owned legal person

Note 1: Shares held by HKSCC NOMINEES LIMITED are held on behalf of its clients and the number of Shares it holds as shown in the table above includes 311,518,000 H Shares held by SIIC International Investment Company Limited and 31,887,500 H Shares held by New China Life Insurance Company Ltd. – Traditional – General Insurance Products – 018L – CT001Hu. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold are pledged or frozen, HKSCC NOMINEES LIMITED is unable to provide statistics on the number of shares that have been pledged or frozen.

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



## INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF EXECUTIVE, SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2025, according to the information available to the Company and to the knowledge of the Directors, the following shareholders had interests or short positions in the Shares or underlying Shares which were subject to disclosure by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 5% or more of the voting rights of the total number of the issued A Shares or H Shares at the general meetings of the Company. Interests and short positions of Directors and Chief Executive are set out in the “Chapter 7 Directors and Senior Management”.

Name of shareholders	Class of Shares	Nature of interests in shares	Number of shares	Percentage of A Shares/H Shares held as at the end of the Reporting Period to the entire issued A Shares/H Shares (%)	Percentage in total share capital of the Company as at the end of the Reporting Period (%)
Shanghai Shangshi Group <sup>Note 1(1), Note 1(2), Note 1(3), Note 2(1)</sup>	A Shares/H Shares	Interests of controlled corporations,	1,125,817,837(L)/	40.36/	38.76
		Beneficial owner	311,518,000(L)	33.89	
Golden Bell Group <sup>Note 1(2), Note 2(1)</sup>	A Shares/H Shares	Interests of controlled corporations,	187,500,000(L)/	6.72/	13.46
		Beneficial owner	311,518,000(L)	33.89	
SIIC Group <sup>Note 1(3), Note 2(1)</sup>	A Shares/H Shares	Interests of controlled corporations,	187,500,000(L)/	6.72/	13.46
		Beneficial owner	311,518,000(L)	33.89	
Shanghai Pharmaceutical (Group) <sup>Note 1(4), Note 2(1)</sup>	A Shares	Interests of controlled corporations,	716,516,039(L)	25.69	19.32
Yunnan Baiyao <sup>Note 2(1)</sup>	A Shares	Beneficial owner	665,626,796(L)	23.86	17.95
New China Asset Management Co., Ltd. <sup>Note 1(5), Note 2(2)</sup>	A Shares/H Shares	Investment Manager	167,357,500(L)/	6.00/	5.75
			45,954,600(L)	5.00	
New China Life Insurance Company Ltd. <sup>Note 1(5), Note 2(2)</sup>	A Shares/H Shares	Beneficial owner, Interests of	167,440,100(L)/	6.00/	5.75
		controlled corporations/ Beneficial owner	45,954,600(L)	5.00	

(L) represents long position, (S) represents short position

Note 1: (1) Shanghai SASAC is Company’s de facto controller. As of the end of the Reporting Period, Shanghai SASAC controlled the Company through following entities: Shanghai SASAC held 100% equity interest in Shanghai Shangshi. ①Shanghai Shangshi held 100% equity interest in Golden Bell, and Golden Bell held 100% equity interest in SIIC. SIIC indirectly held 500,000 A shares, 187,000,000 A shares and 311,518,000 H shares of the Company through Shanghai Shangshi Investment Management Consulting Co., Ltd., Shanghai Tandong Enterprise Consulting Services Co., Ltd. (“Shanghai Tandong”) and SIIC International Investment Company Limited (“SIIC International”), respectively; ② Shanghai Shangshi directly held 221,801,798 A shares of the Company; ③ Shanghai Shangshi directly held 100% equity interest in Shanghai Pharmaceutical (Group), and Shanghai Pharmaceutical (Group) held 716,516,039 A shares of the Company.

(2) On 13 October 2025, the Company received the “Notice of the Municipal SASAC on Matters Related to the Equity Adjustment of Shanghai Industrial Investment (Holdings) Company Limited” (Hu Guo Zi Wei Chan

Quan [2025] No. 192) issued by the Shanghai SASAC, the Company's de facto controller. Shanghai SASAC transferred 100% equity interest in SIIC held by it to Golden Bell, a wholly-owned subsidiary established by Shanghai Shangshi in Hong Kong in May 2025. After completion of the above-mentioned adjustment on 29 December 2025, Shanghai Shangshi indirectly held the Company's Shares through Golden Bell and SIIC held by Golden Bell. For details, please refer to the announcement of the Company dated 31 December 2025 in relation to Completion of equity adjustment of controlling shareholder and the announcement of the Company dated 15 October 2025 in relation to equity adjustment of controlling shareholder (A share announcement Lin No. 2025-092 and subsequent acquisition reports).

- (3) On 22 September 2025, the shareholders of the Company, namely Shanghai Shangshi and SIIC International, entered into an equity transfer agreement, pursuant to which Shanghai Shangshi agreed to transfer its 100% equity interest in Shanghai Tandong to SIIC International, a wholly-owned subsidiary of SIIC. Following the completion of the above transfer on 30 September 2025, SIIC indirectly held the Shares of the Company through Shanghai Shangshi Investment Management Consulting Co., Ltd., Shanghai Tandong and SIIC International. For details, please refer to the announcement of the Company dated 23 September 2025 in relation to change in shareholders' interest (A share announcement Lin No. 2025-085).
- (4) On 24 September 2025, Shanghai Shangshi Yangtze River Delta Ecological Development Co., Ltd. ("Shanghai Shangshi Yangtze River Delta") and Shanghai Shangshi entered into an equity transfer agreement, pursuant to which Shanghai Shangshi Yangtze River Delta agreed to transfer its 40% equity interest in Shanghai Pharmaceutical (Group) to Shanghai Shangshi. As at the end of the Reporting Period, Shanghai Shangshi held 100% equity interest in Shanghai Pharmaceutical (Group) and indirectly held the Shares of the Company through Shanghai Pharmaceutical (Group). Shanghai Shangshi Yangtze River Delta no longer held any equity interest in Shanghai Pharmaceutical (Group) and no longer held any equity interest in the Company in any form. For details, please refer to the announcement of the Company dated 26 September 2025 in relation to change in shareholders' interest (A share announcement Lin No. 2025-086).
- (5) According to the disclosure of interests published on the website of the Hong Kong Stock Exchange, New China Asset Management Co., Ltd. ("NCAM") is the asset manager of certain investors, including but not limited to New China Life Insurance Company Ltd. ("NCLI"). On 14 May 2025, NCAM assisted NCLI in purchasing 355,000 A Shares of the Company, which constituted NCLI's client assets managed by NCAM. Accordingly, the total number of A Shares of the Company held by NCAM increased to 167,357,500 Shares. On the same date, NCAM assisted NCLI in purchasing 248,000 H Shares of the Company, which constituted NCLI's client assets managed by NCAM; accordingly, the total number of H Shares held by NCAM increased to 45,954,600 Shares.

- Note 2:
- (1) Figures disclosed above are based on the knowledge of the Company.
  - (2) Figures disclosed above are based on the information provided on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).
  - (3) Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain conditions are fulfilled. When a shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Hong Kong Stock Exchange unless certain conditions have been fulfilled, therefore a shareholder's latest shareholding in the Company at the end of the Reporting Period may be different from the shareholding filed with the Hong Kong Stock Exchange.
  - (4) Save as disclosed above, as at 31 December 2025, the Company was not aware of any other person (other than the Directors and Chief Executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.



## SHARE OPTION SCHEME

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

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

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

The exercise and share transfer registration in respect of total 3,342,561 shares have completed during the first exercise period of the initial granted share options under the Option Incentive Scheme which has expired on 13 February 2023. On 30 March 2023, the Board of the Company considered and approved that 4,324,659 share options that had expired but not been exercised during the first exercise period of the initial granted options under the 2019 A-share Option Incentive Scheme of the Company have been cancelled. The exercise and share transfer registration in respect of total 4,972,629 shares have completed during the second exercise period of the initial granted share options under the Option Incentive Scheme which has expired on 13 February 2024. The exercise and share transfer registration in respect of total 269,746 shares have completed during the first exercise

period of the reserved share options which has expired on 7 February 2024. On 28 March 2024, the Board of the Company considered and approved that 2,449,071 share options that had expired but not been exercised during the second exercise period of the initial granted share options and 485,954 share options that had expired but not been exercised during the first exercise period of the reserved share options have been cancelled. The exercise and share transfer registration in respect of total 4,828,870 shares have completed during the third exercise period of the initial granted share options under the Option Incentive Scheme which has expired on 13 February 2025. The exercise and share transfer registration in respect of total 231,885 shares have completed during the second exercise period of the reserved share options which has expired on 7 February 2025. On 27 March 2025, the Board of the Company considered and approved that 2,147,930 share options that had expired but not been exercised during the third exercise period of the initial granted share options and 523,815 share options that had expired but not been exercised during the second exercise period of the reserved share options have been cancelled. As of 31 December 2025, 389,970 A-share share options were exercised.

In conclusion, as of 31 December 2025, the aggregate number of A Shares underlying the outstanding share options granted under the Option Incentive Scheme was 680,000, representing approximately 0.02% of the total number of Shares of the Company in issue as of the date of the report. The third exercise period of the reserved share options under the Option Incentive Scheme has expired on 7 February 2026, during which no share options were exercised by the participants. On 30 March 2026, the Board of the Company considered and approved the cancellation of the 680,000 share options under the third exercise period of the considered share options that had expired but were not exercised. As of the date of this report, there are no outstanding A-share share options under the Option Incentive Scheme that remain to be granted, vested, or exercised, and the validity period of the Option Incentive Scheme will expire upon completion of the cancellation of the reserved share options.

## 1. PURPOSE OF THE OPTION INCENTIVE SCHEME

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

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

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



As at 31 December 2025, the distribution of the share options to participants is as follows:

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

Note 1: Mr. Cho Man has resigned from the executive director, president and other positions of the Company on 29 June 2023 (for details, please refer to the Company's announcement dated 30 June 2023). As of 31 December 2025, his share options that granted but not exercised during the first exercise period, the second exercise period and the third exercise period of the initial granted options have been cancelled by the Company, and he shall no longer hold any share options.

Note 2: On 11 February 2026, Mr. Zhao Yong was elected as the employee Director by the employee representative meeting. For details, please refer to the Company's announcement on Election of Employee Director dated 11 February 2026 (A share announcement Lin No. 2026-013). He served as the vice president upon the grant of share options. For details, please refer to the Company's announcement dated 20 December 2019 (A share announcement Lin No. 2019-097). As of 31 December 2025, his share options that granted but not exercised during the first exercise period, the second exercise period and the third exercise period of the initial granted options have been cancelled by the Company, and he shall no longer hold any share options.

Note 3: Mr. Mao Jianyi ceased to be the vice president of the Company on 25 September 2025. For details, please refer to the Company's announcement dated 26 September 2025. As of 31 December 2025, his share options that granted but not exercised during the first exercise period, the second exercise period and the third exercise period of the initial granted options have been cancelled by the Company, and he shall no longer hold any share options.

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

unfulfillment of exercise conditions, his share options granted during the third exercise period of the initial granted options have been cancelled by the Company, for details, please refer to the Company's overseas regulatory announcement dated 22 December 2023 (A share announcement Lin No. 2023-100).

- Note 5: Mr. Zhang Yaohua has resigned from the vice president and other positions of the Company on 5 August 2024. For details, please refer to the Company's overseas regulatory announcement dated 6 August 2024 (A share announcement Lin No. 2024-074). As of 31 December 2025, his share options that granted but not exercised during the first exercise period, the second exercise period and the third exercise period of the initial granted options have been cancelled by the Company, and he shall no longer hold any share options.
- Note 6: Ms. Chen Jinzhu ceased to be the vice president of the Company on 29 March 2022, and ceased to be the secretary to the Board and joint company secretary of the Company from 29 August 2022. For details, please refer to the Company's overseas regulatory announcement dated 30 March 2022 (A share announcement Lin No. 2022-025) and the Announcement on Proposed Re-election and Election of Directors and Supervisors, etc. dated 29 August 2022 (A share announcement Lin No. 2022-066). Her share options that granted but not exercised during the first exercise period and the second exercise period of the initial granted options have been cancelled by the Company. Due to unfulfillment of exercise conditions, her share options granted during the third exercise period of the initial granted options have been cancelled by the Company, for details, please refer to the Company's overseas regulatory announcement dated 22 December 2023 (A share announcement Lin No. 2023-100).
- Note 7: Mr. Pan Deqing ceased to be the vice president of the Company on 2 September 2023 (for details, please refer to the Company's overseas regulatory announcement dated 2 September 2023 (A share announcement Lin No. 2023-071)). His share options that granted but not exercised during the first exercise period and the second exercise period of the initial granted options have been cancelled by the Company. Due to unfulfillment of exercise conditions, his share options granted during the third exercise period of the initial granted options have been cancelled by the Company, for details, please refer to the Company's overseas regulatory announcement dated 22 December 2023 (A share announcement Lin No. 2023-100).
- Note 8: Mr. Maimaiti Aili was appointed as the vice president of the Company on 5 November 2024 (for details, please refer to the Company's overseas regulatory announcement dated 6 November 2024 (A share announcement Lin No. 2024-100)). His share options that granted during the first exercise period and the second exercise period of the initial granted options have been fully exercised and his share options that granted but not exercised during the third exercise period of the initial granted options shall be subsequently cancelled by the Company. As of 31 December 2025, he shall no longer hold any share options.

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

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

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

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



## 5. VESTING PERIOD

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

## 6. EXERCISE PERIOD AND EXERCISE DATE

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

- (i) the period commencing on 30 days prior to the announcements of periodic reports of the Company, or in the event of postponement in publishing the periodic reports for special reasons, 30 days prior to the original announcement date and end on one day prior to the actual announcement date;
- (ii) the period commencing on 10 days prior to the announcements of results forecast and preliminary results of the Company;
- (iii) the period commencing on the date of the occurrence of material events that may have significant impacts on price of Shares and derivatives of the Company, or the date of entering into the decision-making process, and end on two business days after such events have been lawfully disclosed; and
- (iv) other periods prescribed by the CSRC and the Shanghai Stock Exchange.

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

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

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

## 7. EXERCISE PRICE

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

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

- (i) the average trading price of the A Shares on the trading day immediately preceding the date of the announcement in relation to the Option Incentive Scheme, being RMB18.20 per A Share;
- (ii) the average trading price of the A Shares for 60 trading days immediately preceding the date of the announcement in relation to the Option Incentive Scheme, being RMB18.41 per A Share.

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

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

## 8. VALIDITY PERIOD

### **(1) Validity period of the Option Incentive Scheme**

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

### **(2) Validity period of the share options**

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



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

Details of changes in options granted under the Option Incentive Scheme for the year ended 31 December 2025 are as follows:

Name	Position(s)	Number of options						Grant date	Exercise period	Exercise price	The weighted average closing price of A shares of the Company immediately before the exercise date during the Reporting Period
		Number of options outstanding at the beginning of the Reporting Period (in 10,000 A Shares)	Number of options granted during the Reporting Period (in 10,000 A Shares)	Number of exercisable options during the Reporting Period (in 10,000 A Shares)	Number of options exercised during the Reporting Period (in 10,000 A Shares)	Number of options cancelled during the Reporting Period (in 10,000 A Shares)	Number of options lapsed during the Reporting Period (in 10,000 A Shares)				
Shen Bo	Executive Director, President	13.26	0	13.26	0	-13.26	0	0	19 December 2019	From 14 February 2022 to 13 February 2025	RMB18.41 per A share
Li Yongzhong	Executive Director, Executive President	13.26	0	13.26	0	-13.26	0	0			
Zhao Yong	Employee Director, Vice President	11.22	0	11.22	0	-11.22	0	0			
Maimaiti Aili	Vice President	2.72	0	2.72	0	-2.72	0	0			
Resigned senior executives (6 members)		38.76	0	38.76	0	-38.76	0	0			
Middle level management and core employees of the Company (160 persons in total after adjustment) under the initial grant		174.5700	0	174.5700	-38.9970	-135.5730	0	0			RMB21.17
Middle level management and core employees (20 persons in total) under the reserved options grant		120.3815	0	120.3815	0	-52.3815	0	68.0000	15 December 2020	From 8 February 2023 to 7 February 2026	RMB20.16 per A share
<b>Total</b>		<b>374.1715</b>	<b>0</b>	<b>374.1715</b>	<b>-38.9970</b>	<b>-267.1745</b>	<b>0</b>	<b>68.0000</b>			

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

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

As of 31 December 2025, there were 680,000 share options exercisable during the third exercise period of reserved share options with the exercise period commencing on 8 February 2025 and ending on 7 February 2026. During the exercise period, no participants exercised share options.

As of the beginning and end of the Reporting Period, there were no options available for grant under the Option Incentive Scheme.

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

### (1) *Value of share options*

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

#### Initial Grant

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

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

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

- (i) Market price of underlying shares: RMB18.08 per A Share (the closing price of the Company's Shares on the Initial Options Grant Date is RMB18.08 per A Share)
- (ii) Exercise price: RMB18.41 per A Share
- (iii) Validity period: 2.5 years, 3.5 years and 4.5 years (depending on the weighted average exercise period of options vested in each period)
- (iv) Volatility rate: 29.14%, 26.86% and 34.76% (using the Company's volatility rate in the past 2.5 years, 3.5 years and 4.5 years)
- (v) Risk-free interest rates: 2.76%, 2.86% and 2.96% (using the 2.5-year, 3.5-year, and 4.5-year benchmark deposit interest rate of government bonds)
- (vi) Expected dividend yield: 1.72% (using the Company's average dividend yield in the past three years)



#### Reserved Options Grant

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

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

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

- (i) Market price of underlying shares: RMB19.00 per A Share (the closing price of the Company's Shares on the Reserved Options Grant Date is RMB19.00 per A Share)
- (ii) Exercise price: RMB20.16 per A Share
- (iii) Validity period: 2.5 years, 3.5 years and 4.5 years (depending on the weighted average exercise period of options vested in each period)
- (iv) Volatility rate: 32.20%, 30.71% and 28.66% (using the Company's volatility rate in the past 2.5 years, 3.5 years, and 4.5 years)
- (v) Risk-free interest rates: 2.94%, 3.02% and 3.09% (using the 2.5-year, 3.5-year, and 4.5-year benchmark deposit interest rate of government bonds)
- (vi) Expected dividend yield: 2.03% (using the Company's average dividend yield in the past three years)

**(2) Accounting policies in relation to share options**

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

- (i) Grant Date  
As share options are not exercisable on the Grant Date, accounting treatment is not required. The Company shall determine the fair value of the share options on the Grant Date.
- (ii) Vesting period  
On each balance sheet date during the vesting period, the services obtained in the current period shall, based on the best estimate of the number of the exercisable share options, be included in cost of the relevant assets or expenses and the other capital reserves in capital reserves at the fair value of the share options on the Grant Date.
- (iii) Exercise period  
No adjustment shall be made to the relevant costs or expense, and the total amount of the owner's equities, which have been recognized.
- (iv) Exercise date  
Share capital and share premium shall be recognized with reference to the actual exercise of the share options, and upon which, the amount recognized as "Capital Reserves – Other capital reserves" during the vesting period shall be transferred to "Capital Reserves – Capital premium".

**11. WEIGHTED AVERAGE NUMBER OF GRANTED SHARE OPTIONS**

During the Reporting Period, 3,741,715 A shares in respect of all share option incentive schemes of the Company can be issued, representing 0.134% of the weighted average number of A shares issued during the Reporting Period.

**RIGHTS OF DIRECTORS TO SUBSCRIBE FOR SHARES OF THE COMPANY**

The Company does not grant any right to any director or his/her spouse or children of less than 18 years old to subscribe for any share or bonds of the Company (including its affiliates). Save as disclosed above, for the year ended 31 December 2025, the Company has not entered into any equity-linked agreement.

**PERMITTED INDEMNITY PROVISIONS APPROVED FOR DIRECTORS**

The Company has appropriate insurance arrangement for proceedings against Directors and senior management due to corporate activities in accordance with code provision C.1.8. As of the end of Reporting Period, the insurance provision remains effective.



## PURCHASE, SALES AND REDEMPTION OF SHARES

During the period from January to December 2025, none of the Company or its subsidiaries purchased, sold or redeemed any listed Shares of Shanghai Pharmaceuticals (including the sale of treasury shares). As of 31 December 2025, the Company did not hold any treasury shares.

## ISSUANCE OF EQUITY SECURITIES

During the Reporting Period, 389,970 shares that have been exercised under the 2019 Option Incentive Scheme of the Company completed the share transfer registration and the Company issued 389,970 A shares accordingly. Save as disclosed above, the Company did not issue any equity securities during the Reporting Period.

## PUBLIC FLOAT

As at 31 December 2025, the total share capital of the Company was 3,708,361,809 Shares (2,789,289,105 A Shares and 919,072,704 H Shares), including 4,627,352,913 Shares without trade restrictions (3,708,280,209 A Shares and 919,072,704 H Shares) and 607,554,704 H Shares held by the public, representing more than 10% of the Company's total issued H Shares, thereby satisfying the minimum public float requirements stipulated under the Securities Law of the People's Republic of China and the Hong Kong Listing Rules.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the applicable laws of the PRC in which the Company was incorporated.

## CONTINUING CONNECTED TRANSACTION UNDER THE HONG KONG LISTING RULES

### Property Leasing Framework Agreement renewed between the Company and Shanghai Pharmaceutical (Group) and its subsidiaries

The Company approved the Proposal regarding the Renewal of Property Leasing Framework Agreement with Shanghai Pharmaceutical (Group) and the Daily Related Transactions/Continuing Connected Transactions at the fourth meeting of the eighth session of the Board held on 27 October 2023. On the same date, the Company (as the lessee) and Shanghai Pharmaceutical (Group) (as the lessor) entered into Property Leasing Framework Agreement in relation to provision of property leasing to the Group by Shanghai Pharmaceutical (Group) and its subsidiaries. The term of lease is three years commencing from 1 January 2024 and ending on 31 December 2026. The annual caps of continuing connected transactions for 2024, 2025 and 2026 under this agreement were RMB100 million, respectively. The annual caps of the total value of the right-of-use assets involved were RMB220 million, respectively.

In 2025, the actual amount of the continuing connected transaction between the Group and Shanghai Pharmaceutical (Group) and its subsidiaries under the Property Leasing Framework Agreement did not exceed the above-mentioned maximum amount approved by the Board, and the highest applicable percentage ratio of the maximum amount exceeded 0.1% but was less than 5%. Therefore, the transaction shall be subject to the reporting, annual review and announcement requirements and is exempt from the approval of the independent shareholders (as defined under Chapter 14A of the Hong Kong Listing Rules, the same below). Details are as follows:

Unit: RMB0'000

Date of transaction	Party of connected transaction	Types of connected transaction	Subject of connected transaction	Actual amount of the 2025 connected transaction	Annual cap for the 2025 connected transaction
During the period from January to December 2025	Shanghai Pharmaceutical (Group) and its subsidiaries	Leasing premises and production equipment from connected persons	Housing, machinery leasing and property service	3,768.21	10,000.00
		Leasing premises and production equipment from connected persons	The value of the use right assets involved	4,767.02	22,000.00

Note: For details, please refer to Company's announcement dated 28 October 2023 in relation to entering into the Property Leasing Framework Agreement (A share announcement Lin No. 2023-084). As Shanghai Pharmaceutical (Group) is the Controlling Shareholder of the Company, Shanghai Pharmaceutical (Group) and its subsidiaries are connected persons of the Company, and the transaction constitutes a continuing connected transaction (as defined under Chapter 14A of the Hong Kong Listing Rules, the same as below).

### Financial Services Agreement renewed between the Company and Shanghai Shangshi Group Finance Co., Ltd. (the "Finance Company")

The Company approved the Proposal regarding the Renewal of the Financial Services Agreement with Shanghai Shangshi Group Finance Co., Ltd. and Daily Related Transactions/Continuing Connected Transactions at the 2023 annual general meeting held on 28 June 2024. The agreement is effective from 1 January 2025 to 31 December 2027. For 2025, 2026 and 2027, the maximum daily balance of deposits of the Group with the Finance Company shall not exceed RMB5.0 billion, RMB5.5 billion and RMB6.0 billion, respectively, and the maximum outstanding balance of comprehensive credit facilities provided to the Group by the Finance Company shall not exceed RMB7.0 billion.



In 2025, the actual amount of continuing connected transactions between the Group and the Finance Company under the Financial Services Agreement did not exceed the above-mentioned maximum amount approved by the annual general meeting, and the highest applicable percentage ratio of the maximum amount was higher than 5%. Therefore, the transaction shall be subject to reporting, annual review, announcement and independent shareholders' approval requirements. Actual loan services were conducted on normal business terms, and the Group did not grant any of its assets to the Finance Company as securities for such loan services; the highest applicable percentage ratio for actual settlement and financial services provided by connected company, calculated on an annual basis, was less than 0.1%. Details are as below:

Unit: RMB100 million

Date of transaction	Party of connected transaction	Types of connected transaction	Subject of connected transaction	Actual amount of the 2025 connected transaction	Annual cap for the 2025 connected transaction
During the period from January to December 2025	Finance Company	Deposit service provided by connected company	Deposit service (maximum daily balance)	49.16	50

Note: For details, please refer to Company's announcement dated 28 March 2024 in relation to the renewal of financial services agreement and the Company's announcement dated 28 June 2024 in relation to poll results of general meetings (A share announcements Lin No. 2024-028 and Lin No. 2024-059); as the Company holds 30% of the equity interests in the Finance Company (currently the percentage has increased to 40%. For details, please refer to the section headed "OTHER CONNECTED TRANSACTIONS UNDER THE HONG KONG LISTING RULES" below), and the shareholding in Finance Company by Shanghai Shangshi, the Controlling Shareholder of the Company, is more than 10%, the Finance Company is a commonly held entity and connected person of the Company. This transaction constitutes a continuing connected transaction.

### Procurement Framework Agreement entered into between the Company and Wing Fat Printing Co., Ltd. (“Wing Fat Printing”)

The Company approved the Proposal regarding the Renewal of Procurement Framework Agreement and the Daily Related Transactions/Continuing Connected Transactions with Wing Fat Printing Co., Ltd. at the fourteenth meeting of the eighth session of the Board of Directors held on 29 October 2024 and entered into the Procurement Framework Agreement with Wing Fat Printing with a valid term from 1 January 2025 to 31 December 2025. During the term of the agreement, the Wing Fat Group will provide printed packaging materials for pharmaceutical products to the Group with an annual cap of RMB90 million for the purchase amount.

In 2025, as the actual amount of continuing connected transactions between the Group and Wing Fat Group under the Procurement Framework Agreement did not exceed the aforementioned maximum amount approved by the Board, and the highest applicable percentage ratio of the maximum amount exceeded 0.1% but was less than 5%, and was subject to the reporting, annual review and announcement requirements but exempt from independent shareholders’ approval requirements with details as below:

*Unit: RMB100 million*

<b>Date of transaction</b>	<b>Party of connected transaction</b>	<b>Types of connected transaction</b>	<b>Subject of connected transaction</b>	<b>Actual amount of the 2025 connected transaction</b>	<b>Annual cap for the 2025 connected transaction</b>
During the period from January to December 2025	Wing Fat Printing Group	Procure the printed packaging materials from connected companies	Printed packaging materials	0.48	0.9

Note: For details, please refer to Company’s announcement dated 30 October 2024 in relation to entering into the Procurement Framework Agreement (A share announcement Lin No. 2024-095). As SIIC is the controlling shareholder of the Company as well as Shanghai Industrial Holdings Limited (“Shanghai Industrial”), and Wing Fat Printing is an indirect non-wholly owned subsidiary of Shanghai Industrial, Wing Fat Printing is a connected person of the Company and such transaction constituted a continuing connected transaction.



## Sales and Procurement Framework Agreement between the Company and Yunnan Baiyao

The Company approved the Proposal regarding the Daily Related Transactions/Continuing Connected Transactions with Yunnan Baiyao at the 16th meeting of the eighth session of the Board of Directors held on 31 December 2024 and renewed the Sales and Procurement Framework Agreement with a valid term from 1 January 2025 to 31 December 2025. During the term of the agreement, the Group agrees to sell to Yunnan Baiyao Group the medicines, medical devices, health care products, food products, TCM decoction pieces and TCM ingredients that the Group produces or is the main distributor, with a cap of RMB1,200 million for the sales amount; and the Group agrees to procure from Yunnan Baiyao the medicines, medical devices, health care products, food products, TCM decoction pieces and TCM ingredients that it produces or is the main distributor, with a cap of RMB700 million for the purchase amount.

In 2025, the actual amount of continuing connected transaction between the Group and Yunnan Baiyao under the Sales and Procurement Framework Agreement did not exceed the above-mentioned maximum amount approved by the Board, and the highest applicable percentage ratio of the maximum amount exceeded 0.1% but was less than 5%. Therefore, the transaction is only subject to reporting, annual review and announcement requirements, and is exempt from independent shareholders' approval requirements. Details are as follows:

*Unit: RMB100 million*

Date of transaction	Party of connected transaction	Types of connected transaction	Subject of connected transaction	Actual amount of the 2025 connected transaction	Annual cap for the 2025 connected transaction
During the period from January to December 2025	Yunnan Baiyao	Sell products to connected companies	Sell the medicines, medical devices, health care products, food products, TCM decoction pieces and TCM ingredients	6.73	12
		Purchase products from connected companies	Purchase the medicines, medical devices, health care products, food products, TCM decoction pieces and TCM ingredients	4.90	7

Note: For details, please refer to Company's announcement dated 2 January 2025 in relation to entering into the 2025 Sales and Procurement Framework Agreement (A share announcement Lin No. 2025-004). Yunnan Baiyao is a substantial shareholder of the Company, therefore, Yunnan Baiyao is a connected person of the Company and such transaction constitutes a continuing connected transaction.

## CONFIRMATION OF CONTINUING CONNECTED TRANSACTIONS

The directors of the Company (including independent non-executive directors) have reviewed the foregoing continuing connected transactions, and confirm that the foregoing continuing connected transactions are:

- entered into during ordinary and usual course of business of the Group;
- entered into on normal commercial terms or better; and
- conducted in compliance with the relevant agreements, and are fair and reasonable and in the interest of the Company and the shareholders as a whole.

Auditor of the Company has submitted an independent auditor's assurance report on continuing connected transactions to the board of directors for continuing connected transactions pursuant to Rule 14A.56 of the Hong Kong Listing Rules, and confirmed that the foregoing continuing connected transactions:

- no transactions were entered into without approval of the board of directors of the Company;
- no transactions that involved the provision of goods or services by the Group were entered into without in compliance with pricing policies of the Group;
- no transactions were entered into without in compliance with relevant agreements in all material respects; and
- no transactions exceeded caps.



## OTHER CONNECTED TRANSACTIONS UNDER THE HONG KONG LISTING RULES

### Acquisition of 10% equity interest in Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司) (“Finance Company”)

The Company approved the Proposal regarding the Acquisition of 10% Equity Interest in Finance Company and the Related Transactions/Continuing Connected Transactions at the twenty-third meeting of the eighth session of the Board of Directors held on 25 July 2025. Shanghai Pharmaceuticals acquired 10% equity interest in Finance Company held by Shanghai Industrial Dongtan Investment and Development (Group) Co., Ltd. (上海實業東灘投資開發(集團)有限公司) (“SIIC Dongtan”) with its own funds of RMB143 million. As of 12 January 2026, the Company, SIIC Dongtan and Finance Company jointly applied for and completed the registration procedures in respect of the change of equity, and the Company paid all the consideration for equity transfer in one lump sum pursuant to the Share Transfer Agreement. The percentage of shareholding of Finance Company held by the Company increased to 40% from 30%, which has not led to any change in the scope of consolidated financial statements of the Company. For details, please refer to the announcement of the Company dated 26 July 2025 in relation to the proposed acquisition of 10% equity interest in Finance Company, the announcement of the Company dated 9 September 2025 in relation to update on the proposed acquisition of 10% equity interest in Finance Company and the announcement dated 14 January 2026 in relation to the completion of the acquisition of 10% equity interest in Finance Company (A share announcements Lin No. 2025-072 and Lin No. 2026-004).

Shanghai Shangshi is a controlling shareholder of the Company, and SIIC Dongtan is a wholly-owned subsidiary of Shanghai Shangshi. As a result, SIIC Dongtan constitutes a connected person of the Company by virtue of being an associate of the Company’s controlling shareholder. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As Shanghai Shangshi and its associates are the counterparties in such partnership agreements and also in the Share Transfer Agreement, and such transactions are of a similar nature and are entered into within the period of 12 months, such transactions should be aggregated in accordance with Rule 14A.81 of the Hong Kong Listing Rules. As the highest percentage ratio applicable to such transactions upon aggregation is more than 0.1% but less than 5%, the Acquisition is subject to the reporting, annual review and announcement requirements but is exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### Participation in the Establishment of Shanghai Biomedical M&A Fund

The Company considered and approved the Proposal regarding the Participation in the Establishment of Shanghai Biomedical M&A Fund and the Related Transactions/Connected Transactions at the 18th meeting of the eighth session of the Board of Directors held on 27 January 2025. Shanghai Pharmaceuticals (as a limited partner) participated in the establishment of Shanghai Biomedical Merger & Acquisition Private Equity Fund Partnership (Limited Partnership) (上海生物醫藥併購股權投資合夥企業(有限合夥)) (hereinafter referred to as the “Target Fund”), with the capital commitment of RMB1.0 billion. On 26 March 2025, Shanghai Pharmaceuticals entered into the Limited Partnership Agreement for Shanghai Biomedical Merger & Acquisition Private Equity Fund Partnership (Limited Partnership) with 13 partners including Shanghai Shangshi Capital Management Co., Ltd. (“Shangshi Capital”), pursuant to which, the Target Fund completed the industrial and commercial registration procedures. In April 2025, the Company received the notice from Shangshi Capital (as the fund manager) that the Target Fund has completed the filing procedures with the Asset Management Association of China (中國證券投資基金業協會). For details, please refer to the announcement of the Company dated 28 January 2025 in relation to Proposed Participation in the Establishment of the Biomedical M&A Fund and the announcement of

the Company dated 15 April 2025 in relation to Update on Proposed Participation in the Establishment of the Biomedical M&A Fund (A share announcements Lin No. 2025-014 and No. 2025-047).

Shanghai Shangshi is a controlling shareholder of the Company. Shangshi Capital is a wholly-owned subsidiary of Shanghai Shangshi and Shanghai Shangshi Biomedical Management Consulting Co., Ltd. (上海上實生物醫藥管理諮詢有限公司) (“GP2”) will be held as to 50% by Shangshi Capital. Therefore, Shangshi Capital and GP2 are connected persons of the Company by virtue of being the associates of the Company’s controlling shareholder. As such, according to Chapter 14A of the Hong Kong Listing Rules, the participation in the establishment of the Biomedical M&A Fund will constitute a connected transaction of the Company. Pursuant to Rule 14A.81 of the Hong Kong Listing Rules, a series of connected transactions will be aggregated and be treated as if they were one transaction if they were all entered into within a 12-month period or otherwise related. Reference is made to the announcement of the Company dated 30 October 2024 in relation to the participation of a subsidiary of the Company in the establishment of Shanghai Shangshi Biomedical Phase II Venture Capital Partnership (Limited Partnership) (上海上實生物醫藥二期創業投資合夥企業(有限合夥)) (the “Biomedical Phase II Fund”). As Shanghai Shangshi and its associates are the counterparties in the partnership agreement for the establishment of the Biomedical Phase II Fund and in the Partnership Agreement, and such transactions are of a similar nature and are entered into within the period of 12 months, such transactions should be aggregated in accordance with Rule 14A.81 of the Listing Rules. As the highest percentage ratio applicable to such transactions upon aggregation is more than 0.1% but less than 5%, the proposed participation of the Company in the establishment of the Biomedical M&A Fund is subject to the reporting, annual review and announcement requirements but is exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **SIGNIFICANT RELATED PARTIES**

Please refer to note (8) 5 to the financial statements for the information on related party transactions of the Group. The transactions that constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules have been disclosed in the “Continuing Connected Transactions under the Hong Kong Listing Rules” section above and we confirmed that such connected transactions have complied with the provisions of Chapter 14A of the Hong Kong Listing Rules. Except as disclosed above, other related party transactions disclosed in this note do not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

Refer to the “2025 Corporate Social Responsibility Report of Shanghai Pharmaceuticals Holding Co., Ltd.” disclosed by the Company for details.



## COMPLIANCE WITH LAWS AND REGULATIONS

The Group is fully aware of the importance of compliance with the requirements of laws and regulations and sets internal compliance and risk management policies and procedures in place to ensure that the Group complies and is in compliance with all material and applicable laws and regulations in the PRC and Hong Kong. For the year ended 31 December 2025 and up to the date of this report, to the best of the Directors' knowledge, the Group has complied in all material respects with the applicable laws and regulations of the PRC and Hong Kong, which have a significant impact on the business and operations in areas including the Group's principal activities, employment and labor practices and environmental protection. The Group has also obtained all licenses, approvals and permits from the relevant regulatory authorities which are material to its business operations in the PRC.

## RELATIONSHIP WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group believes that different stakeholders (including employees, customers and suppliers) are the key to the success of the Group. The Group is committed to the realization of corporate sustainable development through maintaining contact and cooperation and fostering stable relationship with the stakeholders.

## RELEVANT INFORMATION OF THE CORPORATE BONDS

During the year ended 31 December 2025, the Company has not issued, repurchased, sold or redeemed bonds.

## CAPITAL STRUCTURE AND LIQUIDITY

The asset-liability ratio (total liabilities/total assets) of Shanghai Pharmaceuticals was 61.49% as at 31 December 2025, representing a decrease of 0.65 percentage point on a year-on-year basis. The interest coverage ratio (EBIT/Interest Expenses) was 6.82 times (2024: 5.32 times). The gearing ratio of the Company (net amount of debts divided by total capital) was 24.37%.

During the Reporting Period, Shanghai Pharmaceuticals has a good liquidity. The balance of bank loans, bonds payable and extra short-term financing bill as at 31 December 2025 were RMB50.453 billion, nil and RMB5.036 billion, respectively, of which the balance of loans in AUD amounted to RMB0.263 billion, the balance of loans (including long and short-term bonds) at a fixed interest rate amounted to approximately RMB52.922 billion. The net amount of accounts receivable and notes receivable as at 31 December 2025 was RMB83.337 billion, representing an increase of 3.84% on a year-on-year basis. The increased receivable is mainly due to business expansion and the expanded scope of consolidation. As at 31 December 2025, the balance of accounts payable and notes payable was RMB61.405 billion, representing an increase of 3.23% on a year-on-year basis.

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

## MAJOR ASSETS RESTRICTION AT THE END OF THE REPORTING PERIOD

As at 31 December 2025, the balance of the Group's other monetary funds was RMB4,323 million, which was mainly the margin deposit for security for applying to the bank for issuing bank acceptance bills and letters of credit.

As at 31 December 2025, houses, buildings, machinery and equipment with a book value of RMB1,310 million (original price: RMB1,406 million) and land use rights of 345,900 square meters (book value: RMB495 million, original price: RMB539 million) were used as collateral for RMB130 million of short-term borrowings, RMB1,305 million of long-term borrowings, and RMB17 million of long-term borrowings due within one year.

As at 31 December 2025, the bank pledged borrowings of RMB507 million were short-term borrowings obtained by discounting commercial acceptance bills of RMB111 million, the short-term borrowings obtained by discounting bank acceptance bills of RMB1 million and the short-term borrowings obtained by using the accounts receivable with book value of RMB572 million as collaterals.

As at 31 December 2025, the Group pledged the accounts receivable with the book value of RMB128 million to the bank as a guarantee for bank pledged borrowings of RMB43 million and long-term borrowings due within one year of RMB85 million.

As at 31 December 2025, guaranteed borrowings of RMB43 million were mainly secured by the minority shareholders of subsidiaries of the Group.

## EXCHANGE RATE FLUCTUATION RISK AND ANY HEDGING

Shanghai Pharmaceuticals conducts its operations mainly in China and makes settlements in RMB for its principal businesses. However, foreign exchange risks still exist in recognized assets and liabilities denominated in foreign currencies and future foreign currency transactions (the main currencies denominating are US dollar and Hong Kong dollar).

## CONTINGENT LIABILITIES

During the Reporting Period, the Company has no major action or arbitration pending to be closed. There were no contingent liabilities resulting from debt guarantee provided by the Company to other entities and guarantee provided to related parties.



## GUARANTEES

Unit: RMB

Guarantor	Relationship between the guarantor and the listed company		External guarantees provided by the Company (excluding those provided to its subsidiaries)										Guarantee provided to related parties	Connected relationship
			Guaranteed party	Value of guarantee	Date of guarantee			Collateral (if any)	Guarantee fully fulfilled	Guarantee overdue	Overdue amount of guarantee	Any counter guarantee		
(date of agreement)	Commencement date of guarantee	Expiry date of guarantee			Type of guarantee									
/														
Total value guaranteed during the Reporting Period (excluding those provided to its subsidiaries)													/	
Total remaining balance guaranteed at the end of the Reporting Period (A) (excluding those provided to its subsidiaries)													/	
<b>Guarantees provided by the Company and its subsidiaries to its subsidiaries</b>														
Total value guaranteed for its subsidiaries during the Reporting Period												5,039,301,260.50		
Total remaining balance guaranteed for its subsidiaries at the end of the Reporting Period (B)												2,154,214,052.35		
<b>Total value guaranteed by the Company (including guarantees to subsidiaries)</b>														
Total value guaranteed (A+B)												2,154,214,052.35		
Proportion of total value guaranteed in the Company's net assets (%)												2.84%		
Among which:														
Value guaranteed for shareholders, de facto controller and related parties (C)													/	
Value directly or indirectly guaranteed for guaranteed parties whose gearing ratio exceeds 70% (D)												1,860,870,603.12		
Amount of total value guaranteed exceeding 50% of net assets (E)													/	
Total of value guaranteed for the above three items (C+D+E)												1,860,870,603.12		
Details of possible joint settlement liabilities for undue guarantee													/	
Details of guarantee													/	

## EMPLOYEES OF PARENT COMPANY AND MAJOR SUBSIDIARIES

Number of in-service employees of the parent company	167
Number of in-service employees of the major subsidiaries	49,441
Total number of in-service employees	49,608
The number of retired employees whose expenses are borne by the parent company and the major subsidiaries	189

### Composition of professions

Type of profession	Number of staff in the profession
Production staff	14,802
Sales staff	20,095
Technical staff	7,563
Finance staff	1,900
Administrative staff	4,182
Other service staff	1,066
Total	49,608

### Education level

Type of Education Level	Number of persons
PhD	180
Master	2,589
University graduate	19,248
College graduate	15,141
Specialized secondary school (high school and technical school) graduate	7,637
Others	4,813
Total	49,608



## REMUNERATION POLICY

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

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

## FIVE HIGHEST PAID INDIVIDUALS

Details of five highest paid individuals of the Group are set out in the note (8) 8 of financial statements.

In 2025, no emoluments have been paid by Shanghai Pharmaceuticals to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and there is no director waived or agreed to waive any of their emoluments.

## PENSION SCHEME

Shanghai Pharmaceuticals participates in a pension benefits scheme for employees organised by the local provincial and municipal governments in accordance with the relevant requirements of the PRC and pays pension contributions for all employees on a monthly basis. Retired employees are entitled to receive a monthly pension from the local provincial and municipal governments. Details are set out in note (4) 31 of the financial statements.

## TRAINING PROGRAM

Focusing on the Group's strategy and the annual priorities, combined with the staff's own positions and career development needs, the Company provided professional, efficient and personalized training courses and learning programs for the staff. According to the requirements of the national regulatory authorities, the Company organized employees to receive GMP, GSP, operation skills, occupational safety, environmental protection and other systematic training every year. According to the requirements for the compliance of listed companies, the Company organized management at all levels to receive legal, internal control, risk management and other special training. In order to improve the integrated management level and leadership ability, the Group organized and carried out trainings on cadre and talents development project, business line empowerment and specialty improvements in the combination of online and offline, to facilitate the high-quality development of the Group.

In 2026, the Company will rely on Shanghai Pharma University to thoroughly implement the "15th Five-Year" Plan and key work and tasks for the year, enhance the professional competence and comprehensive quality of employees through multi-level and dimensional special trainings, providing strong intellectual support and talent guarantee for core fields of the Group such as innovative research and development, big health new retail and lean production. Meanwhile, Shanghai Pharma University will continuously optimize the allocation of training resources and establish digital learning platforms, so as to facilitate Shanghai Pharma University to build a learning organization and empower the high-quality development of the Group.

## CHANGES IN AUDITORS FOR PAST THREE YEARS

PricewaterhouseCoopers Zhong Tian LLP has reached the maximum term for a company to engage the same accounting firm consecutively as required by the regulations. Therefore, the Company changed its accounting firm for the year 2024. There was no disagreement or unresolved issue between the parties, and there were no other matters regarding the change of the accounting firm that need to be brought to the attention of the shareholders.

Deloitte Touche Tohmatsu Certified Public Accountants LLP was engaged as the Company's auditor of financial statements and internal control for 2024 and 2025. The relevant matters were considered and approved at the general meeting. For details, please refer to the announcements dated 28 June 2024 and 26 June 2025 (A share announcements Lin No. 2024-059 and Lin No. 2025-065).



## COMMITMENTS BY DE FACTO CONTROLLER AND SHAREHOLDERS, OF THE COMPANY AND OTHER COMMITMENTS RELATED PARTIES DURING OR CARRY FORWARD TO THE REPORTING PERIOD

Pursuant to the Hong Kong Prospectus of 6 May 2011, each of Shanghai Pharmaceutical (Group) and SIIC executed a non-competition deed in favour of the Company, undertaking, among other things, that:

1. in the event it acquires, procures or otherwise comes to possess businesses or assets that compete or could potentially compete with the businesses of the Company, it shall, pursuant to its non-competition deed, irrevocably grant the Company the pre-emptive right to acquire all of such businesses or assets at any time;
2. it and its subsidiaries shall avoid any business or operations that may compete with the Company;
3. it shall avoid investing in any other companies or enterprises that compete with the business and operations of the Company; and
4. it shall bear all losses and expenses directly and indirectly incurred by the Company as a result of a breach by it of its undertakings set forth in its non-competition deed.

The Company has received the respective statements of Shanghai Pharmaceutical (Group) and SIIC confirming their compliance with their commitments pursuant to the respective non-competition deeds during the year 2025.

According to the announcement of the Company dated 31 December 2025, Shanghai Shangshi and Golden Bell have made commitments to the Company regarding independence, undertaking that:

1. Shanghai Shangshi, Golden Bell and other enterprises under their control will continue to actively maintain independence from Shanghai Pharmaceuticals in terms of personnel, assets, business, finance and organization.
2. Shanghai Shangshi and Golden Bell shall exercise their shareholders' rights in accordance with applicable laws and regulations as well as the Articles of Association of Shanghai Pharmaceuticals and strictly comply with the relevant requirements of regulatory authorities on the independence of listed companies. They shall not use their position as shareholders to affect the independence of Shanghai Pharmaceuticals or violate the standardized operating procedures of other listed companies, intervene in the operating decisions of Shanghai Pharmaceuticals and damage the legitimate rights and interests of Shanghai Pharmaceuticals and other shareholders.
3. If Shanghai Shangshi and Golden Bell cause any loss to Shanghai Pharmaceuticals as a result of their failure to fulfill the above commitments, they shall bear the compensation liabilities by law accordingly.
4. This commitment letter shall take effect from the date of issuance and shall continue to be valid during the period of control of Shanghai Shangshi and Golden Bell over Shanghai Pharmaceuticals.

According to the announcement of the Company dated 31 December 2025, Shanghai Shangshi and Golden Bell have executed a non-competition deed in favour of the Company, undertaking that:

1. Neither Shanghai Shangshi, Golden Bell nor other enterprises under their control are engaged in production and operation activities that constitute substantial competition with the principal business of Shanghai Pharmaceuticals.
2. Shanghai Shangshi and Golden Bell will take legal and effective measures to procure that other enterprises under their control do not engage in any new activities that would constitute competition with and have a material adverse impact on the principal business of Shanghai Pharmaceuticals. If Shanghai Shangshi and Golden Bell and enterprises under their control engage in any new business or activity that would constitute competition with and have a material adverse impact on the business of Shanghai Pharmaceuticals, Shanghai Shangshi and Golden Bell shall, to the extent permitted by applicable laws, regulations and relevant policies, take legal and effective measures to resolve such competition.
3. If Shanghai Shangshi and Golden Bell cause any loss to Shanghai Pharmaceuticals as a result of their failure to fulfill the above commitments, they shall bear the compensation liabilities by law accordingly.
4. This commitment letter shall take effect from the date of issuance and shall continue to be valid during the period of control of Shanghai Shangshi and Golden Bell over Shanghai Pharmaceuticals.

According to the announcement of the Company dated 31 December 2025, Shanghai Shangshi and Golden Bell have made commitments to the Company regarding the reduction and standardization of related party transactions, undertaking that:

1. Without adversely affecting the interests of Shanghai Pharmaceuticals and all shareholders, Shanghai Shangshi and Golden Bell will avoid and minimize possible related party transactions with Shanghai Pharmaceuticals and its subordinated companies in the future.
2. For any related party transactions that are indeed necessary or have reasonable grounds for existence, Shanghai Shangshi and Golden Bell will determine the transaction prices based on market principle or other reasonable principles and sign standardized related party transaction agreements with Shanghai Pharmaceuticals in accordance with laws to ensure the fairness of the prices of related party transactions. Shanghai Shangshi and Golden Bell have committed to carry out review procedures and fulfil the corresponding information disclosure obligations in accordance with relevant laws and regulations and the Articles of Association of Shanghai Pharmaceuticals.
3. Not to take advantage of related party transactions to illegally misappropriate or transfer funds, capital, profits or other resources of Shanghai Pharmaceuticals, or damage the interests of Shanghai Pharmaceuticals and other shareholders.



4. If Shanghai Shangshi and Golden Bell cause any loss to Shanghai Pharmaceuticals as a result of their failure to fulfill the above commitments, they shall bear the compensation liabilities by law accordingly.
5. This commitment letter shall take effect from the date of issuance and shall continue to be valid during the period of control of Shanghai Shangshi and Golden Bell over Shanghai Pharmaceuticals.

# Directors and Senior Management

## CHANGES IN SHAREHOLDINGS AND REMUNERATION OF EXISTING AND RESIGNED DIRECTORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Unit: Share

Name	Position	Gender	Age	Starting date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase/decrease of Shares during the year	Total Remuneration payable by the Company during the Reporting Period (before tax) (RMB10,000) <sup>Note</sup>	Whether obtained salary from parties of the Company
Yang Qihua	Chairman, Executive Director	Male	54	2024-03-19	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	0	Yes
Zhang Wenxue	Non-Executive Director	Male	63	2024-06-28	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	0	No
Shen Bo	Executive Director President	Male	53	2016-06-28 2023-06-29	Expiry date of the term of the 8th session of the Board of Directors	71,700 A shares	71,700 A shares	0	327.98	No
Li Yongzhong	Executive Director Executive President	Male	56	2016-06-28 2023-06-29	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	331.93	No
Dong Ming	Executive Director	Male	50	2023-06-29	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	0	Yes
Zhao Yong	Employee Director Vice President	Male	54	2026-02-11 2019-06-27	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	270.46	No
Gu Zhaoyang	Independent Non-Executive Director	Male	60	2019-06-27	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	30.00	No
Fok Manson	Independent Non-Executive Director	Male	69	2019-06-27	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	30.00	No
Wang Zhong	Independent Non-Executive Director	Male	57	2023-06-29	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	30.00	No
Man Kwan	Independent Non-Executive Director	Female	59	2025-03-13	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	23.75	No
Zhou Yadong	Vice President, Chief Financial Officer	Female	54	2025-04-08	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	110.18	No
Zhong Tao	Vice President Secretary to the Board of Directors, Joint Company Secretary	Male	54	2022-03-29 2022-08-29	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	240.33	No
Shao Shuai	Vice President	Female	38	2022-08-29	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	188.95	No



Name	Position	Gender	Age	Starting date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase/decrease of Shares during the year	Total Remuneration payable by the Company during the Reporting Period (before tax) (RMB10,000) <sup>Note</sup>	Whether obtained salary from connected parties of the Company
Maimaiti Aili	Vice President	Male	47	2024-11-05	Expiry date of the term of the 8th session of the Board of Directors	0	0	0	195.06	No
Mao Jianyi (resigned)	Vice President	Male	58	2013-11-19	2025-09-25	0	0	0	198.78	No
Li Dongming (resigned)	Vice President	Male	57	2022-03-29	2025-04-01	0	0	0	97.47	No
Total	/	/	/	/	/	71,700 A shares	71,700 A shares	0	2,074.89	/

Note 1: The total remuneration payable by the Company during the Reporting Period (before tax) shall be received by the directors and senior management during their term of office.

Note 2: The remuneration received by independent directors is allowance.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

### Yang Qihua

Mr. Yang Qihua has obtained a master's degree in Pharmaceutical Engineering from East China University of Science and Technology. He is a senior engineer. He currently is the chairman and executive director of the Company. Mr. Yang Qihua currently serves as the vice president of Shanghai Industrial Investment (Holdings) Co., Ltd. and the chairman of Shanghai Pharmaceutical (Group) Co., Ltd.. Mr. Yang Qihua has extensive experience in corporate management. He has served as the secretary to the Party Committee and general manager of Shanghai Sunve Pharmaceutical Co., Ltd. (上海三維製藥有限公司), the vice chairman and general manager of SIIC Investment Company Limited, the chairman of The Tien Chu (Hong Kong) Company Limited, the vice president of SIIC Investment (Shanghai) Co., Ltd., the chairman of Nanyang Brothers Tobacco Co., Ltd., the chairman of Wing Fat Printing Company, Limited and the vice CEO of Shanghai Industrial Holdings Limited, etc.

### Zhang Wenxue

Mr. Zhang Wenxue is a senior economist. He is currently the non-executive director of the Company. Mr. Zhang Wenxue is currently the secretary of the Party Committee and chairman of Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange with stock code of 000538. He successively acted as a member of the 10th session of the Committee of the Communist Party of China in Yunnan Province and a member of the 12th session of the Committee of the Chinese People's Political Consultative Conference in Yunnan Province. Mr. Zhang was successively awarded the 19th Model Worker of Yunnan Province, Professional and Technical Talent with Outstanding Contributions in Yunnan Province, the second prize of the State Scientific Progress Award, and the Medal in Commemoration of the 70th Anniversary of the People's Republic of China issued by the Central Committee of the Communist Party of China, the State Council, and the Central Military Commission in 2019, and was also selected as the "National Outstanding Entrepreneurs of the Year 2021-2022" and the "Innovative Entrepreneur for 2024 Manufacturing Industry Talent Support Program of the Ministry of Industry and Information Technology". Mr. Zhang successively served as deputy general manager of Yunnan Phosphorus Chemical Industry (Group) Company (雲南磷化學工業(集團)公司), general manager and deputy secretary of the Party Committee of Yunnan Phosphorus Chemicals Group Co., Ltd. (雲南磷化集團有限公司), secretary of the Party Committee and general manager of Yunnan Phosphorus Chemicals Group Co., Ltd., director, deputy general manager and member of the Party Committee of Yuntianhua Group Co., Ltd. (雲天化集團有限責任公司), general manager, deputy secretary of the Party Committee and vice chairman of Yuntianhua Group Co., Ltd., secretary of the Party Committee and chairman of Yuntianhua Group Co., Ltd., and the chairman of Chongqing Polycomp International Corporation (重慶國際複合材料股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange with stock code of 301526.

### Shen Bo

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



### Li Yongzhong

Mr. Li Yongzhong obtained an executive master degree in business administration from the China Europe International Business School. He is qualified as a pharmacist. He is currently the executive director and executive president of the Company and the chairman of Shanghai Pharmaceutical Co., Ltd., a subsidiary of the Company. He also holds directorship in other subsidiaries of the Company. His previous positions included the general manager of Shanghai Pharmaceutical Co., Ltd., general manager assistant and deputy general manager of, general manager and deputy general manager of pharmaceutical distribution business department of Shanghai Pharmaceuticals Holding Co., Ltd. (上海市醫藥股份有限公司) and deputy manager of the New Drug Branch of Shanghai Pharmaceuticals Holding Co., Ltd. (上海市醫藥股份有限公司), etc.

### Dong Ming

Mr. Dong Ming has obtained a doctorate degree in management. He is currently the executive director of the Company. He is the deputy secretary of the Party Committee, the vice chairman, and the president (the chief executive officer) of Yunnan Baiyao Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 000538), and the executive director and chairman of YNBY International Limited (stock code: 00030), a company listed on The Stock Exchange of Hong Kong Limited. He successively served as the vice president of Commonwealth of Independent States region, the director of the VIP systems department, the general manager of the Beijing branch, the director of the mobile system department of Huawei Technologies Co., Ltd., and the vice president of China region in Huawei Technologies Co., Ltd..

### Zhao Yong

Mr. Zhao Yong obtained a master's degree in Laws from the International Politics Department of Fudan University (復旦大學), and graduated from the Advanced Business Administration from Cheung Kong Graduate School of Business(長江商學院). He currently serves as the deputy secretary to the Party Committee, the employee director and vice president of the Company, and the director of the Company's subsidiaries. He previously served as the vice president of Shanghai Labway Clinical Laboratory Co., Ltd. (上海蘭衛醫學檢驗所股份有限公司), the vice president of Shanghai Labway Investment Co., Ltd. (上海蘭衛投資有限公司), the deputy director of Shanghai Municipal Health and Family Planning Commission (上海衛生計生委), the deputy director and secretary to the Disciplinary Committee of Shanghai Municipal Population and Family Planning Commission (上海人口計生委), the director of Shanghai Changning District Informationization Commission (上海長寧區信息化委員會), and the deputy secretary to the Party Work Committee and director of the administrative office of Shanghai Changning District Xianxia Xincun Street.

### Gu Zhaoyang

Mr. Gu Zhaoyang obtained a B.A. degree in English from Tsinghua University, an M.A. degree in Management from Renmin University of China, and a M.A. degree in Economics and Ph.D. degree in Accounting from Tulane University U.S.A. He is a CPA (non-practicing) in the U.S.A. He is currently an independent non-executive director of the Company. He is also an independent non-executive director of Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司, a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange with stock codes 00177 and 600377, respectively), Nongfu Spring Co., Ltd. (農夫山泉股份有限公司, a company listed on the Hong Kong Stock Exchange with stock code 09633), Bank of Tianjin CO., LTD. (天津銀行股份有限公司, a company listed on the Hong Kong Stock Exchange with stock code 01578), Luda Technologies Group Ltd. (a company listed on the NYSE with stock code LUD) and X.J. ELECTRICS (Hu Bei) Co., Ltd. (湖北香江電器股份有限公司, a company listed on the Hong Kong Stock Exchange with stock code 02619) and a Professor of Accountancy and the director of the MBA Program in Finance at the Chinese University of Hong Kong (CUHK). Previously he was an Assistant and Associate Professor at Carnegie Mellon University, and an Associate Professor and Honeywell Professor in Accounting at the Carlson School of Management, University of Minnesota, where he was also the person in charge of the Accounting Ph.D. program. He is the dean of the School of Accountancy at the Chinese University of Hong Kong (CUHK).

### Fok Manson

Mr. Fok Manson is a Bachelor of Medicine and Bachelor of Surgery, a Fellow of the Royal College of Surgeons of Edinburgh, United Kingdom, a Fellow of the Hong Kong College of Surgeons, and a Fellow of the Hong Kong Academy of Medicine (Surgery). He is currently an independent non-executive director of the Company and an independent director of Tianjin Pharmaceutical Co., Ltd. (津藥藥業股份有限公司, stock code: 600488) listed on the Shanghai Stock Exchange. Mr. Fok Manson has been committed to the study of esophagus and upper gastrointestinal diseases and vascular diseases for many years, actively promoting the development of minimally invasive surgery, and has published many articles on international medicine and written chapters of over 10 professional books. Currently, he serves as the Dean of Faculty of Medicine of the Macau University of Science and Technology (MUST), the Dean and the chairman of the board of directors of the MUST Hospital. He also holds key positions in various foundations, professional committees and medical associations, and is a visiting professor at many well-known institutions in China. He previously served as the vice chairman of the Endoscopy Skills Evaluation Committee of the Ministry of Health of China, the executive deputy director and the head of the Surgical Department of the Kiang Wu Hospital of Macau, a doctor of the Hong Kong Tung Wah Hospital and a senior lecturer of the Queen Mary Hospital of Hong Kong, etc.



## Wang Zhong

Mr. Wang Zhong holds a master's degree of science awarded by the Hong Kong Polytechnic University and has the title of research fellow. He is the independent non-executive director of the Company. He is currently the executive director of the National Intelligent Sensor Innovation Center and an independent director of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd., a company listed on the Shanghai Stock Exchange with stock codes of 600663 and 900932. He served as the general manager of the human resources department and integrated department of Zhejiang Mobile Communication Company Limited, the deputy director of Zhejiang Branch of the China News Service, the chief executive officer of Greentown Real Estate Group Company Limited (綠城房地產集團有限公司), the vice chairman of China Youth Travel Industry (Group) Development Co., Ltd. (中國青旅實業(集團)發展有限公司), the director and vice president of Qingdao Zhongzi Zhongcheng Group Co., Ltd., an external director of Shanghai Guoxin Venture Capital Co., Ltd. (上海國鑫創業投資有限公司), the administrative vice principal of Shanghai Advanced Institution of Finance of Shanghai Jiao Tong University, etc.

## Man Kwan

Ms. Man Kwan holds a Ph.D. from the University of Hong Kong. She is the independent non-executive director of the Company. She is currently a tenured professor at the University of Hong Kong, a chair professor of transplant oncology and immunology, the director of the clinical and translational laboratory, the director of the liver transplantation and liver cancer laboratory, and the director of the organ transplantation and regeneration laboratory at the University of Hong Kong. She also serves as the director of the central laboratory at the Shenzhen Hospital of the University of Hong Kong, the founder and director of Oncoimmunostics Limited (邁康因科技有限公司), the chairman of the Hong Kong Scientist Association, and the chairman of the Hong Kong Society for Immunology. Dr. Man Kwan mainly engages in clinical, translational, and basic research on liver transplantation injury, liver cancer, and tumor recurrence after liver transplantation. Her research achievements are at the international leading level in the relevant fields and she has published in over 200 papers in several internationally renowned journals. She has successively received the First Prize of Scientific and Technological Achievements in Higher Education (高等教育科技成果一等獎) from the Ministry of Education in 2013, the First Prize of Scientific and Technological Progress from the Chinese Medical Association (中華醫學會科技進步一等獎) in 2014, and the "2022 Basic Science Established Investigator Award" from the International Liver Transplantation Society. Her innovative translational achievements in precise tumor diagnosis and treatment have won the Gold Award at the 2024 Geneva Invention Exhibition and the Special Award from the China Association of Inventions (中國發明協會特別大獎). She has also served as the president of the International Liver Transplantation Society, a member of the Transplantation Science Committee, the chairman of the Scholarship Committee, a member of the Education Committee, and a member of the Basic Research Committee.

## Zhou Yadong

Ms. Zhou Yadong graduated from East China Normal University with a bachelor's degree in international finance, and obtained a master's degree in accounting from the Chinese University of Hong Kong. She is the vice president and the chief financial officer of the Company. Ms. Zhou Yadong is currently an executive director of Shanghai Industrial Urban Development Group Limited (a company listed on the Hong Kong Stock Exchange with stock Code of 0563). She served as the director and the general manager of Shanghai SIIC Group Finance Co., Ltd., the deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Co., Ltd. and the general manager of Shanghai Luqiao Development Co., Ltd..

### Zhong Tao

Mr. Zhong Tao graduated from Fudan University with a postgraduate degree in business management and obtained a master's degree. He is currently the vice president, board secretary and joint company secretary of the Company and holds directorship and other positions in certain subsidiaries of the Company. Mr. Zhong Tao currently serves as a non-executive director of Tianda Pharmaceuticals Limited (a company listed on the Hong Kong Stock Exchange with stock Code of 00455). He was a member of the Party Committee, an executive director and a vice president of Shanghai Industrial Urban Development Group Limited (a company listed on the Hong Kong Stock Exchange with stock Code of 0563), and a member of the Party Committee, a director and a vice president of Shanghai Chengkai (Group) Co., Ltd., a director of Tianjin Trust Co., Ltd., a director of Shangshi Management (Shanghai) Co., Ltd., the person in charge of the preparation for the party organization of Jinhushen Biopharmaceutical Technology Co., Ltd., a director of planning of Shangshi Management (Shanghai) Co., Ltd., an assistant to the general manager of Shanghai Galaxy Investment Co., Ltd., and a project manager of the investment department of Shangshi Real Estate (Shanghai) Co., Ltd., etc.

### Shao Shuai

Ms. Shao Shuai obtained a postgraduate degree and a master degree. She is currently the vice president of the Company and holds directorship and other positions in certain subsidiaries of the Company. She served as the chairman of the supervisory committee of Shanghai Fumed Tianjian Co., Ltd., a supervisor of New Huadu Industrial Group Co., Ltd., an assistant to the chairman of Yunnan Baiyao Group Co., Ltd., the general manager, the general manager of investment department and an assistant to the chief executive officer of Jingzhun Beauty BU, the executive director of Hainan Yunfan Private Equity Fund Management Co., Ltd., the investment manager of China Investment Corporation, a senior manager and a vice president of New Huadu Industrial Group (Shanghai) Investment Co., Ltd., a managing director of New Huadu Group (HongKong) Investment Co., Ltd., the legal representative and the executive director of Shanghai Yunzhen Medical Technology Co., Ltd. and a director of Skynet (Shanghai) Band Management Co., Ltd., etc.

### Maimaiti Aili

Mr. Maimaiti Aili graduated from Fudan University with a bachelor's degree in pharmacy, and obtained a master's degree in business administration degree from Shanghai University of Finance and Economics. He is currently the vice president of the Company and holds directorship and other positions in certain subsidiaries of the Company. Mr. Maimaiti Aili possesses extensive professional knowledge and corporate management experience. He held important management positions in the pharmaceutical manufacturing and pharmaceutical service segments of the Company. He previously served as the deputy general manager of Shanghai Pharmaceutical Co., Ltd., the general manager of SPH Cardinal (Shanghai) Pharma Co., Ltd., the executive director and general manager of Shanghai Pharmaceutical Imp. & Exp. Co., Ltd., and the general manager of Shanghai Pharmaceutical – Sudan Pharmaceutical Co., Ltd. (上海市醫藥－蘇丹製藥有限公司), etc.



## POSITIONS OF DIRECTORS AND SENIOR MANAGEMENT IN SHAREHOLDER ENTITY

Name of personnel	Name of shareholder entities	Position held in the shareholder entity	Starting date of term of office	Expiry date of term of office
Yang Qiuhua	Shanghai Industrial Investment (Holdings) Co., Ltd.	Vice President	June 2021	Up to date
	Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司)	Chairman	May 2024	Up to date
Zhang Wenxue	Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司)	Chairman	February 2024	Up to date
Dong Ming	Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司)	Vice chairman, chief executive officer and president	March 2021	Up to date

## POSITIONS OF DIRECTORS AND SENIOR MANAGEMENT IN OTHER ENTITIES

Name of personnel	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
Shen Bo	Chiatai Qingchunbao Pharmaceutical Co., Ltd.	Chairman	August 2023	March 2025
Shen Bo	China International Pharmaceutical (Holding) Corporation Limited	Executive Director	May 2014	Up to date
Shen Bo	TECHPOOL Bio-Pharma Co., Ltd.	Chairman	August 2023	December 2025
Shen Bo	SPH Changzhou Pharmaceutical Co., Ltd.	Chairman	August 2016	Up to date
Shen Bo	Shanghai Traditional Chinese Medicine Co., Ltd.	Chairman	December 2017	Up to date
Shen Bo	SPH-Biocad (HK) Limited	Director	October 2019	Up to date
Shen Bo	Shanghai SPH Ruier Drugs Co., Ltd. (上海上藥睿爾藥品有限公司)	Executive Director	August 2023	Up to date
Shen Bo	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Chairman	August 2023	Up to date
Shen Bo	SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Chairman	November 2023	Up to date
Shen Bo	Xiamen TCM Factory Co., Ltd.	Chairman	April 2024	Up to date
Shen Bo	Shanghai Hutchison Pharmaceuticals Limited	Chairman	August 2023	Up to date
Shen Bo	Shanghai Hutchison Pharmaceuticals Sales Co., Ltd. (上海和黃醫藥銷售有限公司)	Chairman	April 2025	Up to date
Shen Bo	Shanghai Biomedical Industrial Equity Investment Fund Management Co Ltd.	Chairman	April 2024	Up to date
Shen Bo	Hangzhou Huqingyutang Traditional Chinese Medicine Co., Ltd.	Vice Chairman	August 2023	Up to date
Shen Bo	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Chairman	August 2023	Up to date
Shen Bo	Shanghai Roche Pharmaceutical Co., Ltd.	Chairman	August 2023	Up to date
Shen Bo	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Director	March 2017	Up to date
Li Yongzhong	Shanghai Pharmaceutical Co., Ltd.	Chairman	August 2023	Up to date
		General Manager	October 2012	March 2025
Li Yongzhong	SPH Keyuan Xinhai Pharmaceutical Co., Ltd.	Director	April 2011	Up to date
Li Yongzhong	Cardinal Health (L) Co., Ltd	Director	January 2018	Up to date
Li Yongzhong	SPH Cardinal (Shanghai) Pharma Co., Ltd.	Chairman	January 2018	Up to date

Name of personnel	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
Dong Ming	Yunnan Baiyao Group Beijing Co., Ltd. (雲南白藥集團北京有限公司)	Executive Director, General Manager	June 2021	Up to date
Dong Ming	Yunnan Baiyao Group Shanghai Co., Ltd. (雲南白藥集團上海有限公司)	Executive Director, General Manager	June 2024	Up to date
Dong Ming	Yunnan Baiyao Holding Investment Co., Ltd. (雲南白藥控股投資有限公司)	Executive Director, General Manager	April 2021	Up to date
Dong Ming	YNBY International Limited	Chairman of the Board of Directors	February 2022	Up to date
Zhao Yong	Shanghai Medical Education and Training Co., Ltd. (上海醫藥教育培訓有限公司)	Chairman	July 2018	Up to date
Zhao Yong	Shanghai SPH Biological Medicine Co., Ltd.	Chairman	December 2019	Up to date
Zhao Yong	Shanghai Biomedical Frontier Industry Innovation Center Co., Ltd. (上海生物醫藥前沿產業創新中心有限公司)	Chairman	September 2024	Up to date
Zhao Yong	Shanghai Medical Instruments Co., Ltd.	Chairman	May 2025	Up to date
Gu Zhaoyang	Jiangsu Expressway Company Limited	Independent Non-executive Director	June 2024	Up to date
Gu Zhaoyang	Nongfu Spring Co., Ltd. (農夫山泉股份有限公司)	Independent Non-executive Director	May 2025	Up to date
Gu Zhaoyang	Bank of Tianjin Co., Ltd.	Independent Non-executive Director	July 2024	Up to date
Gu Zhaoyang	Luda Technologies Group Ltd.	Independent Non-executive Director	February 2025	Up to date
Gu Zhaoyang	X.J. ELECTRICS (Hu Bei) Co., Ltd. (湖北香江電器股份有限公司)	Independent Non-executive Director	September 2024	Up to date
Fok Manson	Tianjin Pharmaceutical Co., Ltd. (津藥藥業股份有限公司)	Independent Non-executive Director	September 2023	Up to date
Wang Zhong	Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.	Independent Non-executive Director	April 2021	Up to date
Man Kwan	Oncoimmunostics Limited (邁康因科技有限公司)	Director	October 2023	Up to date
Zhou Yadong	Shanghai Shangshi Group Finance Co., Ltd.	Director, general manager	October 2014	March 2025
Zhou Yadong	Shanghai Industrial Urban Development Group Limited	Executive Director	June 2024	Up to date
Zhong Tao	Shanghai Pharmaceuticals (HK) Investment Limited	Director, general manager	July 2022	Up to date
Zhong Tao	Shanghai Ruijian Capital Management Co., Ltd.	Director	July 2022	Up to date
Zhong Tao	Shanghai Lianyi Investment Center	Member of the investment committee	July 2022	Up to date
Zhong Tao	Shanghai Biomedical Industrial Equity Investment Fund Management Co Ltd.	Director	July 2022	Up to date
Zhong Tao	SPH Bio Therapeutics Co., LTD	Director	March 2023	Up to date
Zhong Tao	Tianda Pharmaceuticals Limited (Hong Kong)	Non-executive Director	August 2023	Up to date
Zhong Tao	SPH PROJECT BIOCAD Limited	Director	March 2023	Up to date
Zhong Tao	SPH Chromo AG	Director	March 2023	Up to date
Zhong Tao	Shanghai United International Limited	Director	August 2023	Up to date



Name of personnel	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
Zhong Tao	Shanghai Industrial Group Pharmaceutical Co. Ltd.	Director	August 2023	Up to date
Zhong Tao	Shanghai Huarui Investment Co. Ltd.	Executive Director	August 2023	Up to date
Zhong Tao	SIIC Medical Science and Technology (Group) Limited	Director	August 2023	Up to date
Zhong Tao	SIMST Medical Science and Technology Development Limited	Director	August 2023	Up to date
Zhong Tao	World Honest Investments Limited	Director	August 2023	Up to date
Zhong Tao	Shanghai Industrial Medicine Research & Development Co., Ltd. (上實醫藥研開發有限公司)	Director	August 2023	Up to date
Zhong Tao	Shanghai Pharmaceutical Co., Ltd. (上藥控股有限公司)	Director	November 2025	Up to date
Zhong Tao	Shanghai Shangshi Biomedical Innovation Investment Management Co., Ltd. (上海上實生物醫藥創新投資管理有限公司)	Director	July 2022	Up to date
Shao Shuai	Shanghai Zhonghua Pharmaceutical Co., Ltd.	Chairman	May 2025	Up to date
Shao Shuai	Shanghai SPH Youpin Technology Co., Ltd. (上海上藥優品科技有限公司)	Chairman	September 2025	November 2025
Maimaiti Aili	SPH NO.1 Biochemical & Pharmaceutical Co., Ltd.	Chairman	December 2025	Up to date
		Director	April 2023	Up to date
Maimaiti Aili	Shanghai Shangke Pharmaceutical Co., Ltd.	Director	April 2023	Up to date
Maimaiti Aili	Gansu Sine Tiansen Pharmaceutical Co., Ltd.	Chairman	April 2024	December 2025
Maimaiti Aili	SPH Changzhou Kony Pharmaceutical Co., Ltd. (上藥康麗(常州)藥業有限公司)	Chairman	August 2024	Up to date
Maimaiti Aili	TECHPOOL Bio-Pharma Co., Ltd.	Chairman	December 2025	Up to date

## CHANGES IN DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change situation	Reasons for changes
Man Kwan	Independent Non-executive Director	Election	Due to work reallocation
Li Dongming	Vice President	Resignation	Due to personal reasons
Zhou Yadong	Vice President, Chief Financial Officer	Appointment	Due to work reallocation
Shen Bo	Chief Financial Officer	Resignation	Due to work reallocation
Mao Jianyi	Vice president	Resignation	Due to work reallocation
Zhao Yong	Employee Director	Election	Due to work reallocation

Save as disclosed in this report, there has been no change in the information of directors and senior management which are required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

# Corporate Governance Report

The board of directors is pleased to present the corporate governance report of the Group for the year ended 31 December 2025. The Company is committed to maintaining a high standard of corporate governance and believes that good and effective corporate governance is vital for the long term success and sustainability of Shanghai Pharmaceuticals's business.

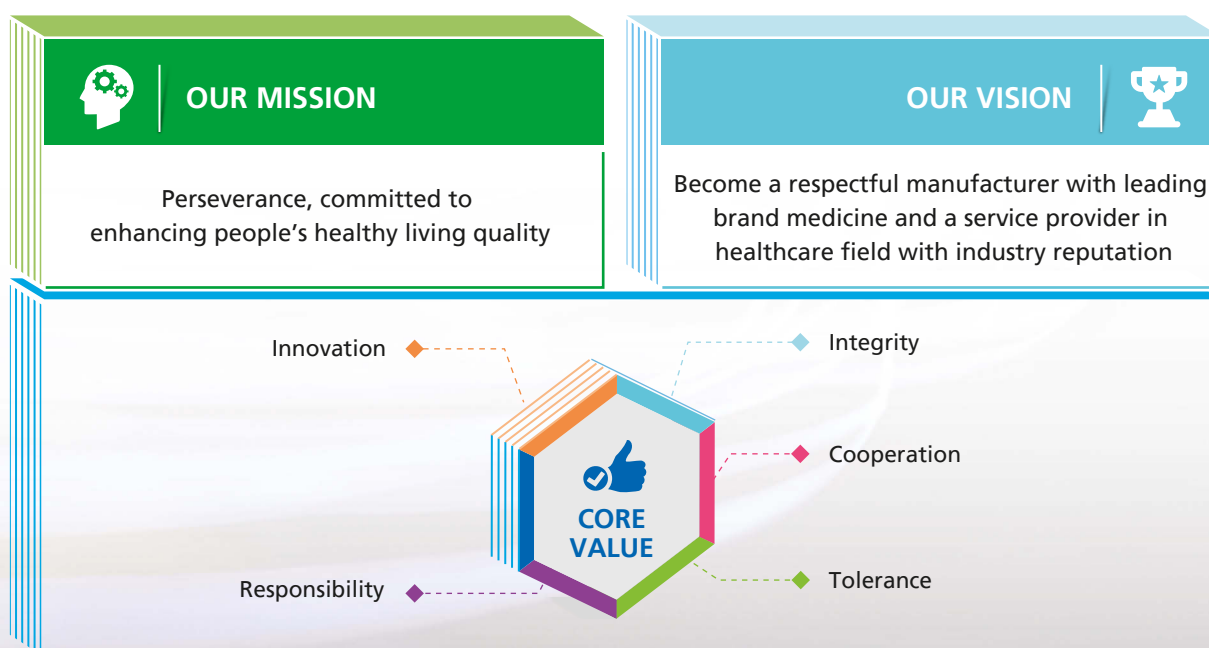
## CORPORATE GOVERNANCE PRACTICE

As a company dual-listed in the A-share and H-share markets, Shanghai Pharmaceuticals has constantly improved the corporate governance structure of the Company, enhanced information disclosure, and standardized the Company's operations in accordance with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant laws and regulations of the China Securities Regulatory Commission and the Listing Rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

As at the end of the Reporting Period, the corporate governance of the Company complied with the standardized operation requirements of listed companies, and did not significantly deviate from the requirements of relevant documents of the China Securities Regulatory Commission. At the same time, the Company complied with the principles and code provisions set forth in the Corporate Governance Code (version up to 30 June 2025) during the Reporting Period. The amendments to the Corporate Governance Code came into effect from 1 July 2025 and the requirements under the new Corporate Governance Code will apply to corporate governance reports for financial years commencing on or after 1 July 2025.

## CORPORATE CULTURE

A healthy corporate culture across the Group is integral to attain its vision and strategy. The board of directors is committed to creating a positive and progressive culture based on the following core concepts.





## BOARD OF DIRECTORS

### Composition of the board of directors

The Company's board of directors comprises four executive directors, namely Mr. Yang Qihua (chairman), Mr. Shen Bo (also the president), Mr. Li Yongzhong (also the executive president) and Mr. Dong Ming; one non-executive director, namely Mr. Zhang Wenxue; one employee director, namely Mr. Zhao Yong; and four independent non-executive directors, namely Mr. Gu Zhaoyang, Mr. Fok Manson, Mr. Wang Zhong and Ms. Man Kwan. The biographical details of the directors are set out in the chapter headed "Directors and Senior Management" in this annual report.

Among the above members of the Board, Ms. Man Kwan was elected and appointed as a director on 13 March 2025 at the shareholders' general meeting, and Mr. Zhao Yong was elected and appointed as an employee director on 11 February 2026 at the employee representative meeting. Ms. Man Kwan and Mr. Zhao Yong have obtained the legal advice referred to in Rule 3.09D of the Hong Kong Listing Rules on 13 March 2025 and 11 February 2026, respectively, and they have confirmed that they understood their obligations as a director of a listed issuer.

As far as the Company is aware, the members of the board of directors, the chairman and the president had no relationship in respect of finance, business or family or relevant material relationship with each other.

Pursuant to the Articles of Association and Code Provision B.2.2, the term of office of the directors (including independent non-executive directors) is three years, renewable upon re-election at its expiry, provided that the term of office of the independent non-executive directors shall not exceed a consecutive period of six years.

## BOARD AND EMPLOYEE DIVERSITY

The Company has promptly revised and adopted the Board and employee diversity policy. When assessing candidates for the Board, the Company will take into consideration of the diversity perspective set out in this policy, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service, so as to achieve a proper balance in the composition of the Board. The Board has reviewed the implementation and effectiveness of the board diversity policy during the Reporting Period and has taken appropriate measures, therefore, the Board considers that it was still valid. During Reporting Period, the Board has basically achieved the expected goal of the member diversity policy and kept an appropriate balance of member structure. Details are as follows:



The Company will continuously strive to maintain an appropriate gender diversity ratio among all employees to promote the gender balance in the management, and ensure that different genders are appropriately represented among all employees (including senior management) to facilitate the optimization of diversified decision-making and corporate governance. The ratio of male to female employees of the Group is 49.8:50.2. Among the 7 members of senior management, 5 are male and 2 are female, and different departments are led by different male and female employees. Therefore, the board of directors believes that the Company has achieved the expected goal in terms of gender diversity.

The Company values gender diversity and will continue to take steps to promote gender diversity at all levels of the Company, in particular at the Board level. At present, there is a director of different gender in the Board and the Nomination Committee of the Company. In addition, the Company is committed to providing career development and training opportunities for its staff who have the suitable experience, skills and knowledge with an aim to promote them to senior management or directors. The Company will also ensure that there is gender diversity in staff recruitment at mid to senior levels so as to develop a pipeline of potential successors to the board of directors.



## Primary duties of the Board of Directors

The Company has complied with the provisions of the Corporate Governance Code and distinguished between the roles of the chairman and the chief executive officer. Mr. Yang Qihua is the current chairman of the Company and Mr. Shen Bo is the president of the Company. Meanwhile, with a view to differentiate the duties of the board of directors and the management, the Board is responsible for the Company's policy, budget and financial accounts, significant transactions (especially for those involving conflict of interest), financial data, recruiting or dismissing senior management, corporate governance function as well as other functions and powers as authorized by laws, administrative regulations, departmental rules, Articles of Association or general meetings. The management is responsible for daily operations and implementation of relevant decisions.

## Board meetings

In accordance with Code Provisions C.5.1 and C.2.7, during the Reporting Period, the Board held at least four regular meetings every year, which were convened by the chairman and notices of Board meetings were served on all directors as required by relevant requirements; independent non-executive directors met with the chairman individually at least once.

During the Reporting Period, the Board held a total of eleven meetings, at which proposals were considered in relation to the Company's business results, financial accounts and budgets, policies formulation, profit distribution, grant of equity incentives, connected transactions, election of directors as well as the performance of the corporate governance function (including environmental, social and governance matters), etc.

The directors are allowed to learn the information necessary for the decision-making from the office of the board, the meeting convener, the president and other senior management, various special committees, accounting firms and law firms and other relevant personnel and institutions before the meeting, or to suggest the president to invite the above-mentioned persons and the representatives of the above-mentioned institutions to attend the meeting to explain the relevant situations. The board has reviewed the implementation status and effectiveness of the mechanism for directors to obtain independent opinions and advice during the Reporting Period, and considered that such mechanism was effectively implemented.

## DIRECTOR'S CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Reporting Period, all directors participated in the continuing professional development program to develop and update their knowledge and skills. Man Kwan, the director, participated in the training on continuous obligations and responsibilities for directors, supervisors and senior management of Hong Kong listed companies provided by Freshfields on 13 March 2025. In addition, Ms. Man Kwan read and studied the content regarding topics on the latest development of the industry and business. From 14 February to 28 February 2025, directors including Yang Qihua, Zhang Wenxue, Shen Bo, Li Yongzhong, Dong Ming, Gu Zhaoyang, Fok Manson and Wang Zhong participated in the compliance performance training for directors, supervisors and senior management of listed companies in 2025 organized by Shanghai Stock Exchange, with the topic mainly covering the responsibilities of the board of directors and the directors, risk management and internal control. In December 2025, Fok Manson, the director, participated in the 2025 training courses for the directors and senior management of listed companies in Shanghai organized by the Listed Companies Association of Shanghai, with the topic mainly covering corporate governance and ESG, risk management and internal control.

The Company regularly provides all the directors with monthly data summary, latest information regarding the corporate governance and directors' responsibilities under the listing rules of two places and other applicable laws and regulations, so that the directors are able to make informed decisions and discharge their responsibilities and duties as directors of the Company.

## COMMITTEES UNDER THE BOARD

### Remuneration and assessment committee

The remuneration and assessment committee under the Board of Directors of the Company consists of Mr. Wang Zhong (an independent non-executive director), acting as its convener/chairman, Mr. Yang Qihua (an executive director) and Mr. Gu Zhaoyang (an independent non-executive director). The remuneration and assessment committee is a special body established under the Board of Directors, mainly responsible for formulating and implementing the performance assessment standards for directors, the president and other senior management of the Company, and formulating and reviewing the remuneration policies and proposals for directors, the president and other senior management, and reviewing and/or approving matters relating to the share scheme described in Chapter 17 of the Hong Kong Listing Rules. For details of the remunerations of directors, supervisors and senior management, please refer to "Report of the Board of Directors" and "Directors and Senior Management" respectively.

During the Reporting Period, the remunerations of 7 members of senior management by band are as follows:

Remuneration Band (RMB)	Number
3,000,001 to 4,000,000	2
2,000,001 to 3,000,000	2
1,000,001 to 2,000,000	3

During the Reporting Period, the remuneration and assessment committee held two meetings, at which the performance review on senior management, option incentive plan and other matters were discussed.

### Audit committee

The audit committee under the Board of Directors of the Company consists of Mr. Gu Zhaoyang (an independent non-executive director), acting as its convener/chairman, Mr. Fok Manson (an independent non-executive director) and Mr. Wang Zhong (an independent non-executive director). The audit committee is a body specifically set up under the Board of Directors, mainly responsible for the relationship between the Company and the external auditors, reviewing the financial information of the Company, supervising the financial reporting mechanism and risk management and internal control systems of the Company and considering and supervising the environmental, social and governance matters of the Company.



During the Reporting Period, the audit committee held a total of six meetings, at which proposals were discussed in relation to the Company's business results, the self-appraisal report on internal control of the Company, work summary of the audit center for the year and future work plans, audit schedule on financial report, annual summary and plan on ESG, connected transactions, etc.

In accordance with Code Provision D.3.3 and Rule 14A.55 of the Hong Kong Listing Rules, the audit committee met with the auditor without the presence of management at least once during the Reporting Period; the audit committee and independent non-executive directors have reviewed the continuing connected transactions of the Company.

### Strategy committee

The strategy committee under the Board of Directors of the Company consists of Mr. Yang Qiuhua (an executive director) acting as its convener/chairman, Mr. Zhang Wenxue (a non-executive director) and Mr. Wang Zhong (an independent non-executive director). The strategy committee is a special body established under the Board of Directors focusing on strategy study as entrusted by the Board of Directors, mainly responsible for conducting forward-looking study on corporate development strategy and related issues, performing evaluations and making recommendations.

During the Reporting Period, the strategy committee held one meeting, at which the "15th Five-Year" development plan of the Company was discussed.

### Nomination committee

The nomination committee under the Board of Directors of the Company consists of Mr. Fok Manson (an independent non-executive director) acting as its convener/chairman, Mr. Shen Bo (an executive director), Mr. Gu Zhaoyang (an independent non-executive director) and Ms. Man Kwan (an independent non-executive director). The nomination committee is a special body established under the Board of Directors, mainly responsible for analysing the candidates for directors of the Company and the selecting criteria and procedures and making recommendations to the Board of Directors. The nomination committee may also be responsible for analysing the candidates for the senior management of the Company and the selecting criteria and procedures and making recommendations to the Board of Directors when necessary.

During the Reporting Period, the nomination committee held two meetings, mainly reviewed the structure, size and composition of the Board (including skill, knowledge and experience), evaluated the independence of independent non-executive directors and proposed to nominate the candidates for directors of the Company.

The nomination procedure for the directors of the Company is as follows: The nomination committee submits proposals for candidates of directors to the Board. The Board, or shareholders individually or collectively holding more than one percent (1%) of the Company's Shares (including the preference shares with voting rights resumed, etc.), may nominate directors to the shareholders' general meeting. The shareholders' general meeting finally reviews and approves candidates for directors.

Selection of candidates for director considers factors including, but not limited to, the Company's strategic planning, operating activities, asset size and shareholding structure, as well as the candidate's qualifications, independence, and professional fields, and the situation of the Board diversity, etc.

## ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The following table sets forth the attendance of each director during their terms of office at meetings of the Board and Board committees and the Company's general meeting for the year ended 31 December 2025:

Name of Director	Attendance/Numbers of Meetings						
	Board of Directors	Independent directors meeting	Remuneration and assessment committee	Audit committee	Strategy committee	Nomination committee	General Meeting
<b>Executive directors</b>							
Mr. Yang Qiuhua	11/11		2/2				3/3
Mr. Shen Bo	11/11					2/2	3/3
Mr. Li Yongzhong	11/11						3/3
Mr. Dong Ming	11/11						2/3
<b>Non-executive director</b>							
Mr. Zhang Wenxue	11/11						2/3
<b>Independent non-executive directors</b>							
Mr. Gu Zhaoyang	11/11	5/5	2/2	6/6	1/1	2/2	2/3
Mr. Fok Manson	11/11	5/5		6/6	1/1	2/2	1/3
Mr. Wang Zhong	11/11	5/5	2/2	6/6	1/1		2/3
Ms. Man Kwan <sup>Note</sup>	8/8	4/4				1/1	1/2

Note: On 13 March 2025, Ms. Man Kwan was elected as a member of the eighth session of the Board at the first extraordinary general meeting of 2025, and held relevant positions.

## COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Board of Directors has confirmed that the Company has adopted the Model Code. After sufficient enquiry, all the directors have confirmed that during the Reporting Period, they have complied with the Model Code in all aspects.



## REMUNERATION OF AUDITORS

With reference to the Company's actual situation of business development, the audit fee payable to the auditors by Shanghai Pharmaceuticals for 2025 was set at RMB17.593 million (relevant disbursement and taxation expenses inclusive) while the audit fee for internal control was set at RMB1.5 million (relevant disbursement and taxation expenses inclusive) upon consultation and confirmation by the Company with the auditor of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP.

In 2025, a non-audit service fee of approximately RMB1.3136 million (taxation expense and disbursement inclusive) was paid by the Company to the affiliates or network members of the Company's auditors mainly for tax consulting services.

## ACCOUNTABILITY AND AUDIT

Directors acknowledged their responsibility for preparation of financial statements of the Group for the year ended 31 December 2025.

As far as the directors are aware, there was no event, condition or material uncertainty that may cast doubt upon the Group's ability to continue its operation as a going concern.

The statements of declaration responsibilities made by the auditor on the financial statements are contained in the "Independent Auditor's Report".

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ensuring adequate and effective establishment and maintenance of the management of risks (including environmental, social and governance risk, the same as below) and internal control system of the Company. During the Reporting Period, the Board has completed the annual review on the effectiveness of the Group's internal control system which covered all material control aspects, including finance, operation and compliance controls and risk management functions, and also the Board has taken full consideration of accounting, internal review, financial reporting function and resources relevant to the Company's performance in environment, social and governance and reporting as well as the qualification of the employees and their experience and makes sure the employees receive enough training with sufficient budget. As the risk management and internal control system has its limitations, the system is designed to manage rather than eliminate the risk of failing to achieve business objectives and only provide reasonable and not absolute assurance against material misstatement or loss. As of 31 December 2025, such system of the Company is considered operating effectively and adequately.

During the Reporting Period, the Company further clarified the responsibilities of the members of the risk management task force, refined the management and reporting mechanism, and continued to implement a tiered and categorized management mechanism featuring upward reporting and downward supervision. The Company has established a three-line of risk defense model with each subordinate enterprise and functional department as the first line of defense, the risk management task force (comprising the leaders, lead departments and supporting departments of the Company) as the second line of defense and the audit committee as the third line of defense.

The Company implemented the risk management working procedures consisting of six steps, i.e. risk identification, risk assessment, risk measurement, risk monitoring, risk response and risk report, to systematically and regularly identify internal and external risks, assess the likelihood and impact of risks, identify specific risk exposures based on the nature, scale and complexity of the business to reflect the risk profile, determine the exposure boundaries for key risks under management in a quantitative or qualitative manner, identify risk response strategies and implement response plans, and regularly and systematically report the risk and risk management information. The Company adopted seven risk response strategies, i.e. risk assumption, risk transfer, risk hedging, risk conversion, risk compensation, risk control and risk avoidance, to against risks. Based on risk priorities, the Company formulated special counter-measures against risks, and reassessed the residual risk after taking risk response measures, striving to reduce the residual risk level to a level close to or below the Company's target residual risks through effective risk response measures.

In terms of the significant risks identified by the Company in 2025, compared with the review situation in the previous year, the impact of cash flow risk, geopolitical risk, and digital intelligence transformation risk has increased, while the impact of compliance risk, product innovation risk, centralized procurement risk and equity investment risk remained the same as the previous year. In 2025, the Company has also adopted measures to respond to major risks, taking compliance and internal control as the bottom line for survival, innovation and transformation as the main theme of development, supply chain resilience as the guarantee for operations, and digital intelligence empowerment as the management tool, thereby building resilient risk-response capabilities and a foundation for sustainable development amidst uncertainty.

In view of the internal control, the Company has established the corporate governance structure according to the requirements of establishing the modern enterprise system based on the enterprise risk and combining with its own development, and set up the organization structure which conforms to the business scale and operational needs of the Company. The Company continuously upgraded and optimized the internal control management system in terms of the internal environment, risk assessment, control activities, information and communication and internal supervision.

During the Reporting Period, the audit center comprehensively advanced the centralized management of audit functions, aiming to establish a centralized, comprehensive and efficient internal audit supervision system; conducted special audit in key areas, covering 79 shareholding enterprises and more than 40 investees and conducted special audit on receivables; continuously strengthened closed-loop management of audit rectifications; conducted audits on operational performance and economic responsibility, investment review, post-investment audit, etc. The audit center shall submit a work report to the audit committee at least once a year, and shall promptly report to the audit committee upon the identification of any material risks. The audit committee shall report to the Board and provide advices as appropriate. In addition, the Company also engaged an external auditor Deloitte Touche Tohmatsu Certified Public Accountants LLP to conduct an independent audit on the effectiveness of the Company's internal control over the financial report as at 31 December 2025.



During the implementation of the risk management and internal control system, the Company did not identify any material control failures or weaknesses. The Company's procedures for financial reporting and compliance with the Hong Kong Listing Rules remained effective.

The Company has established a complete inside information processing and publication procedure. The Company has formulated and implemented information disclosure management regulations such as the Information Disclosure Affair Management Regulations and Investor Relations Management Regulations, and properly implemented the inside information confidentiality procedure. The Company strictly complied with the regulations of the Inside Information and Insiders Management Regulations and other related regulations to strengthen the confidentiality of inside information and improve the management of insider registration. The Company's directors, senior management, and other relevant personnel are able to strictly abide by the confidentiality obligations during the preparation of periodic reports and interim announcements and during the planning of significant events.

The Company has established a complaint and whistleblower mechanism, pursuant to which employees can, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Such arrangements shall be reviewed by the audit committee to ensure that proper arrangements are in place for fair and independent investigation of such matters.

The Company also published anti-bribery and anti-corruption policies such as the Anti-Commercial Bribery Management Measures and Compliance Guidelines on Preventing Commercial Bribery Risks, and conducted anti-corruption trainings, various warning case studies, and other activities for both the headquarters and subordinated companies.

## **COMPANY SECRETARY**

The primary responsibility of the company secretary of the Company is to ensure good information exchange between Board members and the compliance with the policies and procedures of the Board of Directors as well as all applicable regulations. Mr. Zhong Tao and Ms. Wong Pui Kiu Ingrid of Tricor Services Limited (external service provider) are the joint company secretaries of the Company, and received relevant training of not less than 15 hours in 2025, which is in conformity with Rule 3.29 of the Hong Kong Listing Rules. The main internal contact person of the Company of Ms. Wong Pui Kiu Ingrid is the vice president, Board secretary and joint company secretary of the Company, Mr. Zhong Tao.

## SHAREHOLDER'S RIGHTS

The Company treats all shareholders equally with an aim to ensure that their rights can be fully exercised and their legitimate interests can be safeguarded and that the shareholders' general meetings can be convened and held in strict compliance with the relevant laws and regulations. The Articles of Association and rules of procedures for the shareholders' general meeting specifies in detail the specific procedures for convening an extraordinary general meeting by shareholders and proposing provisional motions at shareholders' general meetings. Shareholders individually or collectively holding 10% or more of Shares of the Company (including the preference shares with voting rights resumed, etc.) may request the Board to convene an extraordinary general meeting and such request shall be in written form. The Board shall decide on whether the proposal is approved based on the provisions of laws, administrative regulations and the Articles of Association as well as the specific circumstances. Shareholders individually or collectively holding 1% or more of Shares of the Company (including the preference shares with voting rights resumed, etc.) may propose provisional proposals and submit them in writing to the convener 10 days before the holding of the shareholders' general meeting. The convener shall include in the agenda of the meeting the issues raised in the proposals that fall within the scope of responsibility of the shareholders' general meeting. For the contact information for shareholders to make inquiries or submit temporary proposals to the Company, please refer to the chapter headed "Corporate Information" in this annual report.

## INVESTOR RELATIONS

The Company attaches great importance to maintaining continuous communication with shareholders. The Company's shareholder communication policy includes: establishing the Company's website (<http://www.sphchina.com>) for the public to access the information and updated information about the Company's business development and operation, financial information, corporate governance practices, ESG and other information; shareholders and the public can make inquiries about the Company or express their opinions in writing at any time through the "SSE E interactive platform" and the Company's email; the Board of Directors and the management communicate directly with shareholders through shareholders' general meetings, results announcement, investor roadshow activity, etc.

The Board of Directors has reviewed the participation and communication activity of shareholders and investors conducted by the Company in 2025. During the Reporting Period, the information on the Company's website was updated in time, the investors' inquiries were answered on a regular basis, and shareholders had the opportunity to communicate with directors and senior management at the shareholders' general meeting. Based on the above situation, the Board of Directors believed that the shareholder communication policy remained effective.

## ARTICLES OF ASSOCIATION

During the Reporting Period, the Company held the extraordinary general meetings on 13 March 2025 and 9 December 2025, at which the Proposal regarding the Amendments to the Article of Association and the Proposal regarding Abolishment of the Supervisory Board and the Amendments to the Articles of Association and its Appendices were considered and approved. For amendment details, please refer to the circulars of the Company dated 21 February 2025 and 19 November 2025.



## **DIVIDEND POLICY**

Pursuant to the Articles of Association, the Company implements a consistent and stable profit distribution policy. The dividend may be distributed by the Company by way of cash, shares or the combination of both. The cumulative cash dividends of the Company for the latest three years shall not be less than 30% of the average annual distributable profit for the same three-year period. The detailed distribution plan will be determined by the shareholders' general meeting of the Company in accordance with the Company's actual operating results for the year.

The details of the profit distribution plan for 2025 recommended by the Board of Directors are outlined in the "Report of the Board of Directors" section of this annual report. The proposed final dividend is in line with the Group's dividend policy, and there is no significant deviation in the dividend rate from the previous year.

## **ELECTRONIC DISSEMINATION OF CORPORATE COMMUNICATIONS**

The Company is committed to reducing carbon emissions, to promote sustainable practices across operations, we have adopted the new practice on disseminating the corporate communications electronically, to the extent permitted by the applicable Hong Kong Listing Rules, relevant laws and regulations (please refer to the Company's website). The Company expects these amendments will significantly reduce the use of paper and lessen our impact on the environment.

# Deloitte.

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**To the Shareholders of  
Shanghai Pharmaceuticals Holding Co., Ltd.:**

## **OPINION**

We have audited the financial statements of Shanghai Pharmaceuticals Holding Co., Ltd. ("Shanghai Pharmaceuticals"), which comprise the consolidated and Company's balance sheets as at 31 December 2025, and the consolidated and Company's income statements, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of Shanghai Pharmaceuticals have been prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises, and presented fairly the consolidated and the Company's financial position as at 31 December 2025, and the consolidated and the Company's results of operations and cash flows for the year then ended.

## **BASIS FOR OPINION**

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Shanghai Pharmaceuticals in accordance with the Independence Standards for Chinese Certified Public Accountants No. 1 – Independence Requirements for Financial Statement Audit and Review Engagements and the Code of Ethics for Chinese Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We have complied with the independence requirements for audits of public interest entities during our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **KEY AUDIT MATTERS**

The key audit matters are the most important matters that we consider to the audit of financial statements based on our professional judgement. The responses to these matters are based on the audit of the financial statements as a whole and the formation of an audit opinion. We do not express an opinion on these matters separately. We determine that the following matters are the key audit matters that need to be communicated in the auditor's report.

- (I) Impairment of goodwill
- (II) Expected credit loss of accounts receivable
- (III) Provision for decline in value of inventories



## KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matter
<p>(I) Impairment of goodwill</p> <p>Refer to Note (II) 32.1.3 to the financial statements (Significant Accounting Estimates and Judgements) and Note (IV) 22 to the financial statements (Goodwill). As at 31 December 2025, the gross carrying amount of and impairment provision for goodwill in the consolidated financial statements of Shanghai Pharmaceuticals are RMB14,936,815,859.30 and RMB2,271,200,289.43, respectively.</p> <p>In performing impairment test with the assistance of external appraiser, the management of Shanghai Pharmaceuticals adopts discounted cash flow method to determine the recoverable amount of the asset group or portfolio of asset groups that contains goodwill. The key assumptions adopted in calculating the recoverable amount include:</p> <ul style="list-style-type: none"> <li>• Revenue growth rate for the forecast period</li> <li>• Revenue growth rate for the stable period</li> <li>• Gross margin</li> <li>• Pre-tax discount rate</li> </ul> <p>We identify the impairment of goodwill as a key audit matter as (1) the goodwill is significant in amount, (2) the estimate of recoverable amount is subject to uncertainties, (3) the above key assumptions are subjective and involve significant management judgement and estimates.</p>	<p>We obtained an understanding of the key internal controls related to goodwill impairment and evaluated the design and operating effectiveness of these controls.</p> <p>Using sampling approach, we checked the basis of allocating goodwill to the asset group or portfolio of asset groups used by the management and assessed the relevant reasonableness.</p> <p>With assistance of internal valuation experts, we reviewed and evaluated the reasonableness and appropriateness of the valuation methodology, future cash flow projections, revenue growth rate for the forecast period, revenue growth rate for the stable period, gross margin, and pre-tax discount rate and other key parameters used by management in impairment testing. We also reconciled the data used in forecasting cash flow with historical data and other supporting evidence and considered the relevant reasonableness.</p> <p>We obtained the valuation report issued by the external appraiser employed by the management, and assessed the professional quality, competence and objectivity of the external appraiser.</p>



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## EY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matter
<p>(II) Expected credit loss of accounts receivable</p> <p>Refer to Note (II) 32.1.5 to the financial statements (Significant Accounting Estimates and Judgements) and Note (IV) 5 to the financial statements (Accounts receivable). As at 31 December 2025, the gross carrying amount of and bad debt allowance for accounts receivable in the consolidated financial statements of Shanghai Pharmaceuticals are RMB85,179,729,191.18 and RMB2,873,328,561.35, respectively.</p> <p>The balance of loss allowance for accounts receivable reflects the management's best estimate of expected credit loss ("ECL") at the reporting date using the ECL model under the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.</p> <p>The management measures the ECL provision for accounts receivable at an amount equivalent to lifetime ECL. Where there is objective evidence indicating the accounts receivable are impaired, the management recognises ECL and assesses provision for individual bad debts by calculating the weighted average amount of the present value of the difference between the contractual cash flows receivable and cash flows expected to be received. For accounts receivable without objective evidence of impairment, the management determines the bad debt allowance on the basis of the prior-year actual loss ratio and aging analysis of the portfolio of accounts receivable with similar credit risk characteristics, taking into consideration of reasonable and supporting information such as current conditions and forecast of future economic conditions.</p> <p>We identify the ECL of accounts receivable as a key audit matter as (1) the accounts receivable is significant in amount, (2) the estimate of ECL is subject to uncertainties and involves significant management judgement and estimates.</p>	<p>We obtained an understanding of the key internal controls related to the measurement of expected credit losses for accounts receivable and evaluated the design and operating effectiveness of these controls.</p> <p>Using sampling approach, we checked the accuracy of the aging analysis schedule of accounts receivable prepared by the management, and tested the general control and automated control of information systems relating to the maintenance of aging analysis schedule.</p> <p>Using sampling approach, we checked the accuracy of the aging analysis schedule of accounts receivable prepared by the management, and tested the general control and automated control of information systems relating to the maintenance of aging analysis schedule.</p> <p>We assessed the appropriateness of the management's method of categorisation of accounts receivable into several portfolios for bad debt provision and the calculation by considering the actual bad debt amount and circumstances of the same type of portfolio of accounts receivable, in combination with the factors such as customer payment status and market conditions.</p> <p>With the assistance of internal valuation experts, we assessed risks of material misstatement in estimating the ECL. We also assessed the forward-looking information used by the management in ECL model, including review of the management's selection of economic indicators and assessment of the results of the sensitivity analysis on the forward-looking information performed by the management taking into consideration of reasonable and possible changes in key assumptions.</p>



## EY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matter
<p>(III) Provision for decline in value of inventories</p> <p>Refer to Note (II) 32.1.4 to the financial statements (Significant Accounting Estimates and Judgements) and Note (IV) 9 to the financial statements (Inventories). As at 31 December 2025, the gross carrying amount of and provision for decline in value of inventories in the consolidated financial statements of Shanghai Pharmaceuticals are RMB46,670,632,249.80 and RMB1,311,684,699.76, respectively.</p> <p>Inventories are measured at the lower of cost and net realisable value. For inventories with expiry dates, the management determines the provision for decline in value of inventories based on the expiry dates, taking into consideration of the suppliers' terms of return and exchange of goods and the forecast on marketability of near-expired inventories.</p> <p>We identify the impairment of inventories as a key audit matter as (1) inventories are significant in amount, (2) the estimation of provision is uncertain, and (3) the judgement on future marketability is subjective and involves significant management judgement and estimates.</p>	<p>We obtained an understanding of the key internal controls related to provisions for decline in value of inventories and evaluated the design and operating effectiveness of these controls.</p> <p>Using sampling approach, we tested the accuracy of the statement of expiry dates of inventories prepared by the management, including the testing of the general control and automated control of information systems used to maintain the expiry dates of inventories.</p> <p>Using sampling approach, we tested the near-expired inventories for which provision for decline in value has not been made, and checked the agreement with suppliers on return and exchange of goods.</p> <p>For near-expired inventories for which provision for decline in value has been made, we assessed the reasonableness of the management's forecast of the marketability by sampling inspection of the historical sales.</p> <p>We tested the accuracy of calculation of provision for decline in value of inventories.</p>



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## OTHER INFORMATION

The management of Shanghai Pharmaceuticals is responsible for other information. The other information comprises the information included in the 2025 annual report of Shanghai Pharmaceuticals, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the audit work 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 THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of Shanghai Pharmaceuticals is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Shanghai Pharmaceuticals' 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 management either intends to liquidate Shanghai Pharmaceuticals or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Shanghai Pharmaceuticals' financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing 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 financial statements.



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## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)**

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the 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.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Shanghai Pharmaceuticals' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by China Standards on Auditing to draw attention in our auditor's report to the related disclosures in the 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 Shanghai Pharmaceuticals to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Shanghai Pharmaceuticals to express an opinion on the financial statements. We are responsible for the direction, supervision and performance 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.



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## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)**

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

**Deloitte Touche Tohmatsu CPA LLP**  
**Shanghai, China**

*Chinese Certified Public Accountant: Mao Zhi Hong*  
*(Engagement partner)*

*Chinese Certified Public Accountant: Chen Jia Lei*

30 March 2026

*The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

# The Consolidated and The Company's Balance Sheets at 31 December 2025

(In RMB, unless otherwise stated)

Assets	Notes	31 December 2025 The Consolidated	31 December 2024 The Consolidated	31 December 2025 The Company	31 December 2024 The Company
<b>Current Assets</b>					
Cash and bank balances	(IV) 1	32,721,763,351.58	35,744,328,038.57	5,103,623,231.43	9,052,869,451.72
Held-for-trading financial assets	(IV) 2	10,360,938,931.51	8,632,930,000.00	10,360,938,931.51	8,632,930,000.00
Derivative financial assets	(IV) 3	721,010.06	16,224,786.35	147,402.28	10,803,283.33
Notes receivable	(IV) 4	1,030,570,879.31	1,122,105,045.23	-	-
Accounts receivable	(IV) 5, (XV) 1	82,306,400,629.83	79,129,205,739.16	2,245,158.84	78,949,325.65
Receivables financing	(IV) 6	2,528,730,548.02	1,965,669,770.02	-	-
Prepayments	(IV) 7	1,621,546,115.42	1,947,402,427.71	448,329.53	7,336,544.65
Other receivables	(IV) 8, (XV) 2	3,113,104,316.93	3,106,695,609.03	16,199,318,697.02	15,261,964,084.43
Including: Interest receivable		-	-	84,330,431.64	83,191,834.79
Dividends receivable		18,742,898.66	94,189,935.96	123,636,815.66	217,888,925.96
Inventories	(IV) 9	45,358,947,550.04	38,943,669,737.08	-	-
Non-current assets due within one year	(IV) 13	87,403,889.78	83,611,615.14	10,040,484.54	9,621,930.57
Other current assets	(IV) 10	1,333,568,015.30	1,131,264,653.68	305,490.20	292,871.95
<b>Total Current Assets</b>		<b>180,463,695,237.78</b>	<b>171,823,107,421.97</b>	<b>31,677,067,725.35</b>	<b>33,054,767,492.30</b>
<b>Non-current Assets</b>					
Long-term receivables	(IV) 13	307,934,020.34	386,244,506.89	10,477,245.63	20,517,730.17
Long-term equity investments	(IV) 14, (XV) 3	7,010,202,458.66	8,066,844,872.89	32,711,122,760.17	31,291,629,163.29
Investments in other equity instruments	(IV) 11	32,683,905.48	43,899,340.70	-	-
Other non-current financial assets	(IV) 12	1,545,310,713.45	1,724,668,131.23	1,449,264,888.49	1,633,986,486.47
Investment properties	(IV) 15	411,930,954.28	366,010,300.23	2,514,828.54	2,923,909.21
Fixed assets	(IV) 16	15,493,395,192.45	14,911,045,205.84	96,221,449.24	91,596,657.81
Construction in progress	(IV) 17	1,994,094,180.71	2,148,651,608.60	12,448,897.94	27,889,758.21
Bearer biological assets	(IV) 18	4,774,514.95	133,381,840.87	-	-
Right-of-use assets	(IV) 19	1,793,806,208.10	1,981,731,618.35	73,912,728.23	51,096,058.44
Intangible assets	(IV) 20	8,743,750,239.23	5,617,462,430.33	52,883,997.51	47,117,394.09
Development expenditure	(IV) 21	103,244,846.29	215,324,899.96	-	-
Goodwill	(IV) 22	12,665,615,569.87	11,145,586,135.68	-	-
Long-term prepaid expenses	(IV) 23	546,294,913.19	534,566,477.24	33,424,601.40	30,620,117.46
Deferred tax assets	(IV) 24	1,640,049,019.47	1,627,529,013.21	-	-
Other non-current assets	(IV) 26	391,984,792.96	483,376,344.18	6,460,330.00	24,601.77
<b>Total Non-current Assets</b>		<b>52,685,071,529.43</b>	<b>49,386,322,726.20</b>	<b>34,448,731,727.15</b>	<b>33,197,401,876.92</b>
<b>TOTAL ASSETS</b>		<b>233,148,766,767.21</b>	<b>221,209,430,148.17</b>	<b>66,125,799,452.50</b>	<b>66,252,169,369.22</b>

## The Consolidated and The Company's Balance Sheets at 31 December 2025

(In RMB, unless otherwise stated)

Liabilities and Shareholders' Equity	Notes	31 December 2025 The Consolidated	31 December 2024 The Consolidated	31 December 2025 The Company	31 December 2024 The Company
<b>Current Liabilities</b>					
Short-term borrowings	(IV) 27	44,091,821,016.96	38,064,098,967.71	2,001,227,657.75	1,692,970,602.62
Derivative financial liabilities	(IV) 3	13,294,428.53	1,598,178.46	-	-
Notes payable	(IV) 28	8,810,206,222.12	9,241,133,347.89	-	-
Accounts payable	(IV) 29	52,594,352,033.44	50,241,787,131.40	44,096,709.39	45,377,268.08
Contract liabilities	(IV) 30	1,504,248,413.81	1,562,036,773.57	20,097,189.17	20,097,189.17
Employee benefits payable	(IV) 31	1,922,236,416.36	1,796,347,060.73	68,312,446.00	109,781,309.99
Taxes payable	(IV) 32	1,486,244,282.39	1,264,015,312.92	9,857,300.26	1,373,466.06
Other payables	(IV) 33	16,731,913,987.12	16,797,359,516.09	16,002,988,746.02	14,909,584,759.17
Including: Dividends payable		1,074,213,335.02	381,062,451.26	445,003,417.08	-
Non-current liabilities due within one year	(IV) 35	2,809,599,313.10	842,162,528.36	1,928,374,215.49	31,247,571.45
Other current liabilities	(IV) 36	5,234,190,156.67	6,227,847,461.97	5,036,081,369.86	6,031,879,726.03
<b>Total Current Liabilities</b>		<b>135,198,106,270.50</b>	<b>126,038,386,279.10</b>	<b>25,111,035,633.94</b>	<b>22,842,311,892.57</b>
<b>Non-current Liabilities</b>					
Long-term borrowings	(IV) 37	4,235,875,600.03	8,331,334,115.57	-	2,896,400,000.00
Lease liabilities	(IV) 38	1,149,374,250.76	1,396,299,515.58	35,843,639.38	20,882,387.70
Long-term payables	(IV) 39	9,000,000.00	9,153,417.88	-	-
Long-term employee benefits payable	(IV) 41	43,678,918.22	39,161,175.37	-	-
Provisions	(IV) 34	74,699,932.37	36,025,175.59	-	-
Deferred income	(IV) 40	573,376,479.16	550,991,222.67	48,001,001.81	35,676,880.07
Deferred tax liabilities	(IV) 24	1,945,081,137.22	816,452,826.21	5,859,736.77	5,859,736.77
Other non-current liabilities	(IV) 42	132,280,455.35	249,262,699.13	-	-
<b>Total Non-current Liabilities</b>		<b>8,163,366,773.11</b>	<b>11,428,680,148.00</b>	<b>89,704,377.96</b>	<b>2,958,819,004.54</b>
<b>TOTAL LIABILITIES</b>		<b>143,361,473,043.61</b>	<b>137,467,066,427.10</b>	<b>25,200,740,011.90</b>	<b>25,801,130,897.11</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	(IV) 43	3,708,361,809.00	3,707,971,839.00	3,708,361,809.00	3,707,971,839.00
Capital reserve	(IV) 44, (XV) 4	29,687,120,114.88	29,647,771,271.51	32,365,512,955.44	32,479,270,792.86
Other comprehensive income	(IV) 45, (XV) 5	(532,971,659.94)	(534,279,925.88)	(361,929.78)	(420,774.15)
Surplus reserve	(IV) 46	2,306,949,383.63	2,306,949,383.63	1,931,158,581.45	1,931,158,581.45
Retained profits	(IV) 47, (XV) 6	40,721,868,176.60	36,547,207,403.71	2,920,388,024.49	2,333,058,032.95
<b>Total equity attributable to shareholders of the Company</b>		<b>75,891,327,824.17</b>	<b>71,675,619,971.97</b>	<b>40,925,059,440.60</b>	<b>40,451,038,472.11</b>
<b>Minority interests</b>		<b>13,895,965,899.43</b>	<b>12,066,743,749.10</b>	<b>N/A</b>	<b>N/A</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>89,787,293,723.60</b>	<b>83,742,363,721.07</b>	<b>40,925,059,440.60</b>	<b>40,451,038,472.11</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>233,148,766,767.21</b>	<b>221,209,430,148.17</b>	<b>66,125,799,452.50</b>	<b>66,252,169,369.22</b>

The accompanying notes form part of the financial statements.

Head of the Company:  
**Yang Qihua**

Chief Financial Officer:  
**Shen Bo**

Person in Charge of the Accounting Body:  
**Zhou Yadong**

# The Consolidated and The Company's Income Statements for the year ended 31 December 2025

(In RMB, unless otherwise stated)

Items	Notes	2025	2024	2025	2024
		The Consolidated	The Consolidated	The Company	The Company
I. Operating income	(IV) 48, (XV) 7	<b>283,579,600,562.98</b>	275,250,934,889.66	<b>153,320,637.15</b>	249,622,461.53
Less: Operating costs	(IV) 48, (XV) 7	<b>(253,163,120,898.92)</b>	(244,619,261,051.98)	<b>(4,968,701.29)</b>	(43,796,164.43)
Taxes and levies	(IV) 49	<b>(854,164,313.59)</b>	(777,882,162.93)	<b>(1,312,995.94)</b>	(806,795.40)
Selling expenses	(IV) 50	<b>(13,206,178,224.37)</b>	(12,713,976,431.27)	-	-
Administrative Expenses	(IV) 51	<b>(5,312,780,131.53)</b>	(5,689,841,057.16)	<b>(223,501,390.61)</b>	(270,494,752.66)
Research and development expenses	(IV) 52	<b>(2,340,009,450.65)</b>	(2,394,433,810.21)	<b>(401,701,651.52)</b>	(544,600,060.14)
Financial expenses	(IV) 53	<b>(1,407,223,909.92)</b>	(1,480,912,176.43)	<b>(219,986,509.18)</b>	(231,012,468.96)
Including: Interest expenses		<b>(1,685,890,506.64)</b>	(1,856,737,428.35)	<b>(227,423,468.73)</b>	(292,974,969.76)
Interest income		<b>404,967,004.79</b>	522,385,724.64	<b>19,305,939.09</b>	43,587,214.58
Add: Other income	(IV) 56	<b>579,808,611.17</b>	634,371,906.48	<b>21,078,231.71</b>	55,809,057.86
Investment income	(IV) 57, (XV) 8	<b>3,170,143,585.98</b>	380,426,728.73	<b>2,595,603,942.17</b>	2,787,951,802.40
Including: Income from investments in associates and joint ventures		<b>284,473,087.52</b>	521,908,993.50	<b>144,305,204.72</b>	67,948,806.46
Losses on derecognition of financial assets at amortised cost		<b>(153,428,512.31)</b>	(158,721,185.85)	-	-
Gains from changes in fair value	(IV) 58	<b>332,120,868.45</b>	203,853,796.87	<b>189,687,363.37</b>	62,547,072.08
Impairment gains (losses) of credit	(IV) 55	<b>(574,707,845.19)</b>	(226,162,119.97)	<b>(294,161.51)</b>	35,973,304.03
Impairment losses of assets	(IV) 54	<b>(1,018,555,938.73)</b>	(614,373,564.47)	-	(25,428,136.44)
Gains (Losses) on disposal of assets	(IV) 59	<b>157,152,717.09</b>	187,967,998.85	<b>458,972.93</b>	(323,805.85)
II. Operating profit		<b>9,942,085,632.77</b>	8,140,712,946.17	<b>2,108,383,737.28</b>	2,075,441,514.02
Add: Non-operating income	(IV) 60	<b>105,652,418.79</b>	156,399,886.60	<b>197,564.75</b>	352,835.48
Less: Non-operating expenses	(IV) 61	<b>(227,933,534.31)</b>	(277,106,289.03)	<b>(822,968.80)</b>	(2,622,997.83)
III. Total profit		<b>9,819,804,517.25</b>	8,020,006,543.74	<b>2,107,758,333.23</b>	2,073,171,351.67
Less: Income tax expenses	(IV) 62	<b>(2,846,086,835.76)</b>	(2,149,995,228.86)	-	-
IV. Net profit		<b>6,973,717,681.49</b>	5,870,011,314.88	<b>2,107,758,333.23</b>	2,073,171,351.67
(I) Categorised by the nature of continuing operation					
1. Net profit from continuing operations		<b>6,973,717,681.49</b>	5,870,011,314.88	<b>2,107,758,333.23</b>	2,073,171,351.67
2. Net profit from discontinued operations		-	-	-	-
(II) Categorised by ownership:					
1. Net profit attributable to shareholders of the Company		<b>5,724,557,508.41</b>	4,552,528,438.69	<b>N/A</b>	N/A
2. Profit or loss attributable to minority interests		<b>1,249,160,173.08</b>	1,317,482,876.19	<b>N/A</b>	N/A

## The Consolidated and The Company's Income Statements for the year ended 31 December 2025

(In RMB, unless otherwise stated)

Items	Notes	2025	2024	2025	2024
		The Consolidated	The Consolidated	The Company	The Company
V. Other comprehensive income, net of tax	(IV) 45	<b>7,600,140.48</b>	(62,617,948.59)	<b>58,844.37</b>	(29,994.05)
(I) Other comprehensive income attributable to shareholders of the Company, net of tax		<b>1,308,265.94</b>	(38,190,495.76)	<b>58,844.37</b>	(29,994.05)
1. Other comprehensive income that cannot be subsequently reclassified to profit or loss		<b>(11,215,435.22)</b>	(11,517,384.50)	-	-
(1) Changes in fair value of investments in other equity instruments		<b>(11,215,435.22)</b>	(11,517,384.50)	-	-
2. Other comprehensive income that will be reclassified to profit or loss		<b>12,523,701.16</b>	(26,673,111.26)	<b>58,844.37</b>	(29,994.05)
(1) Shares of other comprehensive income of the investee accounted for using equity method that will be reclassified to profit or loss		<b>58,844.37</b>	(3,694,032.31)	<b>58,844.37</b>	(29,994.05)
(2) Provision for credit impairment of receivables financing		<b>787,674.90</b>	(469,317.10)	-	-
(3) Effective portion of profit or loss in cash flow hedges		<b>(10,086,187.58)</b>	(2,221,118.86)	-	-
(4) Translation differences of financial statements denominated in foreign currencies		<b>21,763,369.47</b>	(20,288,642.99)	-	-
(II) Amount attributable to minority interests, net of tax		<b>6,291,874.54</b>	(24,427,452.83)	-	-
VI. Total comprehensive income		<b>6,981,317,821.97</b>	5,807,393,366.29	<b>2,107,817,177.60</b>	2,073,141,357.62
(I) Total comprehensive income attributable to shareholders of the Company		<b>5,725,865,774.35</b>	4,514,337,942.93	<b>N/A</b>	<b>N/A</b>
(II) Total comprehensive income attributable to minority interests		<b>1,255,452,047.62</b>	1,293,055,423.36	<b>N/A</b>	<b>N/A</b>
VII. Earnings per share	(IV) 63				
(I) Basic earnings per share (RMB/share)		<b>1.54</b>	1.23	<b>N/A</b>	<b>N/A</b>
(II) Diluted earnings per share (RMB/share)		<b>1.54</b>	1.23	<b>N/A</b>	<b>N/A</b>

The accompanying notes form part of the financial statements.

Head of the Company:  
**Yang Qiuhua**

Chief Financial Officer:  
**Shen Bo**

Person in Charge of the Accounting Body:  
**Zhou Yadong**

# The Consolidated and the Company's Cash Flow Statements for the year ended 31 December 2025

(In RMB, unless otherwise stated)

Items	Notes	2025 The Consolidated	2024 The Consolidated	2025 The Company	2024 The Company
I. Cash Flows from/(Used in) Operating Activities					
Cash receipts from the sale of goods and the rendering of services		310,476,389,933.39	301,138,074,959.71	238,397,705.10	154,512,623.60
Receipts of tax refunds		215,861,045.48	157,075,769.86	-	-
Other cash receipts relating to operating activities	(IV) 64(1)	3,071,842,865.88	3,355,474,894.37	57,774,212.59	348,869,990.91
<b>Sub-total of cash inflows from operating activities</b>		<b>313,764,093,844.75</b>	<b>304,650,625,623.94</b>	<b>296,171,917.69</b>	<b>503,382,614.51</b>
Cash payments for goods purchased and services received		(277,210,199,143.72)	(268,134,361,085.34)	(134,012,930.64)	(213,518,990.97)
Cash payments to and on behalf of employees		(11,384,470,428.20)	(10,639,199,652.27)	(354,984,466.32)	(370,971,480.86)
Payments of various types of taxes		(7,699,771,165.26)	(7,327,044,163.21)	(1,352,519.05)	(819,650.29)
Other cash payments relating to operating activities	(IV) 64(2)	(11,315,451,728.20)	(12,722,762,991.79)	(109,554,475.82)	(373,418,330.03)
<b>Sub-total of cash outflows from operating activities</b>		<b>(307,609,892,465.38)</b>	<b>(298,823,367,892.61)</b>	<b>(599,904,391.83)</b>	<b>(958,728,452.15)</b>
<b>Net Cash Flow from/(Used in) Operating Activities</b>	(IV) 65(1)	<b>6,154,201,379.37</b>	<b>5,827,257,731.33</b>	<b>(303,732,474.14)</b>	<b>(455,345,837.64)</b>
II. Cash Flows from/(Used in) Investing Activities					
Cash receipts from disposals and recovery of investments	(IV) 64(3)	64,905,208,473.37	47,809,428,496.41	64,851,199,465.58	47,383,887,000.00
Cash receipts from investment income		533,339,309.47	1,346,951,721.68	2,611,888,823.90	3,349,714,958.94
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		105,146,870.85	244,660,546.13	9,275.94	-
Net cash receipts from disposals of subsidiaries and other business units		40,221,651.24	-	-	-
Other cash receipts relating to investing activities	(IV) 64(5)	1,435,611,552.97	1,032,193,865.93	3,548,065,928.41	5,437,742,846.07
<b>Sub-total of cash inflows from investing activities</b>		<b>67,019,527,857.90</b>	<b>50,433,234,630.15</b>	<b>71,011,163,493.83</b>	<b>56,171,344,805.01</b>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		(2,325,878,841.63)	(2,400,874,817.19)	(56,425,451.33)	(47,433,279.53)
Cash payments to acquire investments	(IV) 64(4)	(66,832,506,032.91)	(45,933,887,000.00)	(66,714,212,201.30)	(45,933,887,000.00)
Net cash payments for acquisitions of subsidiaries and other business units	(IV) 65(2)	(280,306,149.16)	(85,292,225.34)	(995,036,566.00)	-
Other cash payments relating to investing activities	(IV) 64(6)	(1,563,066,489.90)	(1,597,200,887.93)	(3,910,653,981.02)	(5,769,146,094.91)
<b>Sub-total of cash outflows from investing activities</b>		<b>(71,001,757,513.60)</b>	<b>(50,017,254,930.46)</b>	<b>(71,676,328,199.65)</b>	<b>(51,750,466,374.44)</b>
<b>Net Cash Flow from/(Used in) Investing Activities</b>		<b>(3,982,229,655.70)</b>	<b>415,979,699.69</b>	<b>(665,164,705.82)</b>	<b>4,420,878,430.57</b>

## The Consolidated and the Company's Cash Flow Statements for the year ended 31 December 2025

(In RMB, unless otherwise stated)

Items	Notes	2025 The Consolidated	2024 The Consolidated	2025 The Company	2024 The Company
III. Cash Flows from/(Used in) Financing Activities					
Cash receipts from capital contributions		23,928,175.70	86,196,122.60	7,378,175.70	86,196,122.60
Including: Cash receipts from capital contributions from minority shareholders of subsidiaries		16,550,000.00	-	-	-
Cash receipts from borrowings		61,326,650,569.91	61,928,229,561.85	2,000,000,000.00	1,692,470,326.00
Cash receipts from issue of bonds		7,997,083,333.33	11,997,222,500.01	7,997,083,333.33	11,997,222,500.01
Other cash receipts relating to financing activities	(IV) 64(7)	220,182,772.32	137,374,213.51	395,150,000.00	-
<b>Sub-total of cash inflows from financing activities</b>		<b>69,567,844,851.26</b>	<b>74,149,022,397.97</b>	<b>10,399,611,509.03</b>	<b>13,775,888,948.61</b>
Cash repayments of borrowings		(70,215,579,438.45)	(70,102,029,449.94)	(11,679,542,147.90)	(14,467,020,000.00)
Cash payments for distribution of dividends or profits or settlement of interest expenses		(3,851,752,338.09)	(4,309,892,169.51)	(1,417,577,837.65)	(2,119,489,482.57)
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		(1,051,801,460.89)	(706,216,464.59)	-	-
Other cash payments relating to financing activities	(IV) 64(8)	(1,152,281,453.30)	(1,601,031,157.18)	(282,810,809.30)	(31,802,180.24)
<b>Sub-total of cash outflows from financing activities</b>		<b>(75,219,613,229.84)</b>	<b>(76,012,952,776.63)</b>	<b>(13,379,930,794.85)</b>	<b>(16,618,311,662.81)</b>
<b>Net Cash Flow from/(Used in) Financing Activities</b>		<b>(5,651,768,378.58)</b>	<b>(1,863,930,378.66)</b>	<b>(2,980,319,285.82)</b>	<b>(2,842,422,714.20)</b>
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(3,115,599.14)	2,156,741.31	(3,218.53)	1,642.99
V. Net Increase/(Decrease) in Cash and Cash Equivalents	(IV) 65(1)	(3,482,912,254.05)	4,381,463,793.67	(3,949,219,684.31)	1,123,111,521.72
Add: Opening balance of cash and cash equivalents		31,881,272,794.87	27,499,809,001.20	9,052,842,915.74	7,929,731,394.02
VI. Closing Balance of Cash and Cash Equivalents	(IV) 65(4)	28,398,360,540.82	31,881,272,794.87	5,103,623,231.43	9,052,842,915.74

The accompanying notes form part of the financial statements.

Head of the Company:  
**Yang Qiuhua**

Chief Financial Officer:  
**Shen Bo**

Person in Charge of the Accounting Body:  
**Zhou Yadong**

# The Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2025

(In RMB, unless otherwise stated)



Items	Notes	Equity attributable to shareholders of the Company						Minority interests	Total shareholders' equity
		Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits		
<b>Balance at 1 January 2024</b>		3,703,301,054.00	29,187,649,155.53	-	(496,089,430.12)	2,306,949,383.63	33,822,332,888.31	11,801,949,913.58	80,326,092,964.93
<b>Changes for the year</b>		4,670,785.00	460,122,115.98	-	(38,190,495.76)	-	2,724,874,515.40	264,793,835.52	3,416,270,756.14
Total comprehensive income									
Net profit	(IV) 47	-	-	-	-	-	4,552,528,438.69	1,317,482,876.19	5,870,011,314.88
Other comprehensive income	(IV) 45	-	-	-	(38,190,495.76)	-	-	(24,427,452.83)	(62,617,948.59)
Total comprehensive income		-	-	-	(38,190,495.76)	-	4,552,528,438.69	1,293,055,423.36	5,807,393,366.29
Shareholders' contributions and reduction in capital									
Capital contributions from shareholders	(IV) 43	4,670,785.00	115,667,542.76	-	-	-	-	-	120,338,327.76
Share-based payment recognised in shareholders' equity	(IV) 44	-	(33,635,156.50)	-	-	-	-	-	(33,635,156.50)
Others	(IV) 44	-	378,089,729.72	-	-	-	-	(134,184,566.63)	243,905,163.09
Profit distribution									
Transfer to surplus reserve	(IV) 46	-	-	-	-	-	-	-	-
Distribution to shareholders	(IV) 47	-	-	-	-	-	(1,814,822,154.33)	(881,529,903.66)	(2,696,352,057.99)
Others	(IV) 47	-	-	-	-	-	(12,831,768.96)	(12,547,117.55)	(25,378,886.51)
<b>Balance at 31 December 2024</b>		<b>3,707,971,839.00</b>	<b>29,647,771,271.51</b>	<b>-</b>	<b>(534,279,925.88)</b>	<b>2,306,949,383.63</b>	<b>36,547,207,403.71</b>	<b>12,066,743,749.10</b>	<b>83,742,363,721.07</b>
<b>Balance at 1 January 2025</b>		<b>3,707,971,839.00</b>	<b>29,647,771,271.51</b>	<b>-</b>	<b>(534,279,925.88)</b>	<b>2,306,949,383.63</b>	<b>36,547,207,403.71</b>	<b>12,066,743,749.10</b>	<b>83,742,363,721.07</b>
<b>Changes for the year</b>		<b>389,970.00</b>	<b>39,348,843.37</b>	<b>-</b>	<b>1,308,265.94</b>	<b>-</b>	<b>4,174,660,772.89</b>	<b>1,829,222,150.33</b>	<b>6,044,930,002.53</b>
Total comprehensive income									
Net profit	(IV) 47	-	-	-	-	-	5,724,557,508.41	1,249,160,173.08	6,973,717,681.49
Other comprehensive income	(IV) 45	-	-	-	1,308,265.94	-	-	6,291,874.54	7,600,140.48
Total comprehensive income		-	-	-	1,308,265.94	-	5,724,557,508.41	1,255,452,047.62	6,981,317,821.97
Shareholders' contributions and reduction in capital									
Capital contributions from shareholders	(IV) 43	389,970.00	21,586,605.15	-	-	-	-	-	21,976,575.15
Share-based payment recognised in shareholders' equity	(IV) 44	-	(14,797,227.45)	-	-	-	-	-	(14,797,227.45)
Others	(IV) 44	-	32,559,465.67	-	-	-	-	1,480,183,673.57	1,512,743,139.24
Profit distribution									
Transfer to surplus reserve	(IV) 46	-	-	-	-	-	-	-	-
Distribution to shareholders	(IV) 47	-	-	-	-	-	(1,520,428,341.69)	(906,413,570.86)	(2,426,841,912.55)
Others	(IV) 47	-	-	-	-	-	(29,468,393.83)	-	(29,468,393.83)
<b>Balance at 31 December 2025</b>		<b>3,708,361,809.00</b>	<b>29,687,120,114.88</b>	<b>-</b>	<b>(532,971,659.94)</b>	<b>2,306,949,383.63</b>	<b>40,721,868,176.60</b>	<b>13,895,965,899.43</b>	<b>89,787,293,723.60</b>

The accompanying notes form part of the financial statements.

Head of the Company:  
**Yang Qihua**

Chief Financial Officer:  
**Shen Bo**

Person in Charge of the Accounting Body:  
**Zhou Yadong**

# The Company's Statement of Changes In Shareholders' Equity for the year ended 31 December 2025

(In RMB, unless otherwise stated)

Items	Notes	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained profits	Total shareholders' equity
<b>Balance at 1 January 2024</b>		3,703,301,054.00	32,391,530,937.71	-	(390,780.10)	1,931,158,581.45	2,074,708,835.61	40,100,308,628.67
<b>Changes for the year</b>		4,670,785.00	87,739,855.15	-	(29,994.05)	-	258,349,197.34	350,729,843.44
Total comprehensive income								
Net profit	(XV) 6	-	-	-	-	-	2,073,171,351.67	2,073,171,351.67
Other comprehensive income	(XV) 5	-	-	-	(29,994.05)	-	-	(29,994.05)
Total comprehensive income		-	-	-	(29,994.05)	-	2,073,171,351.67	2,073,141,357.62
Shareholders' contributions and reduction in capital								
Capital contributions from shareholders		4,670,785.00	115,667,542.76	-	-	-	-	120,338,327.76
Share-based payment recognised in shareholders' equity	(XV) 4	-	(33,635,156.50)	-	-	-	-	(33,635,156.50)
Others	(XV) 4	-	5,707,468.89	-	-	-	-	5,707,468.89
Profit distribution								
Transfer to surplus reserve	(XV) 6	-	-	-	-	-	-	-
Distribution to shareholders	(XV) 6	-	-	-	-	-	(1,814,822,154.33)	(1,814,822,154.33)
<b>Balance at 31 December 2024</b>		3,707,971,839.00	32,479,270,792.86	-	(420,774.15)	1,931,158,581.45	2,333,058,032.95	40,451,038,472.11
<b>Balance at 1 January 2025</b>		3,707,971,839.00	32,479,270,792.86	-	(420,774.15)	1,931,158,581.45	2,333,058,032.95	40,451,038,472.11
<b>Changes for the year</b>		389,970.00	(113,757,837.42)	-	58,844.37	-	587,329,991.54	474,020,968.49
Total comprehensive income								
Net profit	(XV) 6	-	-	-	-	-	2,107,758,333.23	2,107,758,333.23
Other comprehensive income	(XV) 5	-	-	-	58,844.37	-	-	58,844.37
Total comprehensive income		-	-	-	58,844.37	-	2,107,758,333.23	2,107,817,177.60
Shareholders' contributions and reduction in capital								
Capital contributions from shareholders		389,970.00	21,586,605.15	-	-	-	-	21,976,575.15
Share-based payment recognised in shareholders' equity	(XV) 4	-	(14,797,227.45)	-	-	-	-	(14,797,227.45)
Others	(XV) 4	-	(120,547,215.12)	-	-	-	-	(120,547,215.12)
Profit distribution								
Transfer to surplus reserve	(XV) 6	-	-	-	-	-	-	-
Distribution to shareholders	(XV) 6	-	-	-	-	-	(1,520,428,341.69)	(1,520,428,341.69)
<b>Balance at 31 December 2025</b>		3,708,361,809.00	32,365,512,955.44	-	(361,929.78)	1,931,158,581.45	2,920,388,024.49	40,925,059,440.60

The accompanying notes form part of the financial statements.

Head of the Company:  
**Yang Qiuhua**

Chief Financial Officer:  
**Shen Bo**

Person in Charge of the Accounting Body:  
**Zhou Yadong**

# Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)



## (I) BASIC INFORMATION ABOUT THE COMPANY

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

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

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

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

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

As at 31 December 2025, according to the stock option incentive plan, the Company has totally issued 13,645,691 A shares, with 13,144,060 shares at an exercise price of RMB18.41 per share and 501,631 shares at an exercise price of RMB20.16 per share.

**(I) BASIC INFORMATION ABOUT THE COMPANY (continued)**

On 31 December 2025, the Company's share capital was RMB3,708,361,809.00, with a total number of 3,708,361,809 shares, with 2,789,289,105 RMB-denominated ordinary shares (A shares) listed in China and 919,072,704 overseas listed foreign shares (H shares).

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

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

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

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

On 30 May 2025, Shanghai Shangshi established a wholly-owned subsidiary, Golden Bell International Holdings Limited (hereinafter referred to as the "Golden Bell Holdings"), in Hong Kong. On 13 October 2025, the Shanghai SASAC issued the "Notice of the Shanghai SASAC on Matters Concerning the Equity Adjustment of Shanghai Industrial Investment (Holdings) Co., Ltd." (Hu Guo Zi Wei Chan Quan [2025] No. 192), requiring the adjustment of all equity interests held by SIIC to Golden Bell Holdings. As at 31 December 2025, Shanghai Shangshi directly holds, and indirectly holds through SIIC's subordinate companies and Shanghai Pharmaceutical Group, equity interests in the Company, making it the ultimate holding company of the Company.

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

The financial statements were authorised for issue by the Board of Directors of the Company on 30 March 2026.



## **(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

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

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

### **1. Basis of preparation of financial statements**

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

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

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

### **2. Statement of compliance with the Accounting Standards for Business Enterprises (“ASBE”)**

The financial statements of the Company for the year ended 31 December 2025 have been prepared in accordance with the ASBE, and present truly and completely, the consolidated and the Company’s financial position as at 31 December 2025, the consolidated and the Company’s results of operations, and the consolidated and the Company’s cash flows for the year then ended.

### **3. Accounting period**

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

### **4. Functional currency**

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

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

## 5. Determination method and selection basis of materiality criteria

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

## 6. Business combination

6.1 *Business combinations involving enterprises under common control*

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

6.2 *Business combinations not involving enterprises under common control*

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



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

### **6. Business combination (continued)**

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

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

### **7. Preparation method of consolidated financial statements**

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

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

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

**(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)****7. Preparation method of consolidated financial statements (continued)**

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

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

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

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



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

### **8. Cash and cash equivalents**

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

### **9. Foreign currency translation**

#### *9.1 Transactions denominated in foreign currencies*

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

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

#### *9.2 Translation of financial statements denominated in foreign currencies*

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

### **10. Financial instruments**

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

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

### **10. Financial instruments (continued)**

#### *10.1 Financial assets*

##### *10.1.1 Classification and measurement*

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

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

##### *10.1.1.1 Debt instruments*

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

At amortised cost:

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



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

### **10. Financial instruments (continued)**

#### *10.1 Financial assets (continued)*

##### *10.1.1 Classification and measurement (continued)*

##### 101.1.1 Debt instruments (continued)

At FVTOCI:

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

At FVTPL:

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

##### 101.1.2 Equity instruments

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

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

**(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)****10. Financial instruments (continued)***10.1 Financial assets (continued)**10.1.2 Impairment*

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

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

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

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

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

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



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

### **10. Financial instruments (continued)**

#### *10.1 Financial assets (continued)*

#### *10.1.2 Impairment (continued)*

##### 1012.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition with available reasonable and supportable forward-looking information.

The following factors are taken into account when assessing whether credit risk has increased significantly:

- (1) An actual or expected significant change in the financial instrument's external credit rating;
- (2) An actual or expected decrease in the internal credit rating for the debtor;
- (3) Adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations.
- (4) An actual or expected significant change in the operating results of the debtor;
- (5) Significant adverse changes in regulatory, economic, or technological environment of the debtor;
- (6) Significant changes in the value of collaterals or the quality of guarantees or credit enhancements provided by third parties, which are expected to reduce the debtor's economic motives to repay within the time limit specified in contract or affect the probability of default;
- (7) Significant changes in expected performance and repayment of the debtor;

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

**(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)****10. Financial instruments (continued)***10.1 Financial assets (continued)**10.12 Impairment (continued)***10.122 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 the following observable information:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) It is probable that the debtor will enter bankruptcy or other financial reorganisations;

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

**10.123 Determination of ECL**

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

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

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



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

### **10. Financial instruments (continued)**

#### *10.1 Financial assets (continued)*

##### *10.1.2 Impairment (continued)*

##### *10.1.2.3 Determination of ECL (continued)*

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

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

##### *10.1.3 Derecognition*

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

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

#### *10.2 Financial liabilities*

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

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

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

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

### **10. Financial instruments (continued)**

#### *10.3 Determination of fair value of financial instruments*

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

### **11. Inventories**

#### *11.1 Classification*

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

#### *11.2 Valuation method of inventories delivered*

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

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

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

#### *11.4 The Group adopts the perpetual inventory system.*

#### *11.5 Amortisation method of turnover materials*

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



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

### **12. Long-term equity investments**

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

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

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

#### *12.1 Determination of investment cost*

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

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

#### *12.2 Subsequent measurement and recognition of profit or loss*

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

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

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

### **12. Long-term equity investments (continued)**

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

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

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

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

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

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

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



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

### **12. Long-term equity investments (continued)**

#### *12.4 Impairment of long-term equity investments*

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

#### *12.5 Disposal of long-term equity investments*

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

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

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

### **13. Investment properties**

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



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

### **13. Investment properties (continued)**

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

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

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

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

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

### **14. Fixed assets**

#### *14.1 Recognition and initial measurement of fixed assets*

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

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

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



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

### 14. Fixed assets (continued)

#### 14.2 Depreciation method of fixed assets

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

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

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

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

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

#### 14.4 Disposal of fixed assets

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

### 15. Construction in progress

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

**(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)****16. Borrowing costs**

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

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

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

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

**17. Biological assets**

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

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

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



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

### 17. Biological assets (continued)

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

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

### 18. Intangible assets

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

#### 18.1 Land use rights

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

#### 18.2 Business network

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

#### 18.3 Brands and trademarks

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

#### 18.4 Know-how

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

**(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)****18. Intangible assets (continued)***18.5 Patent rights*

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

*18.6 Software*

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

*18.7 Periodical review of useful life and amortisation method*

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

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

*18.8 Research and development*

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

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

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



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

### **18. Intangible assets (continued)**

#### *18.8 Research and development (continued)*

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

#### *18.9 Impairment of intangible assets*

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

### **19. Long-term prepaid expenses**

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

### **20. Impairment of long-term assets**

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

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

### **20. Impairment of long-term assets (continued)**

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

Once the impairment loss of the above-mentioned assets is recognised, it is not reversed in subsequent periods.

### **21. Employee benefits**

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

#### *21.1 Short-term employee benefits*

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

#### *21.2 Post-employment benefits*

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

##### *21.2.1 Basic pensions*

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



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

### **21. Employee benefits (continued)**

#### *21.3 Termination benefits*

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

#### *21.3.1 Early retirement benefits*

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

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

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

### **22. Profit distribution**

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

### **23. Provisions**

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

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

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

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

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

### **24. Revenue recognition**

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

#### *24.1 Sales of goods*

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

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



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

### **24. Revenue recognition (continued)**

#### *24.2 Rendering of services*

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

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

### **25. Government grants**

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

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

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

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

**(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)****25. Government grants (continued)**

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

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

**26. Deferred tax assets and deferred tax liabilities**

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

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

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

Deferred tax assets and liabilities are offset when:

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



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

### **27. Leases**

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

#### *27.1 The Group as lessee*

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

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

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

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

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

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

### **27. Leases (continued)**

#### *27.2 The Group as the lessor*

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

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

#### *27.2.1 Operating leases*

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

#### *27.2.2 Finance lease*

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

### **28. Debt restructuring**

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

#### *28.1 The Group as creditor*

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

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



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

### **28. Debt restructuring (continued)**

#### *28.2 The Group as debtor*

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

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

### **29. Share-based payments**

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

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

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

**(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)****29. Share-based payments (continued)**

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

**30. Held for sale and discontinued operations**

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

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

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

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

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



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

### **31. Segment information**

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

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

### **32. Significant accounting estimates and judgements**

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

#### *32.1 Significant accounting estimates and key assumptions*

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

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

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

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

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

### **32. Significant accounting estimates and judgements (continued)**

#### *32.1 Significant accounting estimates and key assumptions (continued)*

##### *32.12 Estimated useful lives of business network*

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

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

##### *32.13 Accounting estimates on impairment of goodwill*

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

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

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

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

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



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

### 32. Significant accounting estimates and judgements (continued)

#### 32.1 Significant accounting estimates and key assumptions (continued)

##### 32.1.4 Net realisable value of inventories

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

##### 32.1.5 Measurement of ECL

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

When considering forward-looking information, the Group takes into account different macroeconomic scenarios. The Group regularly monitors and reviews important macroeconomic assumptions and parameters related to the calculation of ECL, including the risk of economic downturn, external market environment, technological environment, Gross Domestic Product (“GDP”) and Consumer Price Index (“CPI”), etc. The key macroeconomic parameters are set differently in favourable, benchmark and unfavourable economic scenario. For the mostly used parameter GDP, are 5.00%, 4.60% and 4.00%, respectively (2024 5.20%, 4.50% and 3.40%). The Group monitors and reviews assumptions related to the calculation of ECL on a regular basis. For the year ended 31 December 2025, the Group had considered the uncertainties arising from different macroeconomic scenarios and updated relevant assumptions and parameters accordingly.

##### 32.1.6 Income tax and deferred income tax

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

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

### **32. Significant accounting estimates and judgements (continued)**

#### *32.1 Significant accounting estimates and key assumptions (continued)*

##### *32.1.6 Income tax and deferred income tax (continued)*

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

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

#### *32.2 Key judgements in applying the accounting policies*

##### *32.2.1 Classification of financial assets*

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

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

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



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

### **32. Significant accounting estimates and judgements (continued)**

#### *32.2 Key judgements in applying the accounting policies (continued)*

##### *32.2.2 Determination of significant increase in credit risk and credit impairment*

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

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

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

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (III) TAXATION

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

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

- (1) In accordance with the "Announcement on the Relevant Enterprise Income Tax Policies for the Deduction of Equipment and Instruments" (Announcement No. 37 [2023] of the Ministry of Finance and the State Taxation Administration) issued by the Ministry of Finance and the State Taxation Administration, during the period from 1 January 2024 to 31 December 2027, the cost of newly purchased equipment and instruments with unit value no more than RMB5 million can be fully deducted against taxable profit and recorded in expenses for the current period, instead of being depreciated annually; the cost of newly purchased equipment and instruments with unit value in more than RMB5 million shall be accounted for in accordance with relevant provisions such as "Regulation on the Implementation of the Enterprise Income Tax Law", "Notice of the Ministry of Finance and the State Taxation Administration on Improving the Enterprise Income Tax Policies for the Accelerated Depreciation of Fixed Assets" (Cai Shui No.75 [2014]), "Notice of the Ministry of Finance and the State Taxation Administration on Further Improving the Enterprise Income Tax Policies for the Accelerated Depreciation of Fixed Assets" (Cai Shui No.106 [2015]).
- (2) In accordance with the "Announcement on the Policy of Value Added Tax Deduction for Advanced Manufacturing Enterprises" issued by the Ministry of Finance and the State Taxation Administration (Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration), the Group's main subsidiaries Shanghai SPH Zhong Xi Pharmaceutical Co., Ltd., Shanghai Zhonghua Pharmaceutical Co., Ltd., Shanghai SPH Shen Xiang Health Pharmaceutical Co., Ltd., SHP Xingling Sci.&Tech. Pharmaceutical Co., Ltd., Shanghai Leiyunshang Pharmaceutical Co., Ltd., Shandong Sine Pharmaceutical Co., Ltd., SPH Sine Pharmaceutical Factory Co., Ltd., Shanghai Sine Jinzhu Pharmaceutical Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co., Ltd., SPH New Asia Pharmaceutical Co., Ltd., Shanghai SPH New Asiatic Minghang Pharmaceutical Co., Ltd., Hangzhou Huqingyutang Pharmaceutical Co., Ltd., Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd., Xiamen Traditional Chinese Medicine Factory Co., Ltd., SPH Qingdao Guofeng Pharmaceutical Co., Ltd., Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd., Guangdong Techpool Biochemical Pharmaceutical Co., Ltd., SPH No. 1 Biochemical & Pharmaceutical Co., Ltd., Changzhou Pharmaceutical Factory Co., Ltd., Chiatai Qingchunbao Pharmaceutical Co., Ltd., Shanghai Hutchison Pharmaceuticals Co., Ltd., as advanced manufacturing enterprises, from 1 January 2023 to 31 December 2027, offset the VAT payable by deductible input VAT for the current period plus 5%.



### **(III) TAXATION (continued)**

#### **2. Preferential tax rate policy and approval documents**

##### *Enterprise income tax*

The actual income tax rate applicable to the Company was 25% for the year 2025 (2024: 25%).

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

Subsidiaries Shanghai SPH Zhong Xi Pharmaceutical Co., Ltd., Shanghai Zhonghua Pharmaceutical Co., Ltd., Shanghai SPH Shen Xiang Health Pharmaceutical Co., Ltd., SHP Xingling Sci.&Tech. Pharmaceutical Co., Ltd., Shanghai Leiyunshang Pharmaceutical Co., Ltd., Shanghai Leiyunshang Fengbang Pharmaceutical Co., Ltd., Shandong Sine Pharmaceutical Co., Ltd., SPH Sine Pharmaceutical Factory Co., Ltd., Shanghai Sine Jinzhu Pharmaceutical Co., Ltd., Shanghai Sine Tianping Pharmaceutical Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co., Ltd., SPH New Asia Pharmaceutical Co., Ltd., Shanghai SPH New Asiatic Minghang Pharmaceutical Co., Ltd., Hangzhou Huqingyutang Pharmaceutical Co., Ltd., Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd., Xiamen Traditional Chinese Medicine Factory Co., Ltd., SPH Qingdao Guofeng Pharmaceutical Co., Ltd., Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd., Guangdong Techpool Biochemical Pharmaceutical Co., Ltd., SPH No. 1 Biochemical & Pharmaceutical Co., Ltd., Changzhou Pharmaceutical Factory Co., Ltd., Chiatai Qingchunbao Pharmaceutical Co., Ltd., Shanghai Hutchison Pharmaceuticals Co., Ltd., and others have been recognised as high-tech enterprises. In accordance with Article 28 of the "Enterprise Income Tax Law of the People's Republic of China", the applicable enterprise income tax rate for these companies for the year 2025 was 15%.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 1. Cash and bank balances

	31 December 2025	31 December 2024
Cash on hand	1,595,897.72	2,406,335.55
Bank deposits	23,551,162,819.12	27,107,820,684.40
Finance company deposits	4,845,601,823.98	4,771,045,774.92
Other cash and bank balances	4,323,402,810.76	3,863,055,243.70
<b>Total</b>	<b>32,721,763,351.58</b>	<b>35,744,328,038.57</b>
Including: Total amount deposited overseas	2,267,050,873.48	1,706,348,114.57

As at 31 December 2025, the Group has no restricted cash and bank balances in bank deposits and finance company deposits (31 December 2024: Nil); other cash and bank balances of RMB2,247,592,689.01 are pledged as collateral by the Group for the purpose of bank acceptances (31 December 2024: RMB1,919,405,525.13); other cash and bank balances of RMB56,177,055.44 are pledged as collateral by the Group for the purpose of letters of credit (31 December 2024: RMB8,260,071.62); other cash and bank balances of RMB1,905,000,000.00 are time deposits due over three months (31 December 2024: RMB1,740,000,000.00); other restricted cash and bank balances are RMB114,633,066.31 (31 December 2024: RMB195,389,646.95).

#### 2. Held-for-trading financial assets

	31 December 2025	31 December 2024
Structured deposits	10,360,938,931.51	8,632,930,000.00

#### 3. Derivative financial assets and derivative financial liabilities

	31 December 2025	31 December 2024
Derivative financial assets		
– Forward exchange contracts	721,010.06	5,421,503.02
– Foreign exchange swap contracts	–	10,803,283.33
<b>Total</b>	<b>721,010.06</b>	<b>16,224,786.35</b>
Derivative financial liabilities		
– Forward exchange contracts	13,294,428.53	1,598,178.46



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

### 4. Notes receivable

	31 December 2025	31 December 2024
Bank acceptances	<b>512,435,784.08</b>	624,551,624.60
Commercial acceptances	<b>523,401,743.16</b>	504,547,863.95
Less: Bad debt allowance	<b>(5,266,647.93)</b>	(6,994,443.32)
<b>Total</b>	<b>1,030,570,879.31</b>	1,122,105,045.23

(1) *As at 31 December 2025, the Group's notes receivable endorsed or discounted but unmatured are listed as follows:*

	Not derecognised
Bank acceptances	91,455,226.99
Commercial acceptances	117,057,877.80
<b>Total</b>	<b>208,513,104.79</b>

For 2025, the commercial acceptances receivable endorsed or discounted by the Group didn't satisfy the criteria of derecognition. Therefore, they were still categorised as financial assets at amortised cost. The bank acceptances were grouped based on type of bank, credit rating, etc. for management. Bank acceptances not satisfying the criteria of derecognition were considered as being held in the model of collecting contractual cash flows and accounted for as notes receivable at amortised cost.

(2) *Bad debt allowance*

The Group's notes receivable are arising from business activities such as sales of goods and rendering of services. The loss allowance is measured at lifetime ECL regardless of whether there is a significant financing component.

**(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. Notes receivable (continued)****(2) Bad debt allowance (continued)**

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

	31 December 2025				31 December 2024			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
		(%)						
Bad debt allowance made on an individual basis (i)	-	-	-	-	-	-	-	-
Bad debt allowance made on a portfolio basis (ii)	1,035,837,527.24	100.00	(5,266,647.93)	0.51	1,129,099,488.55	100.00	(6,994,443.32)	0.62
<b>Total</b>	<b>1,035,837,527.24</b>	<b>100.00</b>	<b>(5,266,647.93)</b>	<b>0.51</b>	<b>1,129,099,488.55</b>	<b>100.00</b>	<b>(6,994,443.32)</b>	<b>0.62</b>

(i) As at 31 December 2025, the Group has no notes receivable with bad debt allowance made on an individual basis (31 December 2024: Nil).

(ii) As at 31 December 2025, the notes receivable with bad debt allowance made on a portfolio basis are analysed as follows:

Portfolio – Bank acceptances:

As at 31 December 2025, the Group measures the bad debt allowance for bank acceptances based on lifetime ECL, amounting to RMB2,995,025.81 (31 December 2024: RMB3,691,839.09), including RMB-696,813.28 (2024: RMB-7,060,700.76) recognised in profit or loss for the period. The Group considers that the bank acceptances within the portfolio has no significant credit risk and there will be no significant losses due to bank defaults.

Portfolio – Commercial acceptances:

As at 31 December 2025, the Group measures the bad debt allowance for commercial acceptances based on lifetime ECL, amounting to RMB2,271,622.12 (31 December 2024: RMB3,302,604.23), including RMB-1,030,982.11 (2024: RMB1,499,842.11) recognised in profit or loss for the period.

(iii) The reversal of bad debt allowance in the current year amounts to RMB1,727,795.39.

(iv) The Group has no write-off of notes receivable in the current year.



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

### 5. Accounts receivable

	31 December 2025	31 December 2024
Accounts receivable	<b>85,179,729,191.18</b>	81,551,728,010.97
Less: Bad debt allowance	<b>(2,873,328,561.35)</b>	(2,422,522,271.81)
<b>Total</b>	<b>82,306,400,629.83</b>	79,129,205,739.16

Retail sales at the Group's medicine and pharmaceutical chain stores are usually made in cash or by debit or credit cards. For medicine and pharmaceutical distribution and manufacturing business segments, customers are usually granted a credit period not exceeding 360 days.

(1) The aging analysis of accounts receivable based on recording date is as follows:

	31 December 2025	31 December 2024
Within 1 year	<b>81,027,892,052.38</b>	77,229,865,369.59
1 to 2 years	<b>2,254,395,044.13</b>	2,706,275,563.74
Over 2 years	<b>1,897,442,094.67</b>	1,615,587,077.64
<b>Total</b>	<b>85,179,729,191.18</b>	81,551,728,010.97

(2) As at 31 December 2025, the top five accounts receivable based on the balance of the debtors are summarised and analysed as follows:

	Closing balance	Proportion to total accounts receivable (%)	Closing balance of bad debt allowance
Total top five accounts receivable	5,079,098,976.44	5.96	(15,082,802.72)

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

For 2025, the Group conducted non-recourse factoring for a few accounts receivable, with substantially all risks and rewards of ownership transferred to other parties. The cost of accounts receivable that was derecognised due to factoring without resource was RMB13,522,040,121.15, and related losses of RMB153,428,512.31 were included in investment loss (2024: RMB16,102,554,272.27 and RMB158,721,185.85) (Note (IV) 57).

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 5. Accounts receivable (continued)

##### (4) Bad debt allowance

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

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

	31 December 2025				31 December 2024			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis (i)	889,248,053.20	1.04	(613,853,770.21)	69.03	965,273,333.45	1.18	(555,921,695.63)	57.59
Bad debt allowance made on a portfolio basis (ii)	84,290,481,137.98	98.96	(2,259,474,791.14)	2.68	80,586,454,677.52	98.82	(1,866,600,576.18)	2.32
<b>Total</b>	<b>85,179,729,191.18</b>	<b>100.00</b>	<b>(2,873,328,561.35)</b>	<b>3.37</b>	<b>81,551,728,010.97</b>	<b>100.00</b>	<b>(2,422,522,271.81)</b>	<b>2.97</b>

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

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



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

### 5. Accounts receivable (continued)

#### (4) Bad debt allowance (continued)

##### (i) (continued)

As at 31 December 2024, accounts receivable for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Lifetime ECL rate (%)	Bad debt allowance	Reasons
Accounts receivable 1	285,903,828.34	11.98	(34,251,278.64)	Provided based on estimated recoverable amount
Accounts receivable 2	161,534,870.51	18.00	(29,076,276.69)	Provided based on estimated recoverable amount
Accounts receivable 3	121,103,445.32	100.00	(121,103,445.32)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 4	32,217,861.48	100.00	(32,217,861.48)	Upon assessment, it is expected to be unrecoverable
Others	364,513,327.80	93.08	(339,272,833.50)	Provided based on estimated recoverable amount
<b>Total</b>	<b>965,273,333.45</b>		<b>(555,921,695.63)</b>	

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 5. Accounts receivable (continued)

##### (4) Bad debt allowance (continued)

(ii) As at 31 December 2025 and 31 December 2024, accounts receivable for which bad debt allowance is made on a portfolio basis are analysed as follows:

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

	31 December 2024		
	Accounts receivable	Lifetime ECL rate (%)	Bad debt allowance
Within 6 months	64,091,906,397.90	0.31	(200,356,385.52)
6 – 12 months	13,044,511,423.29	2.02	(264,111,870.37)
1 – 2 years	2,579,183,965.06	22.29	(574,945,714.27)
Over 2 years	870,852,891.27	94.99	(827,186,606.02)
<b>Total</b>	<b>80,586,454,677.52</b>		<b>(1,866,600,576.18)</b>



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

### 5. Accounts receivable (continued)

#### (4) Bad debt allowance (continued)

(iii) For 2025, the bad debt allowance made on an individual basis amounts to RM144,678,357.33 (2024: RMB155,507,176.83), including recovery or reversal of bad debt allowance of RMB86,746,282.75 (2024: RMB21,624,628.56), with corresponding gross carrying amount of RMB180,262,339.35 (2024: RMB21,624,628.56). The accounts receivable with significant recovery or reversal are as follows:

	Reasons for reversal/recovery	Basis and appropriateness for determining the original bad debt allowance	Amount reversed or recovered	Recovery method
Accounts receivable 1	Recovered in the current year	Provided based on estimated recoverable amount	87,887,144.30	Cash
Accounts receivable 2	Recovered in the current year	Provided based on estimated recoverable amount	24,663,547.24	Cash
Accounts receivable 3	Recovered in the current year	Upon assessment, it is expected to be unrecoverable	8,551,080.00	Cash
Others	Recovered in the current year	Provided based on estimated recoverable amount	59,160,567.81	Cash
<b>Total</b>			<b>180,262,339.35</b>	

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 5. Accounts receivable (continued)

(5) For 2025, the gross carrying amount of accounts receivable written off is RMB17,103,479.05, and the bad debt allowance amounts to RMB17,103,479.05. Therein, the significant accounts receivable are analysed as follows:

	Nature	Write-off	Reasons for write-off	Write-off procedures performed	Caused by related party transactions or not
Accounts receivable 1	Payment for goods	4,915,461.71	Long age and unrecoverable	Management approval, No special audit	
Accounts receivable 2	Payment for goods	2,645,493.34	Long age and unrecoverable	Management approval, No special audit	
Accounts receivable 3	Payment for goods	2,046,464.47	Long age and unrecoverable	Management approval, No special audit	
Others	Payment for goods	7,496,059.53	Long age and unrecoverable	Management approval, No special audit	
Total		17,103,479.05			



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

### 6. Receivables financing

	31 December 2025	31 December 2024
Bank acceptances	<b>2,528,730,548.02</b>	1,965,669,770.02

Certain bank acceptances of the Group are discounted and endorsed for the purpose of daily capital management, and satisfy the criteria of derecognition. Therefore, such bank acceptances are classified as financial assets at FVTOCI. For 2025, the Group derecognised bank acceptances with carrying amount of RMB6,942,794,614.49 and RMB13,045,929,959.69 (2024: RMB6,097,315,711.45 and RMB10,464,865,399.32) due to endorsement and discounting, with substantially all risks and rewards of ownership transferred to other parties. The related discounting losses of RMB83,276,983.11 (2024: RMB53,852,952.19) were included in investment loss (Note (IV) 57).

As at 31 December 2025, the Group believes that the bank acceptances held are with common credit risk characteristics, and there are no bank acceptances for which loss allowance is made on an individual basis. In addition, the Group believes that the bank acceptances held have no significant credit risks and will not incur significant losses due to bank defaults. The Group measures bad debt allowance based on lifetime ECL, amounting to RMB10,244,200.95 (31 December 2024: RMB9,361,859.07), including RMB882,341.88 (2024: RMB251,819.27) recognised in profit or loss for the period.

For 2025, the Group has no write-off of significant receivables financing (2024: Nil).

As at 31 December 2025, the receivables financing endorsed or discounted but unmatured are as follows:

	Derecognised
Bank acceptances	<b>6,852,518,933.61</b>

As at 31 December 2025, the Group has no pledged receivables financing (31 December 2024: Nil).

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 7. Prepayments

(1) The aging analysis of prepayments is as follows:

	31 December 2025		31 December 2024	
	Amount	Proportion to total amount (%)	Amount	Proportion to total amount (%)
Within 1 year	1,525,816,729.29	94.10	1,834,340,888.73	94.19
Over 1 year	95,729,386.13	5.90	113,061,538.98	5.81
<b>Total</b>	<b>1,621,546,115.42</b>	<b>100.00</b>	<b>1,947,402,427.71</b>	<b>100.00</b>

As at 31 December 2025, prepayments aged over 1 year amount to RMB95,729,386.13 (31 December 2024: RMB113,061,538.98), which are mainly prepayments for raw materials.

(2) As at 31 December 2025, the top five prepayments based on the balance of the debtors are summarised and analysed as follows:

	Amount	Proportion to total prepayments (%)
Total top five prepayments	154,062,203.08	9.50



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

### 8. Other receivables

	31 December 2025	31 December 2024
Compensation receivable from suppliers	1,474,966,919.76	1,637,318,559.00
Guarantees (including deposits)	915,991,237.26	953,194,927.62
Receivables from enterprises	314,183,040.92	228,580,611.56
Dividends receivable	18,746,523.66	94,425,064.16
Reserves	2,783,144.84	34,360,844.07
Others	1,275,841,899.87	954,506,305.34
Gross carrying amount	4,002,512,766.31	3,902,386,311.75
Less: Bad debt allowance	(889,408,449.38)	(795,690,702.72)
Carrying amount	3,113,104,316.93	3,106,695,609.03

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

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

	31 December 2025	31 December 2024
Within 1 year	2,584,555,084.13	2,452,639,120.23
1 to 2 years	262,235,145.52	379,259,004.42
Over 2 years	1,155,722,536.66	1,070,488,187.10
Total	4,002,512,766.31	3,902,386,311.75

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 8. Other receivables (continued)

##### (2) Loss allowance and movements in gross carrying amount

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

	31 December 2025				31 December 2024			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis (i)	664,365,660.33	16.60	(664,365,660.33)	100.00	573,795,790.64	14.70	(573,795,790.64)	100.00
Bad debt allowance made on a portfolio basis (ii)	3,338,147,105.98	83.40	(225,042,789.05)	6.74	3,328,590,521.11	85.30	(221,894,912.08)	6.67
<b>Total</b>	<b>4,002,512,766.31</b>	<b>100.00</b>	<b>(889,408,449.38)</b>	<b>22.22</b>	<b>3,902,386,311.75</b>	<b>100.00</b>	<b>(795,690,702.72)</b>	<b>20.39</b>



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

### 8. Other receivables (continued)

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

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

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

As at 31 December 2024, other receivables for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Stage 3 – Lifetime ECL rate (%)	Bad debt allowance	Reason
Other receivables 1	120,000,000.00	100.00	(120,000,000.00)	It is expected to be unrecoverable
Other receivables 2	46,975,257.94	100.00	(46,975,257.94)	It is expected to be unrecoverable
Other receivables 3	41,505,667.35	100.00	(41,505,667.35)	It is expected to be unrecoverable
Other receivables 4	34,033,754.45	100.00	(34,033,754.45)	It is expected to be unrecoverable
Others	331,281,110.90	100.00	(331,281,110.90)	It is expected to be unrecoverable
<b>Total</b>	<b>573,795,790.64</b>		<b>(573,795,790.64)</b>	

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 8. Other receivables (continued)

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

(ii) As at 31 December 2025 and 31 December 2024, other receivables for which bad debt allowance is made on a portfolio basis are analysed as follows:

	31 December 2025			31 December 2024		
	Gross carrying amount	Loss allowance	Proportion	Gross carrying amount	Loss allowance	Proportion
	Amount	Amount	(%)	Amount	Amount	(%)
Stage 1 – 12-month ECL						
Compensation receivable from suppliers	1,392,217,134.23	(4,369,161.16)	0.31	1,611,459,873.08	(10,869,853.07)	0.67
Guarantees (including deposits)	907,698,238.66	(15,242,142.08)	1.68	951,369,750.31	(15,653,176.94)	1.65
Dividends receivable	18,746,523.66	(3,625.00)	0.02	94,425,064.16	(235,128.20)	0.25
Receivables from enterprises	251,727,555.72	(1,090,646.63)	0.43	90,686,514.02	(592,182.57)	0.65
Reserves	2,364,680.84	(24,183.03)	1.02	33,374,704.40	(633,601.22)	1.90
Others	555,849,048.32	(4,469,463.57)	0.80	346,758,269.19	(2,814,078.82)	0.81
<b>Sub-total</b>	<b>3,128,603,181.43</b>	<b>(25,199,221.47)</b>		<b>3,128,074,175.16</b>	<b>(30,798,020.82)</b>	
Stage 3 – Lifetime ECL						
Receivables from enterprises	33,829,347.52	(32,930,370.16)	97.34	21,410,402.52	(20,437,388.88)	95.46
Compensation receivable from suppliers	30,699,557.10	(30,033,132.39)	97.83	16,320,379.85	(15,876,202.77)	97.28
Reserves	337,564.00	(328,658.47)	97.36	976,139.67	(945,116.60)	96.82
Others	144,677,455.93	(136,551,406.56)	94.38	161,809,423.91	(153,838,183.01)	95.07
<b>Sub-total</b>	<b>209,543,924.55</b>	<b>(199,843,567.58)</b>		<b>200,516,345.95</b>	<b>(191,096,891.26)</b>	
<b>Total</b>	<b>3,338,147,105.98</b>	<b>(225,042,789.05)</b>		<b>3,328,590,521.11</b>	<b>(221,894,912.08)</b>	

As at 31 December 2025 and 31 December 2024, the Group has no other receivables at stage 2.



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

### 8. Other receivables (continued)

- (3) For 2025, the reversals of and provisions for bad debt allowance for other receivables at stage 1 and stage 3 amount to RMB5,598,799.35 and RMB17,676,369.06 respectively, mainly representing the impact on the loss allowance on other receivables added during the current year and the impact on the measurement of ECL arising from other receivables transferred from Stage 1 to Stage 3 due to changes in the loss rate for the current year.

For 2025, the Group has reversal or recovery of bad debt allowance made on an individual basis amounting to RMB69,900.00, with corresponding gross carrying amount was RMB69,900.00. Other receivables with significant amount of recovery or reversal are as follows:

	Reasons for reversal/recovery	Basis and appropriateness for determining the original bad debt allowance	Amount reversed or recovered	Recovery method
Other receivables 1	Recovered in the current year	Upon assessment, it is expected to be unrecoverable	69,900.00	Cash
Total			69,900.00	

- (4) For 2025, the gross carrying amount written off of and bad debt allowance for other receivables amount to RMB1,415,870.36 and RMB1,415,870.36 respectively. Therein, the significant other receivables are analysed as follows:

	Nature of accounts receivable	Write-off	Reason for write-off	Write-off procedures performed	Caused by related party transactions or not
Other receivables 1	Guarantees	1,413,870.36	Proceedings in bankruptcy	Management approval, special audit	No
Other receivables 2	Deposits	2,000.00	Debt overdue for more than 3 years	Management approval, special audit	No
Total		1,415,870.36			

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 8. Other receivables (continued)

- (5) As at 31 December 2025, the top five other receivables based on the balance of the debtors are summarised and analysed as follows:

	Nature	Balance	Aging	Proportion to total other receivables (%)	Bad debt allowance
Other receivables 1	Others	120,000,000.00	Over 5 years	3.00	(120,000,000.00)
Other receivables 2	Compensation from suppliers	117,455,821.93	Within 1 year	2.93	(97,289.71)
Other receivables 3	Compensation from suppliers	86,894,762.82	Within 1 year	2.17	(443,698.98)
Other receivables 4	Guarantees	85,050,000.00	Over 5 years	2.12	(51,030.00)
Other receivables 5	Agency fee	68,357,258.56	Within 1 year	1.71	(355,457.74)
Total		477,757,843.31		11.93	(120,947,476.43)

- (6) As at 31 December 2025 and 31 December 2024, the Group has no overdue dividends receivable.



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

### 9. Inventories

(1) Inventories are classified as follows:

	31 December 2025			31 December 2024		
	Gross carrying amount	Provision for decline in value of inventories	Carrying amount	Gross carrying amount	Provision for decline in value of inventories	Carrying amount
Raw materials	1,750,397,112.73	(163,571,318.17)	1,586,825,794.56	1,496,481,236.49	(145,946,935.45)	1,350,534,301.04
Revolving materials	53,416,610.15	-	53,416,610.15	55,518,199.25	-	55,518,199.25
Consigned processing materials	8,139,386.98	-	8,139,386.98	6,408,260.26	-	6,408,260.26
Work in progress	1,128,963,604.28	-	1,128,963,604.28	870,398,995.57	-	870,398,995.57
Finished goods	43,729,329,914.82	(1,148,113,381.59)	42,581,216,533.23	37,941,047,673.68	(1,280,623,313.56)	36,660,424,360.12
Consumable biological assets	385,620.84	-	385,620.84	385,620.84	-	385,620.84
<b>Total</b>	<b>46,670,632,249.80</b>	<b>(1,311,684,699.76)</b>	<b>45,358,947,550.04</b>	<b>40,370,239,986.09</b>	<b>(1,426,570,249.01)</b>	<b>38,943,669,737.08</b>

(2) Analysis of provision for decline in value of inventories is as follows:

	31 December 2024	Provision (Reversal)	Write-off	31 December 2025
Raw materials	145,946,935.45	26,210,253.42	(8,585,870.70)	<b>163,571,318.17</b>
Finished goods (i)	1,280,623,313.56	(45,495,492.07)	(87,014,439.90)	<b>1,148,113,381.59</b>
<b>Total</b>	<b>1,426,570,249.01</b>	<b>(19,285,238.65)</b>	<b>(95,600,310.60)</b>	<b>1,311,684,699.76</b>

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 9. Inventories (continued)

- (2) The analysis of provision for decline in value of inventories is as follows: (continued)
- (i) Among which, the analysis of provision for decline in value of inventories for portfolio of near-expired finished goods is as follows:

	31 December 2025			31 December 2024		
	Gross carrying amount	Provision for decline in value of inventories		Gross carrying amount	Provision for decline in value of inventories	
	Amount	Proportion (%)	Amount	Amount	Proportion (%)	Amount
Within 1 year	4,881,575,878.20	8.06	(393,361,405.67)	4,611,775,388.43	15.70	(724,169,658.16)
Over 1 year	35,125,664,362.95	0.69	(241,341,021.37)	29,020,669,216.51	0.05	(15,955,816.64)
<b>Total</b>	<b>40,007,240,241.15</b>		<b>(634,702,427.04)</b>	<b>33,632,444,604.94</b>		<b>(740,125,474.80)</b>

#### 10. Other current assets

	31 December 2025	31 December 2024
Taxes to be deducted and prepaid	1,214,033,124.20	969,122,605.01
Input VAT to be verified	119,534,891.10	162,142,048.67
<b>Total</b>	<b>1,333,568,015.30</b>	<b>1,131,264,653.68</b>

#### 11. Investments in other equity instruments

	31 December 2025	31 December 2024
Investments in equity instruments (i)	32,683,905.48	43,899,340.70
<b>Total</b>	<b>32,683,905.48</b>	<b>43,899,340.70</b>

	31 December 2025	31 December 2024
Investments in equity instruments		
Shares of listed companies		
– Tianda Pharmaceuticals Limited (“Tianda Pharma”)	32,683,905.48	43,899,340.70



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

### 11. Investments in other equity instruments (continued)

	31 December 2025	31 December 2024
Tianda Pharma		
– Cost	<b>87,851,852.85</b>	87,851,852.85
– Accumulated changes in fair value	<b>(55,167,947.37)</b>	(43,952,512.15)
	<b>32,683,905.48</b>	43,899,340.70

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

### 12. Other non-current financial assets

	31 December 2025	31 December 2024
Investments in equity instruments		
– Shares of listed companies (a)	<b>4,157,628.50</b>	4,455,830.81
– Equity of unlisted companies (b)	<b>1,541,153,084.95</b>	1,720,212,300.42
	<b>1,545,310,713.45</b>	1,724,668,131.23

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

	31 December 2025	31 December 2024
(a) Shares of listed companies		
– Cost	<b>1,372,977.16</b>	1,372,977.16
– Accumulated changes in fair value	<b>2,784,651.34</b>	3,082,853.65
	<b>4,157,628.50</b>	4,455,830.81
(b) Equity of unlisted companies		
– Cost	<b>1,506,602,429.26</b>	1,710,834,338.62
– Accumulated changes in fair value	<b>34,550,655.69</b>	9,377,961.80
	<b>1,541,153,084.95</b>	1,720,212,300.42

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 13. Long-term receivables

	31 December 2025	31 December 2024
Guarantees receivable (Note) – total amount	<b>174,975,160.42</b>	176,368,005.00
Medical equipment receivable – total amount	<b>95,924,662.50</b>	123,298,919.04
Receivables from enterprises – total amount	<b>226,284,582.23</b>	294,583,979.86
Unrealised finance income	<b>(47,056,380.84)</b>	(70,737,963.09)
Less: Bad debt allowance	<b>(54,790,114.19)</b>	(53,656,818.78)
Less: Long-term receivables due within one year	<b>(87,403,889.78)</b>	(83,611,615.14)
Long-term receivables due over one year	<b>307,934,020.34</b>	386,244,506.89

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

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

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

	31 December 2025				31 December 2024			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis (i)	12,893,490.33	2.86	(12,893,490.33)	100.00	12,893,490.33	2.46	(12,893,490.33)	100.00
Bad debt allowance made on a portfolio basis (ii)	437,234,533.98	97.14	(41,896,623.86)	9.58	510,619,450.48	97.54	(40,763,328.45)	7.98
Total	450,128,024.31	100.00	(54,790,114.19)	12.17	523,512,940.81	100.00	(53,656,818.78)	10.25



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

### 13. Long-term receivables (continued)

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

(i) As at 31 December 2025, long-term receivables for which bad debt allowance is made on an individual basis are analysed as follows:

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

(ii) As at 31 December 2025 and 31 December 2024, long-term receivables of the Group on a portfolio basis are all at stage 1.

### 14. Long-term equity investments

	31 December 2025	31 December 2024
Joint ventures (1)	762,152,837.49	2,301,104,882.67
Associates (2)	6,468,713,343.40	5,986,403,712.45
Less: Provision for impairment of long-term equity investments	(220,663,722.23)	(220,663,722.23)
Total	7,010,202,458.66	8,066,844,872.89

Notes to the Financial Statements  
for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

## 14. Long-term equity investments (continued)

## (1) Joint ventures

	31 December		Changes for the year						Impairment provision			
	2024	2025	Investment made in the current year	Decrease in investment	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends declared	Impairment provision	Others	31 December 2025	31 December 2024
SPH-Bocai (HK) Limited	1,262,715,012.57	122,303,650.37	(1,059,356,509.76)	(177,768,536.54)	-	-	-	-	(25,288,804.40)	-	122,604,812.24	-
Shanghai Hutchison Pharmaceuticals Co., Ltd.	538,157,921.19	-	-	184,220,863.37	-	-	(367,022,215.57)	-	(375,356,568.99)	-	-	-
Jiangxi Nanhua Medicines Co., Ltd.	432,954,645.69	-	-	56,280,634.85	-	-	-	-	2,077,900.11	-	491,313,180.65	-
Shanghai Shangshi Biopharmaceuticals Phase II Venture Capital Partnership (Limited Partnership)	-	100,000,000.00	-	(3,373,386.79)	-	-	-	-	-	-	96,626,613.21	-
Zhejiang Shangyao Jiu Zhou Biopharmaceutical Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	(25,428,136.44)
Others	20,101,801.42	2,400,000.00	-	1,014,163.59	-	-	-	-	916,764.58	24,432,729.59	(1,747,365.36)	(1,747,365.36)
<b>Total</b>	<b>2,273,923,380.87</b>	<b>224,703,650.37</b>	<b>(1,059,356,509.76)</b>	<b>60,373,738.48</b>	<b>-</b>	<b>-</b>	<b>(367,022,215.57)</b>	<b>-</b>	<b>(397,650,708.70)</b>	<b>734,977,335.69</b>	<b>(27,175,501.80)</b>	<b>(27,175,501.80)</b>

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

# Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)



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

### 14. Long-term equity investments (continued)

#### (2) Associates

	Changes for the year							Impairment provision			
	31 December 2024	Investment made in the current year	Decrease in investment	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends declared	Impairment provision	Others	31 December	31 December
										2025	2025
Shanghai Pharma Health Commerce Co., Ltd.	1,407,670,586.64	-	-	(60,952,383.89)	-	132,646,309.68	-	-	(1,812,081.12)	1,477,552,431.31	-
Shanghai Roche Pharmaceutical Co., Ltd.	1,107,361,408.93	-	-	85,113,174.38	-	5,942,400.00	(60,740,970.93)	-	399,125.62	1,138,075,138.00	-
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (i)	467,202,102.43	-	-	(31,924,696.13)	58,844.37	(54,806.73)	(6,304,716.80)	-	-	428,977,167.14	-
Shanghai Industrial Group Finance Co., Ltd.	429,353,783.47	138,805,056.72	-	18,401,524.75	-	-	(13,591,562.98)	-	-	572,968,801.96	-
Beijing Lianxin Pharmaceutical Co., Ltd.	307,523,243.09	-	-	36,636,895.10	-	-	(31,500,000.00)	-	-	312,660,138.19	-
Shanghai Lianyi Investment Center (Limited Partnership)	241,914,060.08	-	(27,041,047.79)	18,225,142.54	-	-	(7,912,026.19)	-	-	225,186,128.64	-
Shanghai Tsumura Pharmaceuticals Co., Ltd.	237,982,173.86	-	-	19,445,371.46	-	-	-	-	-	257,427,545.32	-
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	213,111,202.67	-	-	32,146,197.50	-	-	(74,254,633.00)	-	946,837.43	171,949,604.60	-
Hangzhou Huiqing Yutang Pharmaceutical Co., Ltd.	166,226,748.80	-	-	19,700,508.94	-	-	(25,524,800.00)	-	-	161,102,457.74	-
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	140,624,836.24	-	-	51,578,523.13	-	-	(30,000,000.00)	-	(229,872.83)	161,973,486.54	-
Shanghai Ajinomoto Amino Acid Co., Ltd.	128,805,940.07	-	-	11,179,060.85	-	-	(4,210,406.34)	-	-	135,774,594.58	-
Chengdu Westler Biomedical Co., Ltd.	118,984,679.52	-	-	1,884,129.76	-	(120,868,809.28)	-	-	-	-	-

Notes to the Financial Statements  
for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

## 14. Long-term equity investments (continued)

## (2) Associates (continued)

	Changes for the year							Impairment provision			
	31 December 2024	Investment made in the current year	Decrease in investment	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends declared	Impairment provision	Others	31 December 2025	31 December 2024
Shanghai Shangshi Biomedical Innovation and Transformation Private Investment Fund LLP	109,868,571.79	-	-	6,453,002.74	-	-	-	-	-	116,311,574.53	-
West China Precision Medicine Industrial Innovation Center	94,867,777.61	-	-	(1,676,074.37)	-	336,653.96	-	-	-	93,528,357.20	-
Shanghai Good Health Capital LLP	81,555,167.64	-	-	3,202,468.17	-	-	(9,984,698.92)	-	-	74,772,936.89	-
Sichuan Greentech Bio-technology Co., Ltd.	66,308,281.18	-	-	1,313,027.85	-	-	-	-	-	67,621,309.03	-
Shanghai Leyunshang Northern Area Medicine General Co., Ltd.	62,465,570.44	-	-	17,684,142.95	-	-	(2,433,200.00)	-	-	77,716,513.39	-
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	61,015,138.26	-	-	3,687,969.19	-	-	(1,803,200.00)	-	-	62,899,907.45	-
Shanghai Chest Medical Instruments Co., Ltd.	55,050,485.55	-	-	6,879,849.21	-	-	(3,060,000.00)	-	-	58,870,334.76	-
Shanghai Huashi Pharmaceutical Storage & Transportation Co., Ltd.	54,817,824.61	-	-	(12,429,558.80)	-	-	-	-	-	42,388,265.81	-
Shanghai Xinyao Biotechnology Co., Ltd.	51,749,779.64	-	-	(12,072,591.02)	-	11,199,520.23	-	-	-	50,876,708.85	-
Shanghai Huiyong Medicine Research Co., Ltd.	40,112,211.09	-	-	(34,505,354.53)	-	-	-	-	-	5,606,856.56	-
Shanghai Sine Promod Pharmaceutical Co., Ltd.	23,819,315.27	-	-	(2,731,982.49)	-	-	-	-	-	21,087,332.78	-

# Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)



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

### 14. Long-term equity investments (continued)

#### (2) Associates (continued)

	Changes for the year				Impairment provision					
	31 December 2024	Investment made in the current year	Decrease in investment	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends declared	Impairment provision	31 December 2025	31 December 2024
A.M.Pappas Life Science Venture V.I.P	16,827,122.63	3,941,915.00	-	(11,721,119.30)	-	-	-	-	9,047,918.33	-
Shanghai Biomedical M&A Private Equity Fund Partnership (Limited Partnership)	-	375,967,467.54	(6,310,720.04)	55,505,057.81	-	-	-	-	425,161,805.31	-
Beijing Yiyao Keyuan Pharmacy Co., Ltd. (Note VIII) 5, (7.2)	-	-	-	(17,809.41)	-	-	-	-	47,665,467.16	-
Shangshi Commercial Factoring Co., Ltd.	-	-	-	-	-	-	-	-	(154,799,830.72)	(154,799,830.72)
Shanghai Shangyao Kangyinuo Biopharmaceutical Co., Ltd.	-	-	-	-	-	-	-	-	(25,874,404.13)	(25,874,404.13)
Other investments	107,007,480.51	-	(19,211,079.90)	3,094,872.65	-	53,155.89	(12,299,554.13)	-	78,040,150.31	(12,813,985.58)
Total	5,792,915,492.02	516,714,439.26	(52,562,847.73)	224,099,349.04	58,844.37	29,254,423.75	(283,619,329.29)	-	6,275,225,122.97	(193,488,220.43)

- (i) Related information of equity in the associates of the Group is set out in Note (VI) 2.
- (ii) Shanghai Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd. is a domestic and Hong Kong listed company. As at 31 December 2025, the market value of the equity investments held by the Group amounts to RMB1,335,684,836.70.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 15. Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2024	650,330,545.08	25,835,071.05	676,165,616.13
Transfer from fixed assets	143,089,864.13	–	143,089,864.13
Transfer to fixed assets	(14,108,507.68)	–	(14,108,507.68)
Disposals for the year	(1,674,808.07)	–	(1,674,808.07)
Translation differences of financial statements denominated in foreign currencies	(215,488.84)	–	(215,488.84)
31 December 2025	777,421,604.62	25,835,071.05	803,256,675.67
Accumulated depreciation			
31 December 2024	(301,006,978.30)	(9,148,337.60)	(310,155,315.90)
Charged for the year	(18,318,868.96)	(453,251.88)	(18,772,120.84)
Transfer from fixed assets	(63,759,607.67)	–	(63,759,607.67)
Transfer to fixed assets	8,525,787.46	–	8,525,787.46
Disposals for the year	1,005,585.85	–	1,005,585.85
Translation differences of financial statements denominated in foreign currencies	81,340.33	–	81,340.33
31 December 2025	(373,472,741.29)	(9,601,589.48)	(383,074,330.77)
Impairment provision			
31 December 2024	–	–	–
Transfer from fixed assets	(8,251,390.62)	–	(8,251,390.62)
31 December 2025	(8,251,390.62)	–	(8,251,390.62)
Carrying amount			
31 December 2025	395,697,472.71	16,233,481.57	411,930,954.28
31 December 2024	349,323,566.78	16,686,733.45	366,010,300.23

For 2025, the depreciation of investment properties amounted to RMB18,772,120.84 (2024: RMB15,947,607.57).

## Notes to the Financial Statements for The Year Ended 31 December 2025

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

#### 16. Fixed assets

	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment	Other equipment	Total
Cost						
31 December 2024	13,533,572,790.60	8,181,692,006.86	412,326,159.93	1,367,905,151.91	1,461,771,309.92	24,957,267,419.22
Increase in the current year						
Additions	32,289,943.68	233,604,547.20	32,956,056.49	81,720,119.93	97,030,844.73	477,601,512.03
Transfer from construction in progress	885,242,852.78	374,902,019.77	3,138,502.06	87,033,265.29	62,767,512.44	1,413,084,152.34
Transfer from investment properties	14,108,507.68	-	-	-	-	14,108,507.68
Increase in business combination	425,919,335.46	80,460,023.36	532,561.91	5,305,090.81	15,907,269.88	528,124,281.42
Decrease in the current year						
Disposals	(106,511,945.71)	(221,172,735.32)	(49,416,747.28)	(77,586,019.48)	(29,585,156.39)	(484,272,604.18)
Transfer to investment properties	(143,089,864.13)	-	-	-	-	(143,089,864.13)
Other changes	(52,865,539.46)	43,593,064.62	5,205.30	1,010,685.69	(27,307,653.13)	(35,564,236.98)
Translation differences of financial statements denominated in foreign currencies	(589,016.66)	(4,690,343.54)	(427,527.48)	(207,523.05)	(1,890,030.26)	(7,804,440.99)
31 December 2025	14,588,077,064.24	8,688,388,582.95	399,114,210.93	1,465,180,771.10	1,578,694,097.19	26,719,454,726.41
Accumulated depreciation						
31 December 2024	(3,589,026,775.45)	(4,135,094,808.58)	(312,566,842.69)	(996,066,241.67)	(813,726,891.67)	(9,846,481,560.06)
Increase in the current year						
Charged for the year	(460,975,761.92)	(652,359,438.14)	(37,802,793.36)	(143,821,716.09)	(199,178,289.70)	(1,494,137,999.21)
Transfer from investment properties	(8,525,787.46)	-	-	-	-	(8,525,787.46)
Decrease in the current year						
Disposals	42,115,537.68	186,624,136.06	47,683,555.58	69,493,072.84	17,552,201.64	363,468,503.80
Transfer to investment properties	63,759,607.67	-	-	-	-	63,759,607.67
Other changes	(811,072.21)	(5,930,946.07)	2,505,371.08	(2,505,371.08)	6,742,018.28	-
Translation differences of financial statements denominated in foreign currencies	122,599.18	3,425,984.23	222,574.54	179,468.62	1,871,402.23	5,822,028.80
31 December 2025	(3,953,341,652.51)	(4,603,335,072.50)	(299,958,134.85)	(1,072,720,787.38)	(986,739,559.22)	(10,916,095,206.46)
Impairment provision						
31 December 2024	(78,360,842.86)	(108,170,823.73)	(1,247,725.43)	(5,103,154.00)	(6,858,107.30)	(199,740,653.32)
Increase in the current year						
Charged for the year	(54,666,073.41)	(34,647,525.84)	(199,395.35)	(1,128,865.24)	(43,976,047.65)	(134,617,907.49)
Decrease in the current year						
Disposals	2,825,835.03	9,941,079.87	592,474.12	2,396,746.88	213,069.52	15,969,205.42
Transfer to investment properties	8,251,390.62	-	-	-	-	8,251,390.62
Translation differences of financial statements denominated in foreign currencies	-	-	157,791.51	15,845.76	-	173,637.27
31 December 2025	(121,949,690.62)	(132,877,269.70)	(696,855.15)	(3,819,426.60)	(50,621,085.43)	(309,964,327.50)
Carrying amount						
31 December 2025	10,512,785,721.11	3,952,176,240.75	98,459,220.93	388,640,557.12	541,333,452.54	15,493,395,192.45
31 December 2024	9,866,185,172.29	3,938,426,374.55	98,511,591.81	366,735,756.24	641,186,310.95	14,911,045,205.84

**(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****16. Fixed assets (continued)**

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

As at 31 December 2024, buildings, machinery and equipment with carrying amount of RMB1,536,404,521.95 (Cost: RMB1,600,587,535.07) and 436,315.76 square metres of land use rights (Cost: RMB560,977,493.06, Carrying amount: RMB521,491,547.63) (Note (IV) 20) are pledged as collaterals for short-term borrowings of RMB200,753,638.89 (Note (IV) 27(1)), long-term borrowings of RMB1,225,904,916.33 (Note (IV) 37(1)) and long-term borrowings due within one year of RMB1,000,000.00 (Note (IV) (37(1))).

For 2025, depreciation charged to fixed assets amounted to RMB1,494,137,999.21 (2024: RMB1,278,358,241.35), of which RMB727,347,546.84, RMB208,429,444.94, RMB358,655,391.89 and RMB199,705,615.54 (2024: RMB539,428,536.29, RMB198,916,365.79, RMB379,689,471.58 and RMB160,323,867.69) were charged to operating costs, selling expenses, administrative expenses and R&D expenses respectively.

For 2025, the cost of fixed assets transferred from construction in progress amounted to RMB1,413,084,152.34 (2024: RMB3,751,131,852.85).

**(1) Temporarily idle fixed assets**

As at 31 December 2025, the Group has no significant temporarily idle fixed assets (31 December 2024: Nil).

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

	Carrying amount	Reasons for not obtaining certificates of ownership yet
Buildings	1,351,080,298.55	Still in process

**17. Construction in progress**

	31 December 2025			31 December 2024		
	Gross carrying amount	Impairment provision	Carrying amount	Gross carrying amount	Impairment provision	Carrying amount
Construction in progress	2,193,324,631.66	(199,230,450.95)	1,994,094,180.71	2,161,447,743.90	(12,796,135.30)	2,148,651,608.60

# Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)



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

### 17. Construction in progress (continued)

#### (1) Changes in significant construction in progress projects

Name	Budget (RMB'000)	31 December 2024	Increase in the current year	Transfer to fixed assets	Other decrease	31 December 2025	Proportion of construction input to budget (%)	Construction progress (%)	Accumulative amount of capitalised borrowing costs	Including: Capitalised borrowing costs in the current year	Capitalisation rate in the current year (%)	Sources of funds
Hangzhou Qingchun Zhechuang Industrial Investment Co., Ltd. Project Land	114,742.00	276,341,626.23	247,177,432.74	-	-	523,519,058.97	45.63	45.63	-	-	-	Self-owned funds
Suide Road Phase II Project of Shanghai Pharmaceutical Logistics Center	84,921.25	65,443,902.32	48,373,118.33	-	-	113,817,020.65	67.60	91.70	21,208,028.47	2,505,075.65	2.27	Self-owned funds/ borrowings
SPH Sine Jiangchang West Road New Construction Project	76,799.00	368,282,717.79	319,068,042.91	(687,350,760.70)	-	-	89.50	100.00	-	-	-	Self-owned funds
Liaoning Meiya Pharmaceutical Co., Ltd. Relocation Project	64,884.55	123,946,185.77	56,859,213.88	-	-	180,805,399.65	29.95	32.10	-	-	-	Self-owned funds
SPH Lingang Phase I Project	57,180.00	261,056,112.87	74,437,599.57	-	-	335,493,712.44	64.82	70.00	10,368,594.38	5,904,888.82	2.80	Self-owned funds/ borrowings
SPH Shandong Holdings Head Office Construction Project	44,178.00	88,347,553.82	174,752,131.97	-	-	263,099,685.79	58.67	63.24	1,507,715.01	1,477,228.43	2.57	Self-owned funds/ borrowings
SPH No.1 Biochemical and Pharmaceutical Jintan Green Pharmaceutical Quality Base	42,121.00	97,682,910.63	-	(67,558,784.59)	(30,124,126.04)	-	100.00	100.00	-	-	-	Self-owned funds
Nantong Changyou Chemicals Co., Ltd. Phase III Project	27,345.46	106,944,707.17	80,041,005.81	(184,427,415.59)	-	2,558,297.39	68.38	68.38	-	-	-	Self-owned funds
SPH Sine Microecological Innovation Drug Transformation Center and Industrialisation Project	19,675.00	148,896,458.44	33,007,425.70	-	-	181,903,884.14	92.45	92.45	-	-	-	Self-owned funds

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

## 17. Construction in progress (continued)

## (1) Changes in significant construction in progress projects (continued)

Name	Budget (RMB'000)	31 December 2024	Increase in the current year	Transfer to fixed assets	Other decrease	31 December 2025	Proportion of construction input to budget (%)	Construction progress (%)	Accumulative amount of capitalised borrowing costs	Including: Capitalised borrowing costs in the current year	Capitalisation rate in the current year (%)	Sources of funds
SPH Cloud Data Center Construction Project	17,850.00	42,428,083.28	2,815,733.39	(32,957,045.32)	(10,472,577.87)	1,814,193.48	29.19	31.66	-	-	-	Self-owned funds
SPH Anhui Logistics Phase II Construction Project	18,899.00	37,250,466.02	70,132,044.73	-	-	107,382,510.75	56.82	77.00	1,675,651.16	1,515,509.01	2.35	Self-owned funds/ borrowings
Others		544,827,019.56	564,715,454.03	(440,790,146.14)	(185,821,459.05)	482,930,868.40						
Total		2,161,447,743.90	1,671,379,203.06	(1,413,084,152.34)	(226,418,162.96)	2,193,324,631.66						



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

### 17. Construction in progress (continued)

(2) Provision for impairment of construction in progress

	31 December 2024	Increase in the current year	Decrease in the current year	<b>31 December 2025</b>
Liaoning Meiya Pharmaceutical Co., Ltd.				
Relocation Project	–	(180,805,399.65)	–	<b>(180,805,399.65)</b>
Others	(12,796,135.30)	(5,628,916.00)	–	<b>(18,425,051.30)</b>
<b>Total</b>	<b>(12,796,135.30)</b>	<b>(186,434,315.65)</b>	<b>–</b>	<b>(199,230,450.95)</b>

(3) As at 31 December 2025, the progress of the construction in progress of the Group is estimated based on the proportion of construction input to budget.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 18. Bearer biological assets

	Mature biological assets	Immature biological assets	Total
Cost			
31 December 2024	438,841,973.27	5,266,314.04	444,108,287.31
Increase in the current year			
Transfer from immature biological assets	747,312.66	–	747,312.66
Others	–	6,264,218.25	6,264,218.25
Decrease in the current year			
Transfer to mature biological assets	–	(747,312.66)	(747,312.66)
Disposal and retirement	(390,676.03)	(1,000,833.07)	(1,391,509.10)
31 December 2025	439,198,609.90	9,782,386.56	448,980,996.46
Accumulated depreciation			
31 December 2024	(52,433,489.68)	–	(52,433,489.68)
Increase in the current year			
Provision	(2,326,008.56)	–	(2,326,008.56)
Decrease in the current year			
Disposal and retirement	10,453.11	–	10,453.11
31 December 2025	(54,749,045.13)	–	(54,749,045.13)
Impairment provision			
31 December 2024	(258,292,956.76)	–	(258,292,956.76)
Charged for the year	(122,840,559.42)	(8,323,920.20)	(131,164,479.62)
31 December 2025	(381,133,516.18)	(8,323,920.20)	(389,457,436.38)
Carrying amount			
31 December 2025	3,316,048.59	1,458,466.36	4,774,514.95
31 December 2024	128,115,526.83	5,266,314.04	133,381,840.87



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

### 19. Right-of-use assets

	Buildings	Machinery and equipment	Total
Cost			
31 December 2024	4,595,013,695.48	30,441,625.68	4,625,455,321.16
Increase in the current year			
New lease contracts	676,210,191.00	47,970,556.97	724,180,747.97
Increase in business combination	2,712,830.35	–	2,712,830.35
Decrease in the current year			
Decrease in lease contracts	(1,052,274,834.77)	(12,922,498.89)	(1,065,197,333.66)
Translation differences of financial statements denominated in foreign currencies	8,839,549.90	–	8,839,549.90
31 December 2025	4,230,501,431.96	65,489,683.76	4,295,991,115.72
Accumulated depreciation			
31 December 2024	(2,539,400,802.10)	(2,620,201.05)	(2,542,021,003.15)
Increase in the current year			
Provision	(709,040,072.61)	(35,351,546.41)	(744,391,619.02)
Decrease in the current year			
Decrease in lease contracts	797,488,297.81	1,184,144.52	798,672,442.33
Translation differences of financial statements denominated in foreign currencies	(466,090.80)	–	(466,090.80)
31 December 2025	(2,451,418,667.70)	(36,787,602.94)	(2,488,206,270.64)
Impairment provision			
31 December 2024	(101,702,699.66)	–	(101,702,699.66)
Decrease in the current year			
Decrease in lease contracts	87,724,062.68	–	87,724,062.68
31 December 2025	(13,978,636.98)	–	(13,978,636.98)
Carrying amount			
31 December 2025	1,765,104,127.28	28,702,080.82	1,793,806,208.10
31 December 2024	1,953,910,193.72	27,821,424.63	1,981,731,618.35

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 20. Intangible assets

	Land use rights	Business network	Brands and trademarks	Know-how and patents	Software and others	Total
Cost						
31 December 2024	4,659,496,323.72	2,318,319,558.80	617,667,286.36	1,018,250,412.05	1,035,188,147.74	9,648,921,728.67
Increase in the current year						
Additions	-	-	-	55,605,132.26	70,411,114.75	126,016,247.01
Transfer from development expenditure and other non-current assets	-	-	-	155,764,084.01	29,420,416.25	185,184,500.26
Transfer from construction in progress	-	-	-	1,160,000.00	57,443,331.88	58,603,331.88
Increase in business combination	138,605,000.00	1,022,000,000.00	547,000,000.00	1,144,389,637.62	806,227,545.48	3,658,222,183.10
Decrease in the current year						
Disposal and write-off	(15,173,368.72)	-	-	-	(100,892,493.92)	(116,065,862.64)
Translation differences of financial statements denominated in foreign currencies	-	-	20,372,468.17	-	721,671.68	21,094,139.85
31 December 2025	4,782,927,955.00	3,340,319,558.80	1,185,039,754.53	2,375,169,265.94	1,898,519,733.86	13,581,976,268.13
Accumulated amortisation						
31 December 2024	(776,134,965.08)	(1,682,025,649.56)	(48,409,615.42)	(547,971,623.09)	(768,407,441.57)	(3,822,949,294.72)
Increase in the current year						
Provision	(112,044,491.75)	(205,117,703.72)	-	(157,541,425.88)	(127,789,584.52)	(602,493,205.87)
Decrease in the current year						
Disposal and write-off	4,723,723.39	-	-	-	5,516,363.89	10,240,087.28
Translation differences of financial statements denominated in foreign currencies	-	-	(1,699,437.15)	-	(430,733.28)	(2,130,170.43)
31 December 2025	(883,455,733.44)	(1,887,143,353.28)	(50,109,052.57)	(705,513,048.97)	(891,111,395.48)	(4,417,332,583.74)
Impairment provision						
31 December 2024	(16,650,838.77)	-	(101,447,890.97)	(86,719,484.23)	(3,691,789.65)	(208,510,003.62)
Increase in the current year						
Provision	(49,434,738.75)	(13,530,000.02)	-	(108,124,612.14)	(38,025,645.36)	(209,114,996.27)
Decrease in the current year						
Disposal and write-off	-	-	-	-	789,914.56	789,914.56
Translation differences of financial statements denominated in foreign currencies	-	-	(4,058,359.83)	-	-	(4,058,359.83)
31 December 2025	(66,085,577.52)	(13,530,000.02)	(105,506,250.80)	(194,844,096.37)	(40,927,520.45)	(420,893,445.16)
Carrying amount						
31 December 2025	3,833,386,644.04	1,439,646,205.50	1,029,424,451.16	1,474,812,120.60	966,480,817.93	8,743,750,239.23
31 December 2024	3,866,710,519.87	636,293,909.24	467,809,779.97	383,559,304.73	263,088,916.52	5,617,462,430.33



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

### 20. Intangible assets (continued)

As at 31 December 2025, certificates of ownership for land use rights with carrying amount of RMB229,238,263.27 (Cost: RMB259,295,165.31) (31 December 2024: Carrying amount: RMB237,127,901.47; Cost: RMB261,116,259.09) are still in process.

As at 31 December 2025 and 31 December 2024, details of land use rights, buildings and machinery and equipment pledged as collateral for short-term borrowings, long-term borrowings and long-term borrowings due within one year are set out in Note (IV) 16.

As at 31 December 2025, the intangible assets arising from the Group's internal research and development accounts for 2.31% (31 December 2024: 2.02%) of the carrying amount of intangible assets.

### 21. Development expenditure

The Group's total expenditure in R&D activities for 2025 by nature is as follows:

	R&D expenses	2025 Development expenditure	Total
Employee benefits	964,802,260.15	10,159,147.41	974,961,407.56
Technical development expenses	488,378,905.24	63,841,059.85	552,219,965.09
Depreciation and amortisation	306,128,410.23	–	306,128,410.23
Materials consumed	272,412,546.59	437,468.35	272,850,014.94
Test fees	122,243,334.87	–	122,243,334.87
Others	186,043,993.57	1,936,598.73	187,980,592.30
	<b>2,340,009,450.65</b>	<b>76,374,274.34</b>	<b>2,416,383,724.99</b>

The Group's total expenditure in R&D activities for 2024 by nature is as follows:

	R&D expenses	2024 Development expenditure	Total
Employee benefits	970,165,455.59	15,256,670.21	985,422,125.80
Technical development expenses	610,819,081.93	67,665,702.71	678,484,784.64
Materials consumed	256,579,244.86	1,383,748.12	257,962,992.98
Depreciation and amortisation	232,320,830.47	–	232,320,830.47
Test fees	125,864,905.01	–	125,864,905.01
Others	198,684,292.35	4,881,996.18	203,566,288.53
	<b>2,394,433,810.21</b>	<b>89,188,117.22</b>	<b>2,483,621,927.43</b>

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 21. Development expenditure (continued)

The analysis of changes in development expenditure for 2025 is as follows:

	31 December 2024	Input in the current year	Transfer to intangible assets and others in the current year	Impairment provision	31 December 2025
R&D project	215,324,899.96	76,374,274.34	(141,812,143.32)	(46,642,184.69)	<b>103,244,846.29</b>

#### 22. Goodwill

	31 December 2024	Increase in the current year	Decrease in the current year	Other changes	31 December 2025
Goodwill-					
Shanghai Pharma Co., Ltd.'s subsidiaries	3,679,245,949.91	-	-	-	<b>3,679,245,949.91</b>
China Health System Ltd. and its subsidiaries	2,869,596,124.06	-	(7,207,260.61)	-	<b>2,862,388,863.45</b>
Shanghai Pharmaceuticals (HK) Investment Limited's subsidiaries	2,543,895,939.53	-	-	-	<b>2,543,895,939.53</b>
Shanghai Hutchison Pharmaceuticals Co., Ltd. and its subsidiaries (Note (V) 1)	-	1,846,347,601.54	-	-	<b>1,846,347,601.54</b>
Guangdong Techpool Biochemical Pharmaceutical Co., Ltd. and its subsidiaries	1,399,888,707.64	-	-	-	<b>1,399,888,707.64</b>
Zeus Investment Limited and its subsidiaries	934,969,978.11	-	-	43,801,126.89	<b>978,771,105.00</b>
Big Global Limited and its subsidiaries	445,109,447.21	-	-	-	<b>445,109,447.21</b>
Shanghai TCM Co., Ltd. and its subsidiaries	322,265,997.71	-	-	-	<b>322,265,997.71</b>
Liaoning Pharmaceutical Foreign Trading Co., Ltd. and its subsidiaries	231,543,003.13	256,381.86	-	-	<b>231,799,384.99</b>
Star Fountain Global Limited and its subsidiaries	188,057,733.96	-	-	-	<b>188,057,733.96</b>
SPH Sine Pharmaceutical Factory Co., Ltd.'s subsidiaries	159,340,834.18	-	(122,808,233.97)	-	<b>36,532,600.21</b>
Shanghai Medical Instruments Co., Ltd.'s subsidiaries	138,131,837.94	-	-	-	<b>138,131,837.94</b>
Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	107,285,726.91	-	-	-	<b>107,285,726.91</b>
Others	157,094,963.30	-	-	-	<b>157,094,963.30</b>
	13,176,426,243.59	1,846,603,983.40	(130,015,494.58)	43,801,126.89	<b>14,936,815,859.30</b>



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

**22. Goodwill (continued)**

	31 December 2024	Increase in the current year	Decrease in the current year	Other changes	31 December 2025
Less: Impairment provision (1)					
Zeus Investment Limited and its subsidiaries	(856,728,203.06)	-	-	(34,634,097.78)	<b>(891,362,300.84)</b>
Big Global Limited and its subsidiaries	(445,109,447.21)	-	-	-	<b>(445,109,447.21)</b>
Star Fountain Global Limited and its subsidiaries	(188,057,733.96)	-	-	-	<b>(188,057,733.96)</b>
Shanghai Pharma Co., Ltd.'s subsidiaries	(5,633,332.98)	(78,377,581.31)	-	-	<b>(84,010,914.29)</b>
SPH Sine Pharmaceutical Factory Co., Ltd.'s subsidiaries	(122,808,233.97)	-	122,808,233.97	-	-
Shanghai TCM Co., Ltd. and its subsidiaries	(72,109,261.31)	(250,156,736.40)	-	-	<b>(322,265,997.71)</b>
Shanghai Medical Instruments Co., Ltd.'s subsidiaries	(138,131,837.94)	-	-	-	<b>(138,131,837.94)</b>
Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	(90,468,682.53)	-	-	-	<b>(90,468,682.53)</b>
Others	(111,793,374.95)	-	-	-	<b>(111,793,374.95)</b>
	(2,030,840,107.91)	(328,534,317.71)	122,808,233.97	(34,634,097.78)	<b>(2,271,200,289.43)</b>
<b>Total</b>	<b>11,145,586,135.68</b>	<b>1,518,069,665.69</b>	<b>(7,207,260.61)</b>	<b>9,167,029.11</b>	<b>12,665,615,569.87</b>

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 22. Goodwill (continued)

##### (1) Impairment

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

	31 December 2025		31 December 2024	
	Cost	Impairment	Cost	Impairment
Production –				
Shanghai Hutchison Pharmaceuticals Co., Ltd. and its subsidiaries	1,846,347,601.54	–	–	–
Guangdong Techpool Biochemical Pharmaceutical Co., Ltd. and its subsidiaries	1,399,888,707.64	–	1,399,888,707.64	–
Zeus Investment Limited and its subsidiaries	978,771,105.00	(891,362,300.84)	934,969,978.11	(856,728,203.06)
Big Global Limited and its subsidiaries	445,109,447.21	(445,109,447.21)	445,109,447.21	(445,109,447.21)
Star Fountain Global Limited and its subsidiaries	188,057,733.96	(188,057,733.96)	188,057,733.96	(188,057,733.96)
Shanghai TCM Co., Ltd. and its subsidiaries	322,265,997.71	(322,265,997.71)	322,265,997.71	(72,109,261.31)
Shanghai Medical Instruments Co., Ltd.'s subsidiaries	138,131,837.94	(138,131,837.94)	138,131,837.94	(138,131,837.94)
Others	200,452,286.52	(120,275,932.04)	323,260,520.49	(243,084,166.01)
	<b>5,519,024,717.52</b>	<b>(2,105,203,249.70)</b>	3,751,684,223.06	(1,943,220,649.49)
Distribution –				
Distribution business of Shanghai Pharma Co., Ltd. and Cardinal Health (L) Co., Ltd.	5,932,900,005.59	–	6,011,277,586.90	–
Distribution business of China Health System Ltd. and Liaoning Pharmaceutical Foreign Trading Co., Ltd.	3,094,188,248.44	–	3,101,139,127.19	–
Others	153,798,838.87	(153,798,838.87)	75,421,257.56	(75,421,257.56)
	<b>9,180,887,092.90</b>	<b>(153,798,838.87)</b>	9,187,837,971.65	(75,421,257.56)
Retail and others	236,904,048.88	(12,198,200.86)	236,904,048.88	(12,198,200.86)
Total	<b>14,936,815,859.30</b>	<b>(2,271,200,289.43)</b>	13,176,426,243.59	(2,030,840,107.91)



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

### 22. Goodwill (continued)

#### (1) Impairment (continued)

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

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

For 2025, the recoverable amount of portfolio of major asset groups and key assumptions in discounted future cash flow method are as follows:

	Production	Distribution
Revenue growth rate for the forecast period	1%~18%	3%~11%
Revenue growth rate for the stable period	0%~2%	2%
Gross margin	9%~81%	5%~11%
Pre-tax discount rate	10%~16%	11%~13%
Recoverable amount (RMB'000)	<b>86,000~9,244,000</b>	<b>210,000~14,283,000</b>

For 2024, the recoverable amount of portfolio of major asset groups and key assumptions in discounted future cash flow method are as follows:

	Production	Distribution
Revenue growth rate for the forecast period	-3%~24%	4%~9%
Revenue growth rate for the stable period	0%~2%	2%
Gross margin	6%~78%	6%~7%
Pre-tax discount rate	11%~16%	13%~14%
Recoverable amount (RMB'000)	32,000~2,683,000	5,047,000~15,424,000

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 23. Long-term prepaid expenses

	31 December 2024	Increase in the current year	Amortisation in the current year	Other changes	31 December 2025
Improvement of right-of-use assets	369,795,845.04	80,587,840.25	(40,677,108.39)	(11,270,777.04)	<b>398,435,799.86</b>
Others	164,770,632.20	160,435,408.75	(157,811,641.22)	(19,535,286.40)	<b>147,859,113.33</b>
Total	534,566,477.24	241,023,249.00	(198,488,749.61)	(30,806,063.44)	<b>546,294,913.19</b>

#### 24. Deferred tax assets and deferred tax liabilities

##### (1) Deferred tax assets before offset

	31 December 2025		31 December 2024	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	<b>4,131,765,272.98</b>	<b>936,938,503.59</b>	3,707,400,511.65	859,902,388.98
Accrued expenses	<b>2,539,812,563.39</b>	<b>569,064,709.30</b>	2,187,745,379.92	533,952,021.18
Lease liabilities	<b>1,619,137,665.89</b>	<b>393,605,655.29</b>	1,926,270,195.77	473,962,045.11
Elimination of intra-group unrealised profit	<b>541,517,331.09</b>	<b>124,365,649.17</b>	531,413,709.29	121,851,709.44
Deductible losses	<b>651,513,780.01</b>	<b>137,822,439.01</b>	876,011,752.85	183,110,697.62
Others	<b>413,024,784.41</b>	<b>95,949,180.75</b>	459,866,595.79	89,659,775.13
Total	<b>9,896,771,397.77</b>	<b>2,257,746,137.11</b>	9,688,708,145.27	2,262,438,637.46



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

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

#### (2) Deferred tax liabilities before offset

	31 December 2025		31 December 2024	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Differences between the fair value and the carrying amount of the identifiable net assets of the acquiree arising from business combinations not involving enterprises under common control	5,475,948,370.87	1,024,800,013.75	2,170,966,177.49	549,994,153.08
Temporary differences arising from the deemed disposal of joint ventures	2,953,335,553.61	738,333,888.40	–	–
Right-of-use assets	1,793,806,208.10	438,795,431.68	2,065,180,445.19	510,215,816.47
Investment income arising from disposal of subsidiaries	940,193,205.88	235,048,301.47	946,985,653.07	236,746,413.27
Depreciation of fixed assets	661,802,424.38	84,379,664.15	788,829,941.81	121,509,057.66
Changes in fair value of other non-current financial assets	3,156,329.02	789,082.26	3,082,853.65	770,713.41
Others	165,163,748.15	40,631,873.15	127,881,116.15	32,126,296.57
<b>Total</b>	<b>11,993,405,840.01</b>	<b>2,562,778,254.86</b>	<b>6,102,926,187.36</b>	<b>1,451,362,450.46</b>

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

	31 December 2025		31 December 2024	
	Offsetting amount	Amount after offset	Offsetting amount	Amount after offset
Deferred tax assets	(617,697,117.64)	1,640,049,019.47	(634,909,624.25)	1,627,529,013.21
Deferred tax liabilities	617,697,117.64	1,945,081,137.22	634,909,624.25	816,452,826.21

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

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

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

	31 December 2025	31 December 2024
Deductible losses	<b>9,147,094,993.91</b>	8,407,656,365.08

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

	31 December 2025	31 December 2024
2025	N/A	1,171,957,182.45
2026	<b>1,776,876,379.51</b>	1,782,341,061.40
2027	<b>1,446,698,628.84</b>	1,461,581,777.17
2028	<b>1,607,809,220.98</b>	1,618,136,213.96
2029	<b>1,479,814,701.20</b>	1,523,394,718.41
2030	<b>1,924,033,634.82</b>	573,495,670.90
2031 and subsequent years	<b>911,862,428.56</b>	276,749,740.79
Total	<b>9,147,094,993.91</b>	8,407,656,365.08

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)



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

#### 25. Asset impairment and loss allowance

	31 December 2024	Increase in the current year	Decrease in the current year	Other changes in the current year	31 December 2025
Bad debt allowance for notes receivable	6,994,443.32	5,266,647.93	(6,994,443.32)	–	<b>5,266,647.93</b>
Including: Bad debt allowance made on an individual basis	–	–	–	–	–
Bad debt allowance made on a portfolio basis	6,994,443.32	5,266,647.93	(6,994,443.32)	–	<b>5,266,647.93</b>
Bad debt allowance for accounts receivable	2,422,522,271.81	558,515,781.69	(86,746,282.75)	(20,963,209.40)	<b>2,873,328,561.35</b>
Including: Bad debt allowance made on an individual basis	555,921,695.63	144,678,357.33	(86,746,282.75)	–	<b>613,853,770.21</b>
Bad debt allowance made on a portfolio basis	1,866,600,576.18	413,837,424.36	–	(20,963,209.40)	<b>2,259,474,791.14</b>
Bad debt allowance for receivables financing	9,361,859.07	10,244,200.95	(9,361,859.07)	–	<b>10,244,200.95</b>
Bad debt allowance for other receivables	795,690,702.72	102,717,339.40	(69,900.00)	(8,929,692.74)	<b>889,408,449.38</b>
Bad debt allowance for long-term receivables	53,656,818.78	5,753,385.87	(4,617,025.51)	(3,064.95)	<b>54,790,114.19</b>
<b>Sub-total</b>	<b>3,288,226,095.70</b>	<b>682,497,355.84</b>	<b>(107,789,510.65)</b>	<b>(29,895,967.09)</b>	<b>3,833,037,973.80</b>
Provision for decline in value of inventories	1,426,570,249.01	–	(19,285,238.65)	(95,600,310.60)	<b>1,311,684,699.76</b>
Provision for impairment of long-term equity investments	220,663,722.23	–	–	–	<b>220,663,722.23</b>
Provision for impairment of fixed assets	199,740,653.32	134,617,907.49	–	(24,394,233.31)	<b>309,964,327.50</b>
Provision for impairment of investment properties	–	–	–	8,251,390.62	<b>8,251,390.62</b>
Provision for impairment of construction in progress	12,796,135.30	186,434,315.65	–	–	<b>199,230,450.95</b>
Provision for impairment of intangible assets	208,510,003.62	209,114,996.27	–	3,268,445.27	<b>420,893,445.16</b>
Provision for impairment of goodwill	2,030,840,107.91	328,534,317.71	–	(88,174,136.19)	<b>2,271,200,289.43</b>
Provision for impairment of right-of-use assets	101,702,699.66	–	–	(87,724,062.68)	<b>13,978,636.98</b>
Provision for impairment of long-term prepaid expenses	3,347,859.94	1,332,975.95	–	(974,854.49)	<b>3,705,981.40</b>
Provision for impairment of bearer biological assets	258,292,956.76	131,164,479.62	–	–	<b>389,457,436.38</b>
Provision for impairment of development expenditure	–	46,642,184.69	–	–	<b>46,642,184.69</b>
<b>Sub-total</b>	<b>4,462,464,387.75</b>	<b>1,037,841,177.38</b>	<b>(19,285,238.65)</b>	<b>(285,347,761.38)</b>	<b>5,195,672,565.10</b>
<b>Total</b>	<b>7,750,690,483.45</b>	<b>1,720,338,533.22</b>	<b>(127,074,749.30)</b>	<b>(315,243,728.47)</b>	<b>9,028,710,538.90</b>

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 25. Asset impairment and loss allowance (continued)

	31 December 2023	Increase in the current year	Decrease in the current year	Other changes in the current year	31 December 2024
Bad debt allowance for notes receivable	12,555,301.97	6,994,443.32	(12,555,301.97)	-	6,994,443.32
Including: Bad debt allowance made on an individual basis	-	-	-	-	-
Bad debt allowance made on a portfolio basis	12,555,301.97	6,994,443.32	(12,555,301.97)	-	6,994,443.32
Bad debt allowance for accounts receivable	2,226,761,040.00	253,662,339.89	(21,624,628.56)	(36,276,479.52)	2,422,522,271.81
Including: Bad debt allowance made on an individual basis	422,039,147.36	155,507,176.83	(21,624,628.56)	-	555,921,695.63
Bad debt allowance made on a portfolio basis	1,804,721,892.64	98,155,163.06	-	(36,276,479.52)	1,866,600,576.18
Bad debt allowance for receivables financing	9,110,039.80	9,361,859.07	(9,110,039.80)	-	9,361,859.07
Bad debt allowance for other receivables	835,950,075.72	19,332,350.10	(43,425,493.56)	(16,166,229.54)	795,690,702.72
Bad debt allowance for long-term receivables	17,986,152.73	23,526,591.48	-	12,144,074.57	53,656,818.78
<b>Sub-total</b>	<b>3,102,362,610.22</b>	<b>312,877,583.86</b>	<b>(86,715,463.89)</b>	<b>(40,298,634.49)</b>	<b>3,288,226,095.70</b>
Provision for decline in value of inventories	1,406,765,108.52	139,197,610.01	-	(119,392,469.52)	1,426,570,249.01
Provision for impairment of long-term equity investments	195,235,585.79	25,428,136.44	-	-	220,663,722.23
Provision for impairment of fixed assets	136,048,730.90	72,992,558.49	-	(9,300,636.07)	199,740,653.32
Provision for impairment of construction in progress	17,264,328.89	264,234.54	-	(4,732,428.13)	12,796,135.30
Provision for impairment of intangible assets	221,572,485.49	61,341,523.13	-	(74,404,005.00)	208,510,003.62
Provision for impairment of goodwill	1,865,262,139.73	230,474,131.66	-	(64,896,163.48)	2,030,840,107.91
Provision for impairment of right-of-use assets	18,438,778.48	83,448,826.84	-	(184,905.66)	101,702,699.66
Provision for impairment of long-term prepaid expenses	2,153,185.50	1,226,543.36	-	(31,868.92)	3,347,859.94
Provision for impairment of bearer biological assets	258,292,956.76	-	-	-	258,292,956.76
<b>Sub-total</b>	<b>4,121,033,300.06</b>	<b>614,373,564.47</b>	<b>-</b>	<b>(272,942,476.78)</b>	<b>4,462,464,387.75</b>
<b>Total</b>	<b>7,223,395,910.28</b>	<b>927,251,148.33</b>	<b>(86,715,463.89)</b>	<b>(313,241,111.27)</b>	<b>7,750,690,483.45</b>

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



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

### 26. Other non-current assets

	31 December 2025	31 December 2024
Prepayments for construction and equipment	<b>134,445,908.03</b>	129,764,121.10
Advances for license	–	184,968,302.27
Others	<b>257,538,884.93</b>	168,643,920.81
<b>Total</b>	<b>391,984,792.96</b>	483,376,344.18

### 27. Short-term borrowings

	31 December 2025	31 December 2024
Mortgaged borrowings (1)	<b>129,988,501.08</b>	200,753,638.89
Pledged borrowings (2)	<b>507,405,391.37</b>	740,334,684.08
Guaranteed borrowings (3)	<b>43,000,000.00</b>	155,900,000.00
Credit loans	<b>43,342,807,092.99</b>	36,905,077,939.69
Accrued interest	<b>68,620,031.52</b>	62,032,705.05
<b>Total</b>	<b>44,091,821,016.96</b>	38,064,098,967.71

- (1) As at 31 December 2025 and 31 December 2024, details of land use rights, buildings and machinery and equipment pledged as collateral for short-term borrowings, long-term borrowings and long-term borrowings due within one year are set out in Note (IV) 16.
- (2) As at 31 December 2025, pledged bank borrowings of RMB507,405,391.37 are short-term borrowings secured by commercial acceptances of RMB111,441,396.32, bank acceptances of RMB1,213,606.39 and accounts receivable with carrying amount of RMB572,374,821.92.
- As at 31 December 2024, pledged bank borrowings of RMB740,334,684.08 are short-term borrowings secured by commercial acceptances of RMB15,497,761.22, bank acceptances of RMB20,862,329.55 and accounts receivable with carrying amount of RMB723,511,829.24.
- (3) As at 31 December 2025, guaranteed borrowings of RMB43,000,000.00 (31 December 2024: RMB155,900,000.00) are mainly guaranteed by the minority shareholders of subsidiaries of the Group.
- (4) As at 31 December 2025, the Group has no overdue short-term borrowings, and the interest rate of short-term borrowings ranges from 1.20% to 5.50% (31 December 2024: 1.02% to 5.75%).

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 28. Notes payable

	31 December 2025	31 December 2024
Commercial acceptances	<b>9,497,989.47</b>	255,767,350.54
Bank acceptances	<b>8,800,708,232.65</b>	8,985,365,997.35
Total	<b>8,810,206,222.12</b>	9,241,133,347.89

As at 31 December 2025, the Group has no overdue unpaid notes payable (31 December 2024: Nil).

#### 29. Accounts payable

	31 December 2025	31 December 2024
Purchase payables	<b>52,594,352,033.44</b>	50,241,787,131.40

(1) As at 31 December 2025, accounts payable aged over one year are RMB3,646,861,370.43 (31 December 2024: RMB3,412,793,777.18).

(2) The aging analysis of accounts payables based on recording date is as follows:

	31 December 2025	31 December 2024
Within 1 year	<b>48,947,490,663.01</b>	46,828,993,354.22
1 to 2 years	<b>1,676,325,533.34</b>	1,930,902,187.81
Over 2 years	<b>1,970,535,837.09</b>	1,481,891,589.37
Total	<b>52,594,352,033.44</b>	50,241,787,131.40

#### 30. Contract liabilities

	31 December 2025	31 December 2024
Advances from customers	<b>1,504,248,413.81</b>	1,562,036,773.57

For 2025, contract liabilities at the beginning of the period with carrying amount of RMB1,408,459,329.26 (2024: RMB1,801,970,141.35) were transferred to operating income, all of which were income from sales of goods. The book value of contract liabilities at the end of 2025 is expected to basically convert into revenue within one year.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)



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

#### 31. Employee benefits payable

	31 December 2025	31 December 2024
Short-term employee benefits payable (1)	<b>1,889,901,569.81</b>	1,760,978,085.80
Defined contribution plan payable (2)	<b>29,935,831.68</b>	31,824,508.56
Termination benefits payable (3)	<b>2,399,014.87</b>	3,544,466.37
<b>Total</b>	<b>1,922,236,416.36</b>	1,796,347,060.73

#### (1) Short-term employee benefits

	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025
Wages or salaries, bonuses, allowances and subsidies	1,529,064,414.73	8,809,595,422.90	(8,660,392,981.00)	<b>1,678,266,856.63</b>
Staff welfare	-	334,976,127.94	(334,976,127.94)	-
Social insurance	13,543,043.09	517,243,574.51	(516,126,439.14)	<b>14,660,178.46</b>
Including: Medical insurance	12,747,693.16	479,781,311.78	(478,884,608.08)	<b>13,644,396.86</b>
Work injury insurance	497,682.61	29,450,741.61	(29,136,290.08)	<b>812,134.14</b>
Maternity insurance	297,667.32	8,011,521.12	(8,105,540.98)	<b>203,647.46</b>
Housing funds	2,752,241.36	551,566,965.13	(549,606,636.60)	<b>4,712,569.89</b>
Union running costs and employee education costs	70,964,909.03	154,077,909.25	(147,176,695.05)	<b>77,866,123.23</b>
Others	144,653,477.59	68,200,145.25	(98,457,781.24)	<b>114,395,841.60</b>
<b>Total</b>	1,760,978,085.80	10,435,660,144.98	(10,306,736,660.97)	<b>1,889,901,569.81</b>

#### (2) Defined contribution plan

	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025
Basic pension insurance	30,606,454.28	916,012,054.98	(918,097,643.56)	<b>28,520,865.70</b>
Unemployment insurance	1,218,054.28	32,209,785.29	(32,012,873.59)	<b>1,414,965.98</b>
<b>Total</b>	31,824,508.56	948,221,840.27	(950,110,517.15)	<b>29,935,831.68</b>

Monthly payments of basic pension insurance and unemployment insurance are calculated according to prescribed bases and percentage by the relevant local authorities, which cannot be used to offset any future payments that the Group is required to make for employees.

#### (3) Termination benefits payable

	31 December 2025	31 December 2024
Termination benefits payable (current portion)	<b>2,399,014.87</b>	3,544,466.37

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 32. Taxes payable

	31 December 2025	31 December 2024
Enterprise income tax payable	<b>875,119,386.02</b>	835,873,309.17
VAT payable	<b>368,270,034.33</b>	212,098,804.88
Individual income tax payable	<b>57,000,911.39</b>	52,251,548.86
Urban maintenance and construction tax payable	<b>36,842,476.10</b>	39,227,176.69
Property tax payable	<b>35,752,974.92</b>	20,970,222.29
Education surcharge payable	<b>30,090,735.99</b>	26,578,977.09
Others	<b>83,167,763.64</b>	77,015,273.94
Total	<b>1,486,244,282.39</b>	1,264,015,312.92

#### 33. Other payables

	31 December 2025	31 December 2024
Accrued expenses	<b>9,603,380,162.39</b>	8,465,019,861.47
Deposits and guarantees payable	<b>2,068,188,648.37</b>	2,486,649,967.28
Dividends payable	<b>1,074,213,335.02</b>	381,062,451.26
Construction and equipment payable	<b>1,036,807,476.86</b>	1,127,904,420.18
Amounts due to other companies	<b>549,673,428.58</b>	2,005,524,001.54
Equity acquisition payable	<b>175,861,359.05</b>	165,122,649.80
Others	<b>2,223,789,576.85</b>	2,166,076,164.56
Total	<b>16,731,913,987.12</b>	16,797,359,516.09

(1) As at 31 December 2025, other payables aged over one year are RMB3,913,094,646.47 (31 December 2024: RMB4,585,650,860.32).

#### 34. Provisions

	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025
Pending litigations and dispute matters	27,431,081.85	38,660,929.77	(7,028,912.73)	<b>59,063,098.89</b>
Others	8,594,093.74	9,137,728.65	(2,094,988.91)	<b>15,636,833.48</b>
Total	36,025,175.59	47,798,658.42	(9,123,901.64)	<b>74,699,932.37</b>



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

### 35. Non-current liabilities due within one year

	31 December 2025	31 December 2024
Stock repurchase option due within one year	<b>98,851,631.25</b>	–
Long-term borrowings due within one year (Note (IV) 37)	<b>2,125,374,630.45</b>	191,801,162.87
Lease liabilities due within one year (Note (IV) 38)	<b>585,373,051.40</b>	649,073,044.47
Long-term payables due within one year (Note (IV) 39)	–	1,288,321.02
<b>Total</b>	<b>2,809,599,313.10</b>	842,162,528.36

### 36. Other current liabilities

	31 December 2025	31 December 2024
Super & Short-term Commercial Paper (“SCP”) (1)	<b>5,036,081,369.86</b>	6,031,879,726.03
Output VAT to be transferred	<b>198,108,786.81</b>	195,967,735.94
<b>Total</b>	<b>5,234,190,156.67</b>	6,227,847,461.97

(1) Details of the SCP are as follows:

	31 December 2024	Issuance for the year	Accrued interest	Amortisation of premiums or discounts	Repayment for the year	31 December 2025
2024 SCP stage 3	3,018,779,178.08	–	26,156,712.33	–	(3,044,935,890.41)	–
2024 SCP stage 4	3,013,100,547.95	–	2,722,191.78	–	(3,015,822,739.73)	–
2025 SCP stage 1	–	2,998,941,666.67	36,534,246.58	1,058,333.33	(3,036,534,246.58)	–
2025 SCP stage 2	–	2,998,883,333.33	26,533,972.60	1,116,666.67	–	<b>3,026,533,972.60</b>
2025 SCP stage 3	–	1,999,258,333.33	9,547,397.26	741,666.67	–	<b>2,009,547,397.26</b>
<b>Total</b>	<b>6,031,879,726.03</b>	<b>7,997,083,333.33</b>	<b>101,494,520.55</b>	<b>2,916,666.67</b>	<b>(9,097,292,876.72)</b>	<b>5,036,081,369.86</b>

	Face value	Issuing date	Bond maturity	Issuing amount	Coupon rate (%)	Default or not
2024 SCP stage 3	3,000,000,000.00	10 September 2024	268 days	2,998,883,333.34	2.04	N
2024 SCP stage 4	3,000,000,000.00	15 October 2024	93 days	2,999,612,500.00	2.07	N
2025 SCP stage 1	3,000,000,000.00	15 January 2025	254 days	2,998,941,666.67	1.75	N
2025 SCP stage 2	3,000,000,000.00	3 June 2025	268 days	2,998,883,333.33	1.53	N
2025 SCP stage 3	2,000,000,000.00	23 September 2025	267 days	1,999,258,333.33	1.76	N

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 37. Long-term borrowings

	31 December 2025	31 December 2024
Mortgaged borrowings (1)	<b>1,322,479,441.93</b>	1,226,904,916.33
Credit loans	<b>4,908,787,329.68</b>	7,150,927,560.65
Pledged borrowings (2)	<b>127,736,057.64</b>	141,987,619.59
Accrued interest	<b>2,247,401.23</b>	3,315,181.87
<b>Sub-total</b>	<b>6,361,250,230.48</b>	8,523,135,278.44
Less: Long-term borrowings due within one year		
Mortgaged borrowings (1)	<b>(17,498,544.00)</b>	(1,000,000.00)
Credit loans	<b>(2,020,865,611.09)</b>	(151,489,614.73)
Pledged borrowings (2)	<b>(84,941,029.63)</b>	(37,489,798.59)
Accrued interest	<b>(2,069,445.73)</b>	(1,821,749.55)
<b>Sub-total</b>	<b>(2,125,374,630.45)</b>	(191,801,162.87)
<b>Total</b>	<b>4,235,875,600.03</b>	8,331,334,115.57

- (1) As at 31 December 2025 and 31 December 2024, details of land use rights, buildings and machinery and equipment pledged as collateral for short-term borrowings, long-term borrowings and long-term borrowings due within one year are set out in Note (IV) 16.
- (2) As at 31 December 2025, pledged bank borrowings of RMB42,795,028.01 and long-term borrowings due within one year of RMB84,941,029.63 (Note (IV) 35) are secured by accounts receivable with carrying amount of RMB127,736,057.64.
- As at 31 December 2024, pledged bank borrowings of RMB104,497,821.00 and long-term borrowings due within one year of RMB37,489,798.59 (Note (IV)35) are secured by accounts receivable with carrying amount of RMB141,987,619.59.
- (3) As at 31 December 2025, the Group has no overdue long-term borrowings, and the interest rate of long-term borrowings ranges from 1.65% to 5.00% (31 December 2024: 1.75% to 5.00%).



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

### 38. Lease liabilities

	31 December 2025	31 December 2024
Lease liabilities	<b>1,734,747,302.16</b>	2,045,372,560.05
Less: Non-current liabilities due within one year (Notes IV (35))	<b>(585,373,051.40)</b>	(649,073,044.47)
Net amount	<b>1,149,374,250.76</b>	1,396,299,515.58

As at 31 December 2025, the Group has lease payments related to lease contracts that are signed but not yet commenced amounting to RMB64,284,260.40 (31 December 2024: Nil).

### 39. Long-term payables

	31 December 2025	31 December 2024
Forest use rights payable	–	10,441,738.90
Payables for investments	<b>9,000,000.00</b>	–
Less: Long-term payables due within one year (Note (IV) 35)	–	(1,288,321.02)
Net amount	<b>9,000,000.00</b>	9,153,417.88

### 40. Deferred income

	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025
Compensation for demolition and construction	63,371,001.12	6,354,666.52	(3,416,484.59)	<b>66,309,183.05</b>
Government grants (1)	487,620,221.55	136,784,061.45	(117,336,986.89)	<b>507,067,296.11</b>
Total	550,991,222.67	143,138,727.97	(120,753,471.48)	<b>573,376,479.16</b>

#### (1) Government grants

	31 December 2024	Increase in the current year	Amount included in other income	31 December 2025
Government grants related to assets	246,870,158.03	37,797,371.52	(46,429,675.64)	<b>238,237,853.91</b>
Government grants related to income	240,750,063.52	98,986,689.93	(70,907,311.25)	<b>268,829,442.20</b>
Total	487,620,221.55	136,784,061.45	(117,336,986.89)	<b>507,067,296.11</b>

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 41. Long-term employee benefits payable

	31 December 2025	31 December 2024
Termination benefits payable	<b>45,456,482.59</b>	41,709,549.74
Less: Portion to be paid within one year (Note (IV) 31)	<b>(1,777,564.37)</b>	(2,548,374.37)
Net amount	<b>43,678,918.22</b>	39,161,175.37

Termination benefits payable to be paid within one year are disclosed in employee benefits payable.

#### 42. Other non-current liabilities

	31 December 2025	31 December 2024
Medical reserve funds	<b>90,366,976.15</b>	113,075,173.45
Stock repurchase option	–	102,275,542.50
Others	<b>41,913,479.20</b>	33,911,983.18
Total	<b>132,280,455.35</b>	249,262,699.13

#### 43. Share capital

	31 December 2024	Changes for the year			Sub-total	31 December 2025
		Issue new shares (1)	Unlock non-tradable shares	Others		
Shares subject to trading restriction –						
Ordinary shares denominated in RMB	852,708,396.00	–	(852,626,796.00)	–	(852,626,796.00)	<b>81,600.00</b>
Shares not subject to trading restriction –						
Ordinary shares denominated in RMB	1,936,190,739.00	389,970.00	852,626,796.00	–	853,016,766.00	<b>2,789,207,505.00</b>
Foreign shares listed overseas	919,072,704.00	–	–	–	–	<b>919,072,704.00</b>
	2,855,263,443.00	389,970.00	852,626,796.00	–	853,016,766.00	<b>3,708,280,209.00</b>
Total	3,707,971,839.00	389,970.00	–	–	389,970.00	<b>3,708,361,809.00</b>



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

### 43. Share capital (continued)

	31 December 2023	Issue new shares (1)	Changes for the year Unlock non- tradable shares	Others	Sub-total	31 December 2024
Shares subject to trading restriction –						
Ordinary shares denominated in RMB	852,708,396.00	-	-	-	-	852,708,396.00
Shares not subject to trading restriction –						
Ordinary shares denominated in RMB	1,931,519,954.00	4,670,785.00	-	-	4,670,785.00	1,936,190,739.00
Foreign shares listed overseas	919,072,704.00	-	-	-	-	919,072,704.00
	2,850,592,658.00	4,670,785.00	-	-	4,670,785.00	2,855,263,443.00
<b>Total</b>	<b>3,703,301,054.00</b>	<b>4,670,785.00</b>	<b>-</b>	<b>-</b>	<b>4,670,785.00</b>	<b>3,707,971,839.00</b>

- (1) For 2025 and 2024, the increase in share capital represents the share capital issued by the exercise of share options under the Group's A-share share incentive plan.

### 44. Capital reserve

	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025
Share premium (1)	29,587,725,772.78	57,691,573.93	-	<b>29,645,417,346.71</b>
Other capital reserve –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method (2)	374,301,695.22	-	(3,910,505.91)	<b>370,391,189.31</b>
Share-based payments (3)	17,157,711.45	-	(14,797,227.45)	<b>2,360,484.00</b>
Others	(331,413,907.94)	365,002.80	-	<b>(331,048,905.14)</b>
<b>Total</b>	<b>29,647,771,271.51</b>	<b>58,056,576.73</b>	<b>(18,707,733.36)</b>	<b>29,687,120,114.88</b>

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 44. Capital reserve (continued)

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Share premium (1)	29,466,404,525.92	121,321,246.86	-	29,587,725,772.78
Other capital reserve –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method (2)	300,875,792.61	73,425,902.61	-	374,301,695.22
Share-based payments (3)	50,792,867.95	308,220.66	(33,943,377.16)	17,157,711.45
Others	(630,424,030.95)	299,010,123.01	-	(331,413,907.94)
<b>Total</b>	<b>29,187,649,155.53</b>	<b>494,065,493.14</b>	<b>(33,943,377.16)</b>	<b>29,647,771,271.51</b>

(1) For 2025, the increase in capital reserve was mainly the difference between the total funds receivable from the exercise of stock options under the Group's A-share incentive plan, less the total nominal value of the shares issued, and the difference between the consideration paid for the transaction between the Group and its minority shareholders and identifiable net assets of the subsidiaries based on continuous calculation from the acquisition date at proportion of shareholding after transaction.

For 2024, the increase in capital reserve was mainly the difference between the total funds receivable from the exercise of stock options under the Group's A-share incentive plan, less the total nominal value of the shares issued, and the difference between the consideration paid for the transaction between the Group and its minority shareholders and identifiable net assets of the subsidiaries based on continuous calculation from the acquisition date at proportion of shareholding after transaction.

(2) For 2025 and 2024, the change in the capital reserve was mainly the share of changes in equity other than comprehensive income and profit distribution of investees under the equity method.



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

### **44. Capital reserve (continued)**

#### **(3) Share-based payments**

##### **(i) Summary**

According to the 2019 Stock Option Incentive Plan of Shanghai Pharmaceuticals Holding Co., Ltd. (“Incentive Plan”) approved by the resolution of the 2019 first extraordinary shareholders’ meeting held on 18 December 2019, the Company implemented stock option incentive plan for its directors, senior management, middle management and core technical and business backbones (“incentive recipients”), expecting to grant approximately 28,420,000.00 shares of stock options to the incentive recipients. On 19 December 2019, the Company initially granted 25,680,000.00 shares of stock options (“First Granting”).

Pursuant to the Proposal of Granting Reserved Stock Options to Incentive Recipients approved by resolutions of the 15th meeting of the 7th Board of Directors and the 12th meeting of the 7th Board of Supervisors held on 15 December 2020, the Company granted a total of 2,730,000.00 shares of stock options to incentive recipients (“Reserved Granting”).

Pursuant to the Announcement on Adjusting the List of Incentive Recipients and the Number of Options of the 2019 A-Share Stock Option Incentive Plan and Cancelling Part of Options approved by resolutions of the 28th meeting of the 7th Board of Directors held on 5 January 2022, the Company adjusted the total number of stock options of First Granting to 23,258,120.00.

Pursuant to the Announcement on Adjusting the List of Incentive Recipients and the Number of Options of the 2019 A-Share Stock Option Incentive Plan and Cancelling Part of Options approved by resolutions of the 36th meeting of the 7th Board of Directors held on 9 January 2023, the Company adjusted the total number of stock options of the First Granting to 22,735,520.00 shares, and adjusted the total number of stock options of the Reserved Granting to 2,290,000.00 shares.

Pursuant to the Announcement on Cancelling Expired and Unexercised Stock Options for the First Exercise Period of the First Granting of the Company’s 2019 A-share Stock Option Incentive Plan approved by resolutions of the 37th meeting of the 7th Board of Directors held on 30 March 2023, the Company cancelled the expired and unexercised stock options for the first exercise period of the First Granting, totalling to 4,324,659.00 shares.

Pursuant to the Announcement on Adjusting the List of Incentive Recipients and the Number of Options of the 2019 A-Share Stock Option Incentive Plan and Cancelling Part of Options approved by resolutions of the 5th meeting of the 8th Board of Directors held on 21 December 2023, the Company adjusted number of stock options for the third exercise period of the First Granting from 7,646,600.00 shares to 6,976,800.00 shares.

Pursuant to the Announcement on Cancelling Expired and Unexercised Stock Options for the Second Exercise Period of the First Granting and the First Exercise Period of the Reserved Granting of the Company’s 2019 A-share Stock Option Incentive Plan approved by resolutions of the 8th meeting of the 8th Board of Directors held on 28 March 2024, the Company cancelled the expired and unexercised stock options of 2,449,071.00 shares for the second exercise period of the First Granting and 485,954.00 shares for the first exercise period of the Reserved Granting.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 44. Capital reserve (continued)

##### (3) Share-based payments (continued)

##### (i) Summary (continued)

Pursuant to the Proposal on Adjusting the List of Incentive Recipients and the Number of Options of the 2019 A-Share Stock Option Incentive Plan and Cancelling Part of Options approved by resolutions of the 16th meeting of the 8th Board of Directors held on 31 December 2024, the Company adjusted the number of stock options for the third exercise period of the Reserved Granting from 778,600.00 shares to 680,000.00 shares.

Pursuant to the Announcement on Cancelling Expired and Unexercised Stock Options for the Third Exercise Period of the First Granting and the Second Exercise Period of the Reserved Granting of the Company's 2019 A-share Stock Option Incentive Plan approved by resolutions of the 20th meeting of the 8th Board of Directors held on 27 March 2025, the Company cancelled the expired and unexercised stock options of 2,147,930.00 shares for the third exercise period of the First Granting and 523,815.00 shares for the second exercise period of the Reserved Granting.

The Company's and incentive recipients' performance will be assessed in the above Incentive Plan. The incentive recipients can exercise the right to receive stock options in proportions of 33%, 33%, and 34% respectively after serving for 2 years, 3 years, and 4 years from the grant date.

##### (ii) Statement of changes in stock options in the year

	2025		2024	
	Number	Amount	Number	Amount
Outstanding stock options issued at the beginning of the year	3,741,715.00	70,991,649.40	11,446,125.00	214,258,605.75
Stock options exercised in the current year	(389,970.00)	(7,179,347.70)	(4,670,785.00)	(86,394,950.60)
Stock options expired in the current year	(2,671,745.00)	(50,103,501.70)	(3,033,625.00)	(56,872,005.75)
Outstanding stock options issued at the end of the year	680,000.00	13,708,800.00	3,741,715.00	70,991,649.40
Including: stock options that met the exercisable conditions at the end of the year	680,000.00	13,708,800.00	3,741,715.00	70,991,649.40
Share-based payment expenses in the current year		-		308,220.66
Accumulated share-based payment expenses		94,175,289.20		94,175,289.20



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

### 44. Capital reserve (continued)

#### (3) Share-based payments (continued)

##### (ii) Statement of changes in stock options in the year (continued)

For 2025, the share-based payment expenses included in administrative expenses amount to RMB0.00 (2024: RMB308,220.66).

The outstanding stock options issued at the end of the year are those from Reserved Granting (2024: First Granting and Reserved Granting). The exercise price of stock options from First Granting is RMB18.41. As at 31 December 2025, all stock option contracts have expired. The exercise price of stock options from Reserved Granting is RMB20.16. As at 31 December 2025, the remaining term of the stock option contract is up to 7 February 2026.

The weighted average price of the stock options exercised in the current year is RMB18.41, calculated using the price on the exercise day.

##### (iii) Method for determining the fair value of stock options at the grant date

The Group adopts the Black-Scholes option pricing model to determine the fair value of stock options. The main parameters are as follows:

	Reserved Granting	First Granting
Exercise price of stock options	<b>20.16</b>	18.41
Price of the underlying stocks at the grant date	<b>19.00</b>	18.08
Estimated volatility of the share price	<b>28.65%~32.18%</b>	29.14%~34.76%
Estimated dividend yields	<b>2.03%</b>	1.72%
Risk-free interest rate	<b>2.92%~3.06%</b>	2.75%~2.95%
Validity period of options	The validity period of options is from the registration date of granting to the date of exercise or cancellation of all options in each batch and shall not exceed 5 years.	

The estimated volatility is based on the volatility of the Group's share price over the last 2.5, 3.5 and 4.5 years.





## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 46. Surplus reserve

	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025
Statutory surplus reserve	2,189,186,256.07	–	–	<b>2,189,186,256.07</b>
Discretionary surplus reserve	117,763,127.56	–	–	<b>117,763,127.56</b>
<b>Total</b>	<b>2,306,949,383.63</b>	<b>–</b>	<b>–</b>	<b>2,306,949,383.63</b>

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Statutory surplus reserve	2,189,186,256.07	–	–	2,189,186,256.07
Discretionary surplus reserve	117,763,127.56	–	–	117,763,127.56
<b>Total</b>	<b>2,306,949,383.63</b>	<b>–</b>	<b>–</b>	<b>2,306,949,383.63</b>

According to the Company Law of the People's Republic of China and Articles of Association, the Company makes appropriation to statutory surplus reserve at 10% of the net profit for the year, and may cease the appropriation when the accumulated statutory surplus reserve reaches 50% and more of the registered capital. The statutory surplus reserve may be used to make up for losses or increase the share capital upon approval. For the current year, the Company makes no more appropriation to surplus reserve (2024: Nil).

#### 47. Retained profits

	2025	2024
Retained profits at the beginning of the year	<b>36,547,207,403.71</b>	33,822,332,888.31
Add: Net profit attributable to shareholders of the Company	<b>5,724,557,508.41</b>	4,552,528,438.69
Less: Appropriation to statutory surplus reserve	–	–
Dividends distribution (1)(2)	<b>(1,520,428,341.69)</b>	(1,814,822,154.33)
Others	<b>(29,468,393.83)</b>	(12,831,768.96)
<b>Retained profits at the end of the year</b>	<b>40,721,868,176.60</b>	36,547,207,403.71

(1) On 26 June 2025, as deliberated and approved at the Company's Annual General Meeting of year 2024, based on the total share capital on the date of equity distribution registration, cash dividends of RMB1,075,424,924.61 were distributed to all shareholders at RMB0.29 per share (inclusive of tax).

(2) On 9 December 2025, as deliberated and approved by the Company's Second Extraordinary General Meeting of Shareholders in 2025, based on the total share capital on the date of equity distribution registration, cash dividends of RMB445,003,417.08 were distributed to all shareholders at RMB0.12 per share (inclusive of tax).

(3) According to the resolution of Board of Director dated 30 March 2026, the Board of Directors proposes to distribute cash dividends of RMB3.50 per 10 shares (inclusive of tax) to all shareholders. The aforesaid proposal is pending for approval at the shareholders' meeting (Note (XI) 1).

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)



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

#### 48. Operating income and operating cost

	2025	2024
Income from main operating activities	<b>282,552,441,032.98</b>	274,186,500,799.74
Income from other operating activities	<b>1,027,159,530.00</b>	1,064,434,089.92
<b>Total</b>	<b>283,579,600,562.98</b>	275,250,934,889.66
	2025	2024
Costs of main operating activities	<b>252,543,813,934.53</b>	244,071,369,617.71
Costs of other operating activities	<b>619,306,964.39</b>	547,891,434.27
<b>Total</b>	<b>253,163,120,898.92</b>	244,619,261,051.98

(1) *Income from main operating activities and costs of main operating activities*

	2025		2024	
	Income from main operating activities	Costs of main operating activities	Income from main operating activities	Costs of main operating activities
Domestic sales	<b>277,954,129,889.97</b>	<b>249,263,642,370.55</b>	270,219,738,668.00	241,282,389,690.65
Foreign sales	<b>4,598,311,143.01</b>	<b>3,280,171,563.98</b>	3,966,762,131.74	2,788,979,927.06
<b>Total</b>	<b>282,552,441,032.98</b>	<b>252,543,813,934.53</b>	274,186,500,799.74	244,071,369,617.71

(2) *Income from main operating activities and costs of main operating activities are analysed by industry as follows:*

	2025		2024	
	Income from main operating activities	Costs of main operating activities	Income from main operating activities	Costs of main operating activities
Production	<b>24,522,097,522.47</b>	<b>10,513,369,037.05</b>	23,730,757,007.62	9,680,681,264.63
Distribution	<b>258,828,144,233.01</b>	<b>243,841,650,832.11</b>	251,167,427,596.32	236,240,955,221.46
Retail	<b>8,665,522,175.11</b>	<b>7,679,224,503.42</b>	8,514,458,445.21	7,421,543,698.00
Others	<b>282,184,624.87</b>	<b>214,355,744.69</b>	274,210,529.60	207,448,747.60
Elimination	<b>(9,745,507,522.48)</b>	<b>(9,704,786,182.74)</b>	(9,500,352,779.01)	(9,479,259,313.98)
<b>Total</b>	<b>282,552,441,032.98</b>	<b>252,543,813,934.53</b>	274,186,500,799.74	244,071,369,617.71

The Company and its subsidiaries are mainly engaged in sale of products and recognise revenue at the point in time when control of goods has been transferred to customers.

The Company's and its subsidiaries' other operating income mainly represents revenue from rendering of services, which is recognised over time based on the progress of the completed services.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 49. Taxes and levies

	2025	2024
Urban maintenance and construction tax	<b>291,434,129.74</b>	275,233,995.84
Education surcharge	<b>230,474,501.13</b>	216,801,081.81
Stamp duty	<b>160,073,082.26</b>	152,889,260.79
Property tax	<b>135,367,132.59</b>	92,642,062.99
Land use tax	<b>26,916,088.52</b>	27,178,442.90
Others	<b>9,899,379.35</b>	13,137,318.60
<b>Total</b>	<b>854,164,313.59</b>	777,882,162.93

#### 50. Selling expenses

	2025	2024
Promotion and advertising costs	<b>4,966,312,611.55</b>	4,993,156,539.85
Employee benefits expenses	<b>4,956,572,283.66</b>	4,616,499,386.06
Travelling and meeting expenses	<b>920,876,906.25</b>	791,288,359.90
Depreciation of right-of-use assets	<b>396,349,597.63</b>	399,934,210.32
Storage costs	<b>236,127,403.90</b>	214,177,961.39
Rental fees	<b>124,757,529.92</b>	132,960,247.38
Amortisation of intangible assets	<b>235,238,434.13</b>	175,864,141.29
Depreciation of fixed assets	<b>208,429,444.94</b>	198,916,365.79
Office expenses	<b>200,821,083.08</b>	221,202,985.17
Others	<b>960,692,929.31</b>	969,976,234.12
<b>Total</b>	<b>13,206,178,224.37</b>	12,713,976,431.27

#### 51. Administrative expenses

	2025	2024
Employee benefits expenses	<b>3,054,686,421.59</b>	3,251,641,660.34
Depreciation of fixed assets	<b>358,655,391.89</b>	379,689,471.58
Depreciation of right-of-use assets	<b>246,331,236.29</b>	200,764,836.64
Travelling and meeting expenses	<b>207,543,567.83</b>	227,627,795.16
Office expenses	<b>103,405,227.32</b>	166,146,810.60
Amortisation of intangible assets	<b>132,211,842.27</b>	119,788,427.18
Rental fees	<b>105,087,900.97</b>	92,304,073.91
Maintenance expenses	<b>60,867,389.30</b>	77,532,142.37
Auditor's services – audit services	<b>26,024,801.69</b>	26,666,917.60
Auditor's services – non-audit services	<b>1,313,595.37</b>	501,520.00
Others	<b>1,016,652,757.01</b>	1,147,177,401.78
<b>Total</b>	<b>5,312,780,131.53</b>	5,689,841,057.16



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

### 52. R&D expenses

	2025	2024
Employee benefits expenses	<b>964,802,260.15</b>	970,165,455.59
Technical development expenses	<b>488,378,905.24</b>	610,819,081.93
Depreciation and amortisation	<b>306,128,410.23</b>	232,320,830.47
Materials consumption fee	<b>272,412,546.59</b>	256,579,244.86
Test fees	<b>122,243,334.87</b>	125,864,905.01
Others	<b>186,043,993.57</b>	198,684,292.35
<b>Total</b>	<b>2,340,009,450.65</b>	2,394,433,810.21

### 53. Financial expenses

	2025	2024
Loan interest expenses (1)	<b>1,501,362,836.75</b>	1,625,902,769.33
Debenture interest expenses	<b>104,411,187.22</b>	130,824,332.74
Lease liabilities interest expenses	<b>80,116,482.67</b>	100,010,326.28
	<b>1,685,890,506.64</b>	1,856,737,428.35
Less: Interest income	<b>(404,967,004.79)</b>	(522,385,724.64)
Exchange losses	<b>62,042,690.08</b>	73,926,149.35
Others	<b>64,257,717.99</b>	72,634,323.37
<b>Total</b>	<b>1,407,223,909.92</b>	1,480,912,176.43

- (1) The Group recognised the cash obtained from the discount of notes receivables that did not satisfy the derecognition criteria as short-term borrowings (Note (IV) 27), calculated the interest expense using effective interest rate method and included it in the loan interest expenses.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 54. Impairment losses of assets

	2025	2024
(Reversal of) loss on decline in value of inventories	<b>(19,285,238.65)</b>	139,197,610.01
Impairment loss of long-term equity investments	–	25,428,136.44
Impairment loss on fixed assets	<b>134,617,907.49</b>	72,992,558.49
Impairment loss on intangible assets	<b>209,114,996.27</b>	61,341,523.13
Impairment loss on construction in progress	<b>186,434,315.65</b>	264,234.54
Impairment loss on goodwill	<b>328,534,317.71</b>	230,474,131.66
Impairment loss on right-of-use assets	–	83,448,826.84
Impairment loss on long-term prepaid expenses	<b>1,332,975.95</b>	1,226,543.36
Impairment loss on bearer biological assets	<b>131,164,479.62</b>	–
Impairment loss on development expenses	<b>46,642,184.69</b>	–
Total	<b>1,018,555,938.73</b>	614,373,564.47

#### 55. Impairment losses of credit

	2025	2024
Impairment loss on accounts receivable	<b>471,769,498.94</b>	232,037,711.33
Impairment loss (gain) on other receivables	<b>102,647,439.40</b>	(24,093,143.46)
Impairment loss on long-term receivables	<b>1,136,360.36</b>	23,526,591.48
Impairment gain on notes receivable	<b>(1,727,795.39)</b>	(5,560,858.65)
Bad debt loss on receivables financing	<b>882,341.88</b>	251,819.27
Total	<b>574,707,845.19</b>	226,162,119.97

#### 56. Other income

	2025	2024
Government grants related to assets	<b>46,429,675.64</b>	87,188,159.47
Other government grants and subsidies	<b>533,378,935.53</b>	547,183,747.01
Total	<b>579,808,611.17</b>	634,371,906.48



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

### 57. Investment income

	2025	2024
Income from long-term equity investments under equity method	<b>284,473,087.52</b>	521,908,993.50
Dividend income from holding other non-current financial assets	<b>56,843,634.03</b>	43,053,490.28
Dividend income from holding investments in other equity instruments	–	663,194.40
Investment gain (loss) on disposal of subsidiaries, associates and joint ventures and other business units	<b>3,034,624,524.06</b>	(11,994,536.75)
Loss on discount of receivables financing	<b>(83,276,983.11)</b>	(53,852,952.19)
Loss on derecognition of financial assets measured at amortised cost (1)	<b>(153,428,512.31)</b>	(158,721,185.85)
Others	<b>30,907,835.79</b>	39,369,725.34
<b>Total</b>	<b>3,170,143,585.98</b>	380,426,728.73

(1) As stated in Note (IV) 5(3), the Group conducted non-recourse factoring for a few accounts receivable. The loss included in investment income for 2025 was RMB153,428,512.31 (2024: RMB158,721,185.85).

### 58. Gains from changes in fair value

	2025	2024
Structural deposits	<b>169,951,539.95</b>	207,274,382.04
Changes in contingent consideration for the acquisition of share	<b>101,663,544.56</b>	–
Foreign exchange swap contracts	<b>31,706,863.47</b>	97,428,772.47
Other non-current financial assets	<b>24,874,491.58</b>	(52,952,580.58)
Stock repurchase option	<b>3,423,911.25</b>	(48,560,633.75)
Forward exchange contracts	<b>500,517.64</b>	663,856.69
<b>Total</b>	<b>332,120,868.45</b>	203,853,796.87

### 59. Gains on disposal of assets

	2025	2024	Amount included in non-recurring profit or loss for 2025
Gains on disposal of right-of-use assets	<b>120,298,636.93</b>	–	120,298,636.93
Gains on disposal of fixed assets and intangible assets	<b>26,591,894.21</b>	171,334,076.54	26,591,894.21
Others	<b>10,262,185.95</b>	16,633,922.31	10,262,185.95
<b>Total</b>	<b>157,152,717.09</b>	187,967,998.85	157,152,717.09

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 60. Non-operating income

	2025	2024	Amount included in non-recurring profit or loss for 2025
Penalty and compensation from suppliers	<b>28,670,248.78</b>	53,740,468.97	28,670,248.78
Income from the clearance of long-overdue payables	<b>22,169,610.76</b>	–	22,169,610.76
Demolition and relocation compensation income	<b>6,880,000.00</b>	55,369,553.99	6,880,000.00
Others	<b>47,932,559.25</b>	47,289,863.64	47,932,559.25
<b>Total</b>	<b>105,652,418.79</b>	156,399,886.60	105,652,418.79

#### 61. Non-operating expenses

	2025	2024	Amount included in non-recurring profit or loss for 2025
Compensation for pending litigations and dispute matters	<b>46,794,532.39</b>	26,564,945.89	46,794,532.39
Penalty cost	<b>27,656,294.76</b>	137,171,507.95	27,656,294.76
Donation	<b>24,878,430.46</b>	38,224,955.15	24,878,430.46
Others	<b>128,604,276.70</b>	75,144,880.04	128,604,276.70
<b>Total</b>	<b>227,933,534.31</b>	277,106,289.03	227,933,534.31



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

### 62. Income tax expenses

	2025	2024
Current income tax calculated according to tax law and related regulations	<b>2,305,274,290.43</b>	2,251,928,463.06
Deferred income tax	<b>540,812,545.33</b>	(101,933,234.20)
<b>Total</b>	<b>2,846,086,835.76</b>	2,149,995,228.86

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	2025	2024
Total profit	<b>9,819,804,517.25</b>	8,020,006,543.74
Income tax expenses calculated at applicable tax rate	<b>2,454,951,129.31</b>	2,005,001,635.94
Effect of favourable tax rates	<b>(312,310,435.88)</b>	(301,990,052.25)
Income not subject to tax	<b>(198,404,983.00)</b>	(244,168,663.07)
Costs, expenses and losses not deductible for tax purposes	<b>544,672,643.52</b>	454,413,388.35
Additional deduction	<b>(194,894,259.66)</b>	(177,844,831.80)
Utilisation of deductible losses previously not recognised as deferred tax assets	<b>(14,182,029.28)</b>	(14,060,057.58)
Deductible losses and temporary differences for which no deferred tax assets were recognised	<b>566,254,770.75</b>	428,643,809.27
<b>Income tax expenses</b>	<b>2,846,086,835.76</b>	2,149,995,228.86

**(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****63. Earnings per share***(1) Basic earnings per share*

Basic earnings per share are calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2025	2024
Consolidated net profit attributable to ordinary shareholders of the Company	<b>5,724,557,508.41</b>	4,552,528,438.69
Weighted average numbers of the Company's ordinary shares outstanding	<b>3,708,312,172.58</b>	3,704,060,107.75
Basic earnings per share	<b>1.54</b>	1.23

*(2) Diluted earnings per share*

Diluted earnings per share are calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding. For 2025, the Company has no potentially diluted ordinary shares (2024: potentially diluted ordinary shares represent the stock options of the First Granting), the diluted and basic earnings per share are 1.54.

**64. Notes to items in the cash flow statement**

The Group's significant cash flow items are set out below:

*(1) Other cash receipts relating to operating activities*

	2025	2024
Guarantees, deposits, current accounts and advances	<b>1,998,039,318.63</b>	2,072,194,248.39
Interest income	<b>401,279,877.51</b>	511,038,818.85
Special subsidy and government grants	<b>582,022,550.13</b>	532,010,554.71
Non-operating income	<b>78,005,441.67</b>	154,391,129.62
Others	<b>12,495,677.94</b>	85,840,142.80
Total	<b>3,071,842,865.88</b>	3,355,474,894.37



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

### 64. Notes to items in the cash flow statement (continued)

#### (2) Other cash payments relating to operating activities

	2025	2024
Daily expenses	<b>7,856,775,703.14</b>	8,877,623,278.80
Guarantees, deposits, current accounts and advances	<b>3,267,463,453.53</b>	3,464,465,518.09
Bank charges	<b>56,534,078.79</b>	64,838,027.39
Non-operating expenses	<b>120,987,058.33</b>	235,940,649.32
Others	<b>13,691,434.41</b>	79,895,518.19
<b>Total</b>	<b>11,315,451,728.20</b>	12,722,762,991.79

#### (3) Cash receipts from disposals and recovery of investments

	2025	2024
Cash receipts from redemption of held-for-trading financial assets	<b>64,527,893,000.00</b>	47,383,887,000.00
Other non-current financial assets	<b>208,833,436.35</b>	425,541,496.41
Cash receipts from disposal of associates and joint ventures	<b>14,756,699.06</b>	–
Others	<b>153,725,337.96</b>	–
<b>Total</b>	<b>64,905,208,473.37</b>	47,809,428,496.41

#### (4) Cash payments to acquire investments

	2025	2024
Cash payments to acquire held-for-trading financial assets	<b>66,227,893,000.00</b>	45,933,887,000.00
Investment and additional capital contribution to associates and joint ventures	<b>604,613,032.91</b>	–
<b>Total</b>	<b>66,832,506,032.91</b>	45,933,887,000.00

#### (5) Other cash receipts relating to investing activities

	2025	2024
Withdrawal of time deposits due over three months	<b>1,435,273,789.05</b>	1,032,135,310.43
Recovery of loans to related parties	<b>337,763.92</b>	58,555.50
<b>Total</b>	<b>1,435,611,552.97</b>	1,032,193,865.93

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 64. Notes to items in the cash flow statement (continued)

##### (6) Other cash payments relating to investing activities

	2025	2024
Time deposits due over three months	1,550,000,000.00	1,570,000,000.00
Loans to related parties	–	5,812,200.00
Others	13,066,489.90	21,388,687.93
<b>Total</b>	<b>1,563,066,489.90</b>	<b>1,597,200,887.93</b>

##### (7) Other cash receipts relating to financing activities

	2025	2024
Subsidiaries' borrowings from their minority shareholders	65,032,772.32	137,374,213.51
Others	155,150,000.00	–
<b>Total</b>	<b>220,182,772.32</b>	<b>137,374,213.51</b>

##### (8) Other cash payments relating to financing activities

	2025	2024
Subsidiaries' repayment to their shareholders	162,819,100.45	669,236,320.81
Cash payments for settlement of lease liabilities	815,786,863.82	742,764,832.60
Acquisition of minority interests	138,909,644.78	127,561,189.19
Repayment of amounts due to related parties	34,765,844.25	61,468,814.58
<b>Total</b>	<b>1,152,281,453.30</b>	<b>1,601,031,157.18</b>



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

### 65. Supplementary information to the cash flow statement

#### (1) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities:

	2025	2024
Net profit	<b>6,973,717,681.49</b>	5,870,011,314.88
Add: Impairment losses of assets	<b>1,018,555,938.73</b>	614,373,564.47
Impairment losses of credit	<b>574,707,845.19</b>	226,162,119.97
Depreciation of right-of-use assets	<b>744,391,619.02</b>	721,224,175.32
Depreciation of fixed assets and investment properties	<b>1,512,910,120.05</b>	1,294,305,848.92
Amortisation of intangible assets	<b>602,493,205.87</b>	399,940,491.39
Amortisation of long-term prepaid expenses	<b>198,488,749.61</b>	191,100,283.87
Depreciation of biological assets	<b>2,326,008.56</b>	3,328,266.55
Gain on disposal of fixed assets, intangible assets and other long-term assets	<b>(157,152,717.09)</b>	(187,967,998.85)
Gains from changes in fair value	<b>(332,120,868.45)</b>	(203,853,796.87)
Financial expenses	<b>1,669,610,270.78</b>	1,837,342,811.14
Investment income	<b>(3,409,098,249.27)</b>	(593,000,866.77)
Decrease in deferred tax assets	<b>37,097,310.92</b>	89,329,045.05
Increase (decrease) in deferred tax liabilities	<b>535,162,364.54</b>	(199,367,317.15)
Increase in inventories	<b>(5,196,581,328.95)</b>	(2,297,647,988.62)
Increase in operating receivables	<b>(3,668,534,969.05)</b>	(4,041,023,805.03)
Increase in operating payables	<b>5,048,228,397.42</b>	2,103,001,583.06
Net cash flow from operating activities	<b>6,154,201,379.37</b>	5,827,257,731.33

#### Net changes in cash and cash equivalents

	2025	2024
Closing balance of cash and cash equivalents	<b>28,398,360,540.82</b>	31,881,272,794.87
Less: Opening balance of cash and cash equivalents	<b>31,881,272,794.87</b>	27,499,809,001.20
Net (decrease) increase in cash and cash equivalents	<b>(3,482,912,254.05)</b>	4,381,463,793.67

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

## 65. Supplementary information to the cash flow statement (continued)

## (2) Acquisition of subsidiaries

	2025
Cash and cash equivalents paid in the current year for business combination that occurred in the current year	995,036,566.00
Including: Shanghai Hutchison Pharmaceuticals Co., Ltd.	995,036,566.00
Less: Cash and cash equivalents held by the subsidiaries at the acquisition date	(741,073,219.74)
Including: Shanghai Hutchison Pharmaceuticals Co., Ltd.	(741,073,219.74)
Add: Cash and cash equivalents paid in the current period for business combination that occurred in the prior period	26,342,802.90
Including: SPH Luoxin Pharmaceutical (Shandong) Co., Ltd.	26,342,802.90
Net cash paid for acquisitions of subsidiaries	280,306,149.16
Price of acquiring the subsidiaries for 2025	
Shanghai Hutchison Pharmaceuticals Co., Ltd.	4,324,940,338.28
Net assets of subsidiaries acquired for 2025 at the acquisition date	
	2025
Current assets	1,908,138,933.34
Non-current assets	479,426,038.07
Current liabilities	(1,596,782,299.89)
Non-current liabilities	(37,646,234.18)
Total	753,136,437.34



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

### 65. Supplementary information to the cash flow statement (continued)

#### (3) Changes in liabilities arising from financing activities

Item	31 December 2024	Increase		Decrease		31 December 2025
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Bank borrowings (including amounts due within one year)	46,587,234,246.15	61,326,650,569.91	5,260,197,609.06	62,721,011,177.68	-	50,453,071,247.44
SCP (Including amounts due within one year)	6,031,879,726.03	7,997,083,333.33	104,411,187.22	9,097,292,876.72	-	5,036,081,369.86
Lease liabilities (Including amounts due within one year)	2,045,372,560.05	-	806,493,599.45	815,786,863.82	301,331,993.52	1,734,747,302.16
<b>Total</b>	<b>54,664,486,532.23</b>	<b>69,323,733,903.24</b>	<b>6,171,102,395.73</b>	<b>72,634,090,918.22</b>	<b>301,331,993.52</b>	<b>57,223,899,919.46</b>

#### (4) Cash and cash equivalents

	<b>31 December 2025</b>	31 December 2024
Cash	<b>28,398,360,540.82</b>	31,881,272,794.87
Including: Cash on hand	<b>1,595,897.72</b>	2,406,335.55
Bank deposits that can be readily drawn on demand	<b>28,396,764,643.10</b>	31,878,866,459.32
<b>Cash and cash equivalents at the end of the year</b>	<b>28,398,360,540.82</b>	31,881,272,794.87

As stated in Note (IV) 1, at 31 December 2025, other cash and bank balances of RMB4,323,402,810.76 (31 December 2024: RMB3,863,055,243.70), were not classified as cash and cash equivalents.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

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

#### 66. Foreign currency monetary items

	31 December 2025		
	Balance in foreign currency	Exchange rate	Balance in RMB
Cash and bank balances –			
USD	19,037,763.72	7.0288	133,812,633.64
EUR	1,600,568.54	8.2355	13,181,482.21
HKD	113,020,500.10	0.9032	102,080,115.69
AUD	4,891,474.50	4.6892	22,937,102.23
Others	84,963,779.86		30,461,139.19
			302,472,472.96
Accounts receivable –			
USD	3,692,343.16	7.0288	25,952,741.60
EUR	140,900.00	8.2355	1,160,381.95
HKD	1,735,353.59	0.9032	1,567,371.36
AUD	11,345,855.17	4.6892	53,202,984.06
SDP	3,370,149,082.42	0.0042	14,154,626.15
NZD	16,032,418.40	4.0520	64,963,359.36
Others	43,918,340.53		3,140,515.00
			164,141,979.48
Other receivables –			
USD	1,619,125.20	7.0288	11,380,507.21
HKD	2,274,675.67	0.9032	2,054,487.07
Others	2,070,194.65		504,146.59
			13,939,140.87
Short-term borrowings –			
AUD	56,160,000.00	4.6892	263,345,472.00

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)



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

#### 66. Foreign currency monetary items (continued)

	31 December 2025		
	Balance in foreign currency	Exchange rate	Balance in RMB
Accounts payable –			
USD	13,130,740.25	7.0288	92,293,347.07
AUD	3,264,586.55	4.6892	15,308,299.25
NZD	12,398,581.39	4.0520	50,239,051.79
JPY	210,485,471.00	0.0448	9,429,749.10
Others	7,649,101.70		3,224,844.66
			<b>170,495,291.87</b>
Other payables –			
USD	825,718.95	7.0288	5,803,813.36
HKD	31,281,082.77	0.9032	28,253,073.96
SDP	286,173,738.93	0.0042	1,201,929.70
NZD	19,402,539.58	4.0520	78,619,090.38
AUD	16,311,830.53	4.6892	76,489,435.72
Others	1,609,724.50		779,544.73
			<b>191,146,887.85</b>
Lease liabilities due within one year –			
USD	197,252.25	7.0288	1,386,446.61
NZD	3,968,075.56	4.0520	16,078,642.17
AUD	457,195.09	4.6892	2,143,879.22
			<b>19,608,968.00</b>
Lease liabilities –			
NZD	58,103,307.23	4.0520	235,434,600.90
AUD	149,078.27	4.6892	699,057.82
			<b>236,133,658.72</b>

Foreign currencies in which the above monetary items are denominated refer to all currencies other than RMB (the scope of which is different from those in Note (XII) 1(1)).

**(IV) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****67. Lease***(1) The Group as lessee*

Lease expenses for short-term leases or low-value assets that are treated under simplified methods:

Rental fees for short-term leases and low-value leases that are treated under simplified methods recognised in profit or loss for 2025 amounted to RMB258,550,434.87 (2024: RMB302,679,448.85).

As at 31 December 2025, the Group's future minimum lease payable for short-term leases and low-value asset leases that are treated under simplified methods amounted to RMB95,333,315.38 and RMB251,386.76 (31 December 2024: RMB114,180,149.02 and RMB1,748,837.79), respectively, both of which are payable within one year.

For 2025, the Group has cash outflows relating to leases totalling to RMB1,074,337,298.69 (2024: RMB1,045,444,281.45), including payments for settlement of lease liabilities included in financing activities and the remainder of the cash outflows included in operating activities.

The Group has leased several assets, mainly including buildings and machinery equipment. The lease terms are negotiated on an individual basis, encompassing various clauses and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the contract's definition and identifies the period during which the contract is enforceable.

As of 31 December 2025, apart from the deposits paid by the Group to the lessors as security interests for the leased assets, the lease agreements do not include any other security provisions. The right-of-use assets cannot be used for purposes such as collateral for borrowing or guarantees.

*(2) The Group as lessor*

The undiscounted cash amount of lease payments receivable by the Group as lessor after the balance sheet date is summarised below:

	<b>31 December 2025</b>	31 December 2024
Within 1 year	<b>19,334,797.49</b>	36,175,665.50
1 to 2 years	<b>18,001,089.50</b>	12,716,459.82
2 to 5 years	<b>35,201,766.98</b>	5,635,362.96
Over 5 years	<b>22,840,910.19</b>	8,948,994.76
	<b>95,378,564.16</b>	63,476,483.04

The business operations of the Group as a lessor are primarily related to the leasing of buildings. The Group believes that the unsecured balance of these assets does not pose a significant risk to the Group.



## (V) CHANGES IN SCOPE OF CONSOLIDATION

### 1. Business combinations not involving enterprises under common control

#### (1) Business combinations not involving enterprises under common control incurred in the current period

Name of acquiree	Timing of equity acquisition	Acquisition cost	Proportion acquired (%)	Acquisition approach	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the date of purchase to the year-end	Net loss of the acquiree from the date of purchase to the year-end	Cash flow of the acquiree from the date of purchase to the year-end
Shanghai Hutchison Pharmaceuticals Co., Ltd. (Note 1)	25 April 2025	4,324,940,338.28	60.00	Acquisition of the original shareholder Holding equity in the target company	25 April 2025	Timing of acquisition of control	1,867,791,745.98	(32,499,233.70)	(137,329,019.73)

Note 1: Shanghai Hutchison Pharmaceuticals Co., Ltd. (hereinafter referred to as "Hutchison Pharmaceuticals") is a company jointly established by the Group's subsidiary, Shanghai TCM Co., Ltd. (hereinafter referred to as "Shanghai TCM"), and Shanghai Hutchmed Investment (HK) Limited (hereinafter referred to as "Hutchmed Investment"), with each shareholder holding a 50.00% equity interest. During the current year, Hutchmed Investment transferred its 45.00% equity interest in Hutchison Pharmaceuticals to the Company (10.00%), GP Zhicheng Private Equity Investment Fund Partnership (Limited Partnership) (25.1247%), and Shanghai GP Zhibaihe Enterprise Management Partnership (Limited Partnership) (9.8753%). After completion of this transaction, the Group holds a 60.00% equity interest in Hutchison Pharmaceuticals, thereby gaining control of Hutchison Pharmaceuticals and including Hutchison Pharmaceuticals in the scope of its consolidated financial statements.

#### (2) Combination cost and goodwill

Item	Hutchison Pharmaceuticals
Combination cost –	
– Cash	995,036,566.00
Fair value of equity at the date of acquisition held prior to acquisition date	3,329,903,772.28
Total	4,324,940,338.28
Less: Share of fair value of identifiable net asset acquired	2,478,592,736.74
Goodwill	1,846,347,601.54

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (V) CHANGES IN SCOPE OF CONSOLIDATION (continued)

#### 1. Business combinations not involving enterprises under common control (continued)

(3) The acquiree's assets and liabilities as of the acquisition date are as follows:

Item	Hutchison Pharmaceuticals	
	Fair value at acquisition date (Note)	Carry amount at acquisition date
Assets:		
Cash and bank balances	741,073,219.74	741,073,219.74
Notes receivable	19,710,687.18	19,710,687.18
Accounts receivable	166,695,938.11	166,695,938.11
Inventories	1,151,007,670.81	964,060,949.79
Prepayments	7,265,089.24	7,265,089.24
Other receivables	5,825,040.95	5,825,040.95
Other current assets	3,508,008.33	3,508,008.33
Fixed assets	528,124,281.42	356,018,814.96
Right-of-use assets	2,712,830.35	2,712,830.35
Construction in progress	1,027,220.13	1,018,069.81
Intangible assets	3,658,222,183.10	60,843,877.78
Long-term prepaid expenses	478,884.02	478,884.02
Deferred tax assets	49,617,317.18	52,378,969.05
Other non-current assets	5,974,592.10	5,974,592.10
Liabilities:		
Accounts payable	119,982,349.53	119,982,349.53
Contract liabilities	8,723,254.16	8,723,254.16
Employee benefits payable	192,015,589.50	192,015,589.50
Taxes payable	27,001,325.82	27,001,325.82
Other payables	1,244,945,565.76	1,244,945,565.76
Non-current liabilities due within one year	2,989,412.78	2,989,412.78
Other current liabilities	1,124,802.34	1,124,802.34
Deferred income	–	17,639,412.44
Lease liabilities	464,249.34	464,249.34
Long-term employee benefits payable	19,542,572.40	19,542,572.40
Deferred tax liabilities	593,465,946.47	–
Net assets	4,130,987,894.56	753,136,437.34
Less: Minority interests	1,652,395,157.82	301,254,574.94
Net assets acquired	2,478,592,736.74	451,881,862.40

Note: The fair value of identifiable assets and liabilities as of the acquisition date is determined based on the valuation report.



## (V) CHANGES IN SCOPE OF CONSOLIDATION (continued)

### 1. Business combinations not involving enterprises under common control (continued)

#### (4) Gains or losses arising from equity held prior to the acquisition date remeasured at fair value

Transactions involving the acquisition of control during the reporting period under the business combination through a series of transactions

Name of acquiree	Timing of acquisition of the equity held prior to the acquisition date	Percentage of acquisition of the equity held prior to the acquisition date (%)	Cost of acquisition of the equity held prior to the acquisition date	Acquisition method of the equity held prior to the acquisition date	Carry amount of equity at the acquisition date held prior to the acquisition date	Fair value of equity at the acquisition date held prior to the acquisition date (Note)	Gains or losses of equity arising from re-measurement at fair value prior to the acquisition date	Other comprehensive income related to equity previously held but then transferred to investment income or retained earnings
Shanghai Hutchison Pharmaceuticals Co., Ltd.	30 April 2001	50.00	RMB114,500,000	Established through capital contribution	376,568,218.67	3,329,903,772.28	2,953,335,553.61	-

Note: The fair value of the above-mentioned original equity interest as of the acquisition date was determined based on the valuation report.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (VI) EQUITY IN OTHER ENTITIES

#### 1. Equity in significant subsidiaries

##### (1) The structure of the Group

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion(%)		Acquisition method
					Direct	Indirect	
Shanghai Pharma Co., Ltd.	Shanghai	Shanghai	Sales of pharmaceutical products	5,000,000,000.00	100.00	-	Subsidiaries established through establishment or investment
Shanghai Pharma Sales Co., Ltd.	Shanghai	Shanghai	Sales of pharmaceutical products	50,000,000.00	100.00	-	Subsidiaries established through establishment or investment
China International Pharmaceutical (Holding) Corporation Limited	Hong Kong	Hong Kong	Sales of pharmaceutical products	HKD21,160,000.00	100.00	-	Subsidiaries established through establishment or investment
SPH Sine Pharmaceutical Factory Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	1,191,611,911.81	100.00	-	Subsidiaries obtained through business combinations involving enterprises under common control
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	323,800,000.00	100.00	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	545,800,000.00	65.13	34.87	Subsidiaries established through establishment or investment
SPH Changzhou Pharmaceutical Co., Ltd.	Changzhou	Changzhou	Production and sales of pharmaceutical products	157,580,506.00	57.36	18.53	Subsidiaries obtained through business combinations involving enterprises under common control
SPH New Asia Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	1,052,429,132.53	96.90	-	Subsidiaries obtained through business combinations involving enterprises under common control

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)



### (VI) EQUITY IN OTHER ENTITIES (continued)

#### 1. Equity in significant subsidiaries (continued)

##### (1) The structure of the Group (continued)

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion(%)		Acquisition method
					Direct	Indirect	
Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	Changzhou	Changzhou	Production and sales of pharmaceutical products	14,946,380.00	100.00	-	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai TCM Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	1,666,070,000.00	100.00	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Hutchison Pharmaceuticals Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	229,000,000.00	10.00	50.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai Leiyunshang Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	465,070,000.00	-	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhonghua Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	93,641,789.00	100.00	-	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Qingdao	Qingdao	Production and sales of pharmaceutical products	93,000,000.00	67.52	-	Subsidiaries obtained through business combinations involving enterprises under common control
Chia Tai Qingchunbao Pharmaceutical Co. Ltd.	Huzhou	Huzhou	Production and sales of pharmaceutical products	128,500,000.00	20.00	55.00	Subsidiaries obtained through business combinations involving enterprises under common control

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (VI) EQUITY IN OTHER ENTITIES (continued)

#### 1. Equity in significant subsidiaries (continued)

(1) The structure of the Group (continued)

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion(%)		Acquisition method
					Direct	Indirect	
Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Hangzhou	Hangzhou	Production and sales of pharmaceutical products	135,000,000.00	-	51.01	Subsidiaries obtained through business combinations involving enterprises under common control
Xiamen TCM Factory Co., Ltd.	Xiamen	Xiamen	Production and sales of pharmaceutical products	200,000,000.00	-	61.00	Subsidiaries obtained through business combinations involving enterprises under common control
Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.	Benxi	Benxi	Production and sales of pharmaceutical products	102,000,000.00	55.00	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sunve Bio-Tech Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	USD15,343,300	-	100.00	Subsidiaries established through establishment or investment
Guangdong Techpool Biochemical Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Production and sales of pharmaceutical products	100,000,000.00	39.28	27.86	Subsidiaries obtained through business combinations not involving enterprises under common control
Zeus Investment Limited	Hong Kong	Hong Kong	Equity investment	AUD319,208,249.99	-	59.61	Subsidiaries established through establishment or investment
Shanghai Medical Instruments Co., Ltd.	Shanghai	Shanghai	Production and sales of medical instruments	327,000,000.00	99.21	0.79	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sine Jinzhu Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	50,000,000.00	-	100.00	Subsidiaries obtained through business combinations involving enterprises under common control



## (VI) EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in significant subsidiaries (continued)

(1) *The structure of the Group (continued)*

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion(%)		Acquisition method
					Direct	Indirect	
Shanghai Pharmaceutical Import and Export Co., Ltd.	Shanghai	Shanghai	Sales of pharmaceutical products	90,140,000.00	100.00	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Shangyao Ruier Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	100,000,000.00	100.00	-	Subsidiaries established through establishment or investment
Shanghai Innovation Center for Biopharmaceuticals	Shanghai	Shanghai	Production and sales of pharmaceutical products	500,000,000.00	48.08	-	Subsidiaries established through establishment or investment
Shanghai Sine Tianping Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	154,700,000.00	-	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	100,000,000.00	-	89.92	Subsidiaries obtained through business combinations involving enterprises under common control
Shandong Sine Pharmaceutical Co., Ltd.	Dezhou	Dezhou	Production and sales of pharmaceutical products	177,406,158.51	-	67.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai SPH New Asiatic Minghang Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	57,500,000.00	-	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Chongqing Huiyuan Pharmaceutical Co., Ltd.	Chongqing	Chongqing	Production and sales of pharmaceutical products	23,809,522.00	-	100.00	Subsidiaries obtained through business combinations not involving enterprises under common control

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (VI) EQUITY IN OTHER ENTITIES (continued)

#### 1. Equity in significant subsidiaries (continued)

##### (1) The structure of the Group (continued)

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion(%)		Acquisition method
					Direct	Indirect	
Shanghai SPH Zhong Xi Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	148,200,000.00	-	90.00	Subsidiaries established through establishment or investment
Shanghai SPH Hua Yu Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	270,600,000.00	-	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai SPH Shen Xiang Health Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	150,000,000.00	-	100.00	Subsidiaries obtained through business combinations involving enterprises under common control
SHP Xingling Sci.&Tech. Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	80,000,000.00	-	86.31	Subsidiaries obtained through business combinations involving enterprises under common control
Zhejiang Jiuxu Pharmaceutical Co., Ltd.	Jinhua	Jinhua	Production and sales of pharmaceutical products	25,000,000.00	-	51.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Changzhou Pharmaceutical Factory Co., Ltd.	Changzhou	Changzhou	Production and sales of pharmaceutical products	108,000,000.00	-	77.78	Subsidiaries obtained through business combinations involving enterprises under common control
Chifeng Aike Pharmaceutical Technology Co., Ltd.	Chifeng	Chifeng	Production and sales of pharmaceutical products	40,900,000.00	-	58.19	Subsidiaries obtained through business combinations involving enterprises under common control



## (VI) EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in significant subsidiaries (continued)

#### (1) The structure of the Group (continued)

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion(%)		Acquisition method
					Direct	Indirect	
SPH Jiangsu Co., Ltd.	Wuxi	Wuxi	Sales of pharmaceutical products	119,224,505.00	-	98.11	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH Shandong Pharmaceutical Co., Ltd.	Jinan	Jinan	Sales of pharmaceutical products	200,000,000.00	-	75.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Shanghai Pharma Zhejiang Co.,Ltd.	Hangzhou	Hangzhou	Sales of pharmaceutical products	106,780,000.00	-	67.00	Subsidiaries obtained through business combinations not involving enterprises under common control
Liaoning Pharmaceutical Foreign Trading Co., Ltd.	Shenyang	Shenyang	Sales of pharmaceutical products	282,012,500.00	53.86	-	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH Guangdong Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Sales of pharmaceutical products	76,880,200.00	-	94.91	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH KDL Health Shanghai Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Sales of pharmaceutical products	98,634,700.00	-	100.00	Subsidiaries established through establishment or investment
Shanghai Huashi Pharmacy Co., Ltd.	Shanghai	Shanghai	Retailing of pharmaceuticals	350,000,000.00	-	100.00	Subsidiaries established through establishment or investment

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (VI) EQUITY IN OTHER ENTITIES (continued)

#### 1. Equity in significant subsidiaries (continued)

##### (1) The structure of the Group (continued)

Name of significant subsidiaries	Place of operation	Place of incorporation	Nature of business	Registered capital	Shareholding proportion(%)		Acquisition method
					Direct	Indirect	
Sichuan Guojia Pharmaceuticals Technology Co., Ltd.	Chengdu	Chengdu	Sales of pharmaceutical products	300,000,000.00	-	51.00	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH Hubei Pharmaceutical Co., Ltd.	Wuhan	Wuhan	Sales of pharmaceutical products	100,000,000.00	-	60.00	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH (Shaanxi) Pharmaceutical Co., Ltd.	Xi'an	Xi'an	Sales of pharmaceutical products	200,000,000.00	-	100.00	Subsidiaries obtained through business combinations not involving enterprises under common control
SPH (Henan) Pharmaceutical Co., Ltd.	Zhengzhou	Zhengzhou	Sales of pharmaceutical products	100,000,000.00	-	100.00	Subsidiaries obtained through business combinations not involving enterprises under common control

Note 1: Except SPH Changzhou Pharmaceutical Co., Ltd., SPH Qingdao Guofeng Pharmaceutical Co., Ltd., Guangdong Techpool Biochemical Pharmaceutical Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co., Ltd., SHP Xingling Sci.&Tech. Pharmaceutical Co., Ltd., Shanghai Medical Instruments Co., Ltd., Chifeng Aike Pharmaceutical Technology Co., Ltd. and SPH Jiangsu Co., Ltd., whose corporate category is incorporated company by shares, all of the above-mentioned subsidiaries are limited liability companies. As of 31 December 2025, none of the subsidiaries of our company has issued bonds.



## (VI) EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in significant subsidiaries (continued)

#### (2) Subsidiaries with significant minority interests

The Group has comprehensively considered factors such as whether the subsidiary is a listed company, the proportion of minority shareholder equity to the consolidated shareholder equity of the Group, and the proportion of minority shareholder gains and losses to the consolidated net profit of the Group. The subsidiaries with significant minority shareholder equity are determined as follows:

Name of significant subsidiaries	Shareholding proportion of minority interests (%)	Comprehensive income attributable to minority interests for the year 2025	Dividends distributed to minority interests for the year 2025 (i)	Minority interests as at 31 December 2025
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	24.11	99,935,837.79	64,777,491.48	1,206,051,106.44
Sichuan Guojia Pharmaceuticals Technology Co., Ltd. and its subsidiaries	49.00	46,247,633.19	68,027,896.73	1,064,661,709.66
Shanghai Hutchison Pharmaceuticals Co., Ltd. and its subsidiaries (i)	40.00	(12,999,693.48)	169,303,101.60	1,470,092,362.83

- (i) On 25 April 2025, the Group obtained control of Hutchison Pharmaceuticals and included it in the scope of consolidation of the consolidated financial statements, accordingly, the Group discloses the comprehensive income attributable to minority interest and the dividends declared to minority interest for the period from 25 April 2025 to 31 December 2025.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (VI) EQUITY IN OTHER ENTITIES (continued)

#### 1. Equity in significant subsidiaries (continued)

##### (2) Subsidiaries with significant minority interests (continued)

The key financial information of the above significant non-wholly-owned subsidiaries is as follows:

	31 December 2025					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	3,738,983,836.17	1,812,245,815.96	5,551,229,652.13	(2,111,578,036.64)	(286,175,944.32)	(2,397,753,980.96)
Sichuan Guojia Pharmaceuticals Technology Co., Ltd. and its subsidiaries	2,793,759,884.43	483,827,361.90	3,277,587,246.33	(1,119,255,571.48)	(7,564,617.19)	(1,126,820,188.67)
Shanghai Hutchison Pharmaceuticals Co., Ltd. and its subsidiaries	1,656,467,044.76	3,989,901,560.70	5,646,368,605.46	(1,421,781,188.03)	(549,356,510.36)	(1,971,137,698.39)
	31 December 2024					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	3,673,269,224.29	1,797,453,775.92	5,470,723,000.21	(2,196,143,021.29)	(225,924,151.40)	(2,422,067,172.69)
Sichuan Guojia Pharmaceuticals Technology Co., Ltd. and its subsidiaries	2,653,210,535.07	520,610,780.93	3,173,821,316.00	(965,408,899.89)	(9,350,184.75)	(974,759,084.64)

Note 1: As for the year 2025, the equity and comprehensive income of SPH Changzhou Pharmaceutical Co., Ltd. to minority interests presented in the consolidated financial statement were RMB587,360,814.50 and RMB59,493,908.56, respectively.

Note 2: As for the year 2025, the equity and comprehensive income of Sichuan Guojia Pharmaceuticals Technology Co., Ltd. to minority interests presented in the consolidated financial statement were RMB21,148,728.25 and RMB6,427,326.60, respectively.



## (VI) EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in significant subsidiaries (continued)

#### (2) Subsidiaries with significant minority interests (continued)

The key financial information of the above significant non-wholly-owned subsidiaries is as follows:  
(continued)

	2025			
	Operating income	Net profit (loss)	Total comprehensive income	Net cash flow from operating activities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	6,446,836,525.08	227,295,357.14	227,233,142.20	321,456,683.24
Sichuan Guojia Pharmaceuticals Technology Co., Ltd. and its subsidiaries	5,216,066,832.26	87,688,944.70	87,693,258.41	101,529,378.95
Shanghai Hutchison Pharmaceuticals Co., Ltd. and its subsidiaries (i)	1,867,791,745.98	(32,499,233.70)	(32,499,233.70)	487,348,665.51

- (i) On 25 April 2025, the Group acquired control of Hutchison Pharmaceuticals and included it in the scope of consolidation of the consolidated financial statements; accordingly, the reporting period is from 25 April 2025 to 31 December 2025.

	2024			
	Operating income	Net profit	Total comprehensive income	Net cash flow from operating activities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	6,497,781,976.02	237,558,046.58	237,558,046.58	310,104,854.07
Sichuan Guojia Pharmaceuticals Technology Co., Ltd. and its subsidiaries	4,705,833,022.04	116,164,885.14	116,155,188.61	(131,264,251.84)

**(VI) EQUITY IN OTHER ENTITIES (continued)**

## 2. Equity in joint ventures and associates

## (1) Summarised basic information of significant joint ventures and associates

The Group identifies significant associates, as set out below:

	Place of operation	Place of incorporation	Nature of business	Strategic for group activities	Shareholding proportion (%)	
					Direct	Indirect
Associates-						
Shanghai Roche Pharmaceutical Co., Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	Yes	-	30.00
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Shanghai	Shanghai	Production and sales of pharmaceutical products	Yes	30.00	-



## (VI) EQUITY IN OTHER ENTITIES (continued)

### 2. Equity in joint ventures and associates (continued)

#### (2) Summarised financial information of significant associates

	31 December 2025		31 December 2024	
	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.
Current assets	5,555,314	593,019	5,251,852	1,329,846
Non-current assets	1,744,385	298,301	1,699,786	366,501
<b>Total assets</b>	<b>7,299,699</b>	<b>891,320</b>	6,951,638	1,696,347
Current liabilities	3,458,940	318,155	3,203,684	984,870
Non-current liabilities	47,175	–	56,749	1,106
<b>Total liabilities</b>	<b>3,506,115</b>	<b>318,155</b>	3,260,433	985,976
Owners' equity	3,793,584	573,165	3,691,205	710,371
Share of net assets in proportion of shareholdings (i)	1,138,075	171,950	1,107,362	213,111
Carrying amount of investments in associates	1,138,075	171,950	1,107,362	213,111
Fair value of investments in associates with quoted price	N/A	N/A	N/A	N/A

RMB'000

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (VI) EQUITY IN OTHER ENTITIES (continued)

#### 2. Equity in joint ventures and associates (continued)

##### (2) Summarised financial information of significant associates (continued)

	2025		2024		RMB'000
	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	
Operating income	9,419,062	1,384,958	9,434,178	1,795,208	
Net profit	285,041	110,310	321,381	247,515	
Total comprehensive income	285,041	110,310	321,381	247,515	
Dividends declared by the associates to the Group	60,741	74,255	474,203	87,451	

- (i) The Group calculates share of assets in proportion of the shareholdings based on the amount attributable to the parent company of associates in their consolidated financial statements. The impacts of fair value of identifiable assets and liabilities of associates at the time of acquisition and the unification of accounting policies are considered for the amount in the consolidated financial statements of associates. None of the assets involved in transactions between the Group and its associates constitute business.



## (VI) EQUITY IN OTHER ENTITIES (continued)

### 2. Equity in joint ventures and associates (continued)

(3) Summarised financial information of non-significant joint ventures and associates

	2025	RMB'000 2024
Joint ventures:		
Total carrying amount of investments	<b>734,977</b>	1,715,771
Total of the following by shareholding ratio		
Net profit (i)	<b>60,374</b>	(31,096)
Total comprehensive income	<b>60,374</b>	(31,096)
Associates:		
Total carrying amount of investments	<b>4,965,200</b>	4,472,443
Total of the following by shareholding ratio		
Net profit (i)	<b>106,840</b>	38,738
Other comprehensive income (i)	<b>59</b>	(30)
Total comprehensive income	<b>106,899</b>	38,708

(i) The impacts of fair value of identifiable assets and liabilities at the time of investment and the unification of accounting policies are considered for the net profit and other comprehensive income.

## **(VII) SEGMENT INFORMATION**

The Group derives its business primarily from the PRC and determines its operating segments on a business perspective. Different businesses require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each operating segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 4 reportable segments as follows:

- Production segment, which is mainly engaged in research and development, production and sales of a broad range of pharmaceutical and healthcare products;
- Distribution segment, which is mainly engaged in distribution, warehousing, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers;
- Retail segment, which is mainly engaged in operation of a network of retail pharmacy stores; and
- Other segment, which is mainly engaged in other businesses.

Inter-segment transfer prices are measured by reference to selling prices to third parties. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)



### (VII) SEGMENT INFORMATION (continued)

(1) Segment information for the year 2025 and at 31 December 2025 is as follows:

	Production	Distribution	Retail	Others	Elimination	Total
Operating income	24,522,097,522.47	258,828,144,233.01	8,665,522,175.11	1,697,383,692.99	(10,133,547,060.60)	283,579,600,562.98
Including: External income	20,877,852,751.92	252,952,625,039.81	8,627,824,392.14	1,121,298,379.11	-	283,579,600,562.98
Inter-segment income	3,644,244,770.55	5,875,519,193.20	37,697,782.97	576,085,313.88	(10,133,547,060.60)	-
Less: Operating costs	(10,513,369,037.05)	(243,841,650,832.11)	(7,679,224,503.42)	(756,819,104.71)	9,627,942,578.37	(253,163,120,898.92)
Taxes and levies	(312,399,706.64)	(493,441,202.55)	(22,646,197.69)	(25,677,206.71)	-	(854,164,313.59)
Selling expenses	(7,310,302,236.08)	(5,044,531,027.49)	(608,337,588.52)	(348,836,614.13)	105,829,241.85	(13,206,178,224.37)
Administrative expenses	(2,168,374,413.32)	(2,585,160,370.84)	(239,171,706.25)	(536,248,707.67)	216,175,066.55	(5,312,780,131.53)
R&D expenses	(2,340,009,450.65)	-	-	-	-	(2,340,009,450.65)
Segment profit	1,877,642,678.73	6,863,360,800.02	116,142,179.23	29,802,059.77	(183,600,173.83)	8,703,347,543.92
Unallocated:						
Financial expenses						(1,407,223,909.92)
Impairment losses of assets						(1,018,555,938.73)
Impairment losses of credit						(574,707,845.19)
Add: Gains from changes in fair value						332,120,868.45
Investment income						3,170,143,585.98
Other income						579,808,611.17
Gains on disposal of assets						157,152,717.09
Operating profit						9,942,085,632.77
Depreciation and amortisation	1,690,279,609.92	1,097,019,794.76	121,420,149.24	151,890,149.19	-	3,060,609,703.11
Capital expenditures	1,570,849,442.58	502,708,697.45	17,596,129.24	296,011,797.30	-	2,387,166,066.57
Long-term equity investments – associates – net	3,053,154,455.19	1,850,120,301.30	48,541,145.02	1,323,409,221.46	-	6,275,225,122.97
Long-term equity investments – joint ventures – net	142,994,525.15	492,239,958.37	-	99,742,852.17	-	734,977,335.69
Other assets	47,720,437,530.25	164,481,414,545.60	2,996,326,013.34	40,164,422,008.75	(30,864,084,808.86)	224,498,515,289.08
Unallocated:						
Deferred tax assets						1,640,049,019.47
<b>Total assets</b>						<b>233,148,766,767.21</b>
Liabilities	23,767,326,401.56	125,536,525,053.65	2,256,621,475.49	25,936,492,611.17	(36,955,693,021.50)	140,541,272,520.37
Unallocated:						
Deferred tax liabilities						1,945,081,137.22
Income tax payable						875,119,386.02
<b>Total liabilities</b>						<b>143,361,473,043.61</b>

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (VII) SEGMENT INFORMATION (continued)

(2) Segment information for the year 2024 and at 31 December 2024 is as follows:

	Production	Distribution	Retail	Others	Elimination	Total
Operating income	23,730,757,007.62	251,167,427,596.32	8,514,458,445.21	1,753,307,804.55	(9,915,015,964.04)	275,250,934,889.66
Including: External income	20,011,228,657.55	245,523,244,812.97	8,462,359,937.07	1,254,101,482.07	-	275,250,934,889.66
Inter-segment income	3,719,528,350.07	5,644,182,783.35	52,098,508.14	499,206,322.48	(9,915,015,964.04)	-
Less: Operating costs	(9,680,681,264.63)	(236,240,955,221.46)	(7,421,543,698.00)	(766,371,356.98)	9,490,290,489.09	(244,619,261,051.98)
Taxes and levies	(257,982,261.03)	(476,915,316.78)	(21,309,175.20)	(21,675,409.92)	-	(777,882,162.93)
Selling expenses	(6,818,280,421.07)	(4,966,385,314.33)	(727,854,769.47)	(299,908,644.25)	98,452,717.85	(12,713,976,431.27)
Administrative expenses	(2,297,169,873.68)	(2,659,302,005.09)	(232,943,354.28)	(625,953,154.07)	125,527,329.96	(5,689,841,057.16)
R&D expenses	(2,394,433,810.21)	-	-	-	-	(2,394,433,810.21)
Segment profit	2,282,209,377.00	6,823,869,738.66	110,807,448.26	39,399,239.33	(200,745,427.14)	9,055,540,376.11
Unallocated:						
Financial expenses						(1,480,912,176.43)
Impairment losses of assets						(614,373,564.47)
Impairment losses of credit						(226,162,119.97)
Add: Gains from changes in fair value						203,853,796.87
Investment income						380,426,728.73
Other income						634,371,906.48
Gains on disposal of assets						187,967,998.85
Operating profit						8,140,712,946.17
Depreciation and amortisation	1,287,093,607.03	1,086,769,452.67	134,654,883.03	123,287,589.81	-	2,631,805,532.54
Capital expenditures	2,195,525,266.18	657,697,991.44	20,141,842.20	397,518,341.35	-	3,270,883,441.17
Long-term equity investments – associates – net	3,170,970,199.86	1,798,883,294.97	627,418.54	822,434,578.65	-	5,792,915,492.02
Long-term equity investments – joint ventures – net	1,840,974,735.18	432,954,645.69	-	-	-	2,273,929,380.87
Other assets	43,286,717,970.94	154,453,621,671.85	3,172,709,688.57	41,249,688,025.26	(30,647,681,094.55)	211,515,056,262.07
Unallocated:						
Deferred tax assets						1,627,529,013.21
Total assets						221,209,430,148.17
Liabilities	22,174,942,695.24	118,275,668,393.10	2,480,648,271.94	27,948,609,456.30	(35,065,128,524.86)	135,814,740,291.72
Unallocated:						
Deferred tax liabilities						816,452,826.21
Income tax payable						835,873,309.17
Total liabilities						137,467,066,427.10



## (VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. The parent company

#### (1) General information of the parent company

	Place of incorporation	Nature of business
Shanghai Pharma Group	No 92, Zhangjiang Road, Shanghai	Pharmaceutical products manufacture

The Company's ultimate controlling party is Shanghai Shangshi, incorporated in Shanghai.

#### (2) Registered capital and changes in registered capital of the parent company

	31 December 2024	Increase in the current year	Decrease in the current year	31 December 2025
Shanghai Pharma Group	3,158,720,000.00	–	–	<b>3,158,720,000.00</b>

#### (3) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2025		31 December 2024	
	Shareholding proportion (%)	Voting rights proportion (%)	Shareholding proportion (%)	Voting rights proportion (%)
Shanghai Pharma Group	19.32	19.32	19.32	19.32

### 2. Subsidiaries

For basic and related information of significant subsidiaries, please refer to Note (VI)1.

**(VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)****3. Joint ventures and associates**

Except for the important joint ventures and associates disclosed in Note (IV)14, the other joint ventures and associates that have related party transactions with the Group are as follows:

	<b>Relationship with the Group</b>
Shanghai Huaren Pharmaceutical Co., Ltd.	Associate
Shanghai Huayu Saffron Planting Professional Cooperative	Associate
Chongqing Quanzhidao Pharmaceutical Co., Ltd.	Associate
Jiangsu Runtian Pharmaceutical Chain Pharmacy Co., Ltd.	Associate
Shanghai Deyi Pharmaceutical Co., Ltd.	Associate
Qingdao Tongdarong Industrial Co., Ltd.	Joint venture

**4. Other related parties**

	<b>Relationship with the Group</b>
Yunnan Baiyao Group Co., Ltd. and its subsidiaries	Shareholder with more than 5% of the Company's shares
Wing Fat Printing Limited and its subsidiaries	Controlled by the same ultimate controlling party
Shanghai Shiyu Urban Construction Management Co., Ltd.	Controlled by the same ultimate controlling party
Shanghai Industrial Dongtan Investment & Development (Group) Co., Ltd.	Controlled by the same ultimate controlling party
Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership)	Significantly influenced by the ultimate controlling party



## (VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 5. Related party transactions

Except for the items disclosed in other items of the financial statements, other related party transactions of the Group include:

(1) *Purchase and sales of goods, rendering and receipts of services*

Purchase of goods and receipts of services:

					RMB'000		
	Related party transaction	Pricing policies	Amount of transactions approved	Exceeding the transaction limit	2025	2024	
	Shanghai Roche Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	N/A	N/A	814,225.01	1,132,553.06
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	700,000.00	No	490,334.80	474,122.60
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Purchase of goods	By negotiation	N/A	N/A	427,295.48	437,649.40
	Shanghai Hutchison Pharmaceuticals Co., Ltd. and its subsidiaries (Note 1)	Purchase of goods	By negotiation	N/A	N/A	140,072.18	277,558.62
	Shanghai Pharma Health Commerce Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	N/A	N/A	109,833.35	361,160.06
	Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Purchase of goods	By negotiation	N/A	N/A	222,201.24	184,616.61
	Shanghai Leyunshang Northern Area Medicine General Co., Ltd. And its subsidiaries	Purchase of goods	By negotiation	N/A	N/A	28,765.79	81,714.92
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	N/A	N/A	73,421.11	80,548.72
	Wing Fat Printing Limited and its subsidiaries	Purchase of goods	By negotiation	90,000.00	No	47,905.49	54,417.11
	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	N/A	N/A	128,366.40	52,609.11
	Shanghai Sine Promod Pharmaceutical Co., Ltd. and its subsidiaries	Purchase of goods	By negotiation	N/A	N/A	10,162.05	11,089.92
	Others	Purchase of goods and receipts of services:	By negotiation	N/A	N/A	50,340.39	26,905.14
	<b>Total</b>					<b>2,542,923.29</b>	<b>3,174,945.27</b>

Note 1: On 25 April 2025, the Group acquired control of Hutchison Pharmaceuticals and included it in the scope of consolidation of the consolidated financial statements; accordingly, the disclosed related-party transactions occurred prior to 25 April 2025.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### 5. Related party transactions (continued)

##### (1) Purchase and sales of goods, rendering and receipts of services (continued)

Sales of goods and rendering of services:

					RMB'000	
	Related party transaction	Pricing policies	Amount of transactions approved	Exceeding the transaction limit	2025	2024
Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	Sales of goods	By negotiation	N/A	N/A	<b>3,708,878.27</b>	3,715,232.51
Subsidiaries of Shanghai Pharma Health Commerce Co., Ltd.	Sales of goods	By negotiation	N/A	N/A	<b>1,646,186.52</b>	1,310,800.92
Jiangsu Runtian Pharmaceutical Chain Pharmacy Co., Ltd.	Sales of goods	By negotiation	N/A	N/A	<b>828,197.50</b>	803,951.91
Yunnan Baiyao Group Co., Ltd. And its subsidiaries	Sales of goods	By negotiation	1,200,000.00	No	<b>673,226.49</b>	728,349.79
Beijing Lianxin Pharmaceutical Co., Ltd.	Sales of goods	By negotiation	N/A	N/A	<b>134,303.08</b>	150,349.23
Shanghai Leiyunshang Northern Area Medicine General Co., Ltd. And its subsidiaries	Sales of goods	By negotiation	N/A	N/A	<b>65,653.82</b>	38,844.18
Shanghai Hutchison Pharmaceuticals Co., Ltd. and its subsidiaries (Note 1)	Sales of goods	By negotiation	N/A	N/A	<b>38,097.00</b>	100,653.28
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	Sales of goods	By negotiation	N/A	N/A	<b>47,814.37</b>	81,771.06
Shanghai Roche Pharmaceutical Co., Ltd.	Sales of goods	By negotiation	N/A	N/A	<b>96,902.91</b>	-
Shanghai Deyi Pharmaceutical Co., Ltd.	Sales of goods	By negotiation	N/A	N/A	<b>65,671.40</b>	47,774.80
Others	Sales of goods and rendering of services	By negotiation	N/A	N/A	<b>24,951.13</b>	10,620.93
<b>Total</b>					<b>7,329,882.49</b>	6,988,348.61



## (VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (2) Lease

The rental income recognised by the Group as the lessor:

Lessee	Leased asset	Rental income recognised for the year 2025	RMB'000
			Rental income recognised for the year 2024
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Buildings	<b>7,429.19</b>	7,429.19
Shanghai Pharma Group and its subsidiaries	Buildings	<b>4,630.50</b>	4,520.25
<b>Total</b>		<b>12,059.69</b>	11,949.44

The Group as lessee:

Lessor	Leased asset	Lease payable for the year 2025	RMB'000
			Lease payable for the year 2024
Shanghai Pharma Group and its subsidiaries	Buildings	<b>37,682.07</b>	34,796.99

Right-of-use assets added by the Group as lessee during the year:

Lessor	Leased asset	2025	RMB'000
			2024
Shanghai Pharma Group and its subsidiaries	Buildings	<b>47,670.19</b>	17,351.14

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### 5. Related party transactions (continued)

##### (2) Lease (continued)

Interest expense on lease liabilities assumed by the Group as lessee:

		RMB'000	
Lessor	Leased asset	2025	2024
Shanghai Pharma Group and its subsidiaries	Buildings	1,251.76	1,775.43

Rental expense for short-term leases and low-value leases that are recognised directly in profit or loss by the Group as lessee:

		RMB'000	
Lessor	Leased asset	2025	2024
Shanghai Pharma Group and its subsidiaries	Buildings	55.80	1,615.98

##### (3) Research and development expenses

		RMB'000	
Services provider	Pricing principles of related party transactions	2025	2024
Shanghai Huiyong Medicine Research Co., Ltd.	The amount incurred shall be determined through negotiation by both parties	3,867.92	3,773.58

##### (4) Key management compensation

		RMB'000	
		2025	2024
Salary, bonus and other compensation		19,611.46	17,061.56



## (VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 5. Related party transactions (continued)

#### (5) Interest

Interest income

	2025	RMB'000 2024
Shanghai Industrial Group Finance Co., Ltd.	<b>27,197.50</b>	12,887.70

Interest expenses

	2025	RMB'000 2024
Shanghai Industrial Group Finance Co., Ltd.	<b>123,595.07</b>	121,661.31

#### (6) Deposits and borrowings

		2025	RMB'000 2024
Changes in deposit balances	Shanghai Industrial Group Finance Co., Ltd.	<b>74,556.05</b>	605,002.16
Loan received from related party	Shanghai Industrial Group Finance Co., Ltd.	<b>4,905,998.69</b>	4,323,397.08
Loan repayment to related parties	Shanghai Industrial Group Finance Co., Ltd.	<b>4,271,750.25</b>	3,497,799.74
	SPH-Biocad (HK) Limited	<b>34,765.84</b>	61,468.81
	Total	<b>4,306,516.09</b>	3,559,268.55
Funds lent to related parties	Shanghai Shangyao Kangxinuo Biopharmaceutical Co., Ltd.	-	5,812.20
Funds recovered from related parties	Shanghai Huaren Pharmaceutical Co., Ltd.	<b>337.76</b>	58.56

**(VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)****5. Related party transactions (continued)***(7) Others*

- (7.1) On 8 September 2025, the Company entered into an Equity Interest Transfer Agreement Regarding Shanghai Shangshil Group Finance Co., Ltd. with Shanghai Industrial Dongtan Investment and Development (Group) Co., Ltd. (hereinafter referred to as “SI Dongtan”), acquiring 10% of the equity interest in Shanghai Shangshi Group Finance Co., Ltd. held by SI Dongtan. The equity change registration procedures for this transaction were completed by the end of the year, and the Company paid the full equity transfer consideration to SI Dongtan in a lump sum on 12 January 2026.
- (7.2) On 12 September 2025, the Group’s associate, Shanghai Pharma Health Commerce Co., Ltd. (hereinafter referred to as “Health Commerce”), entered into the “Restructuring Agreement Regarding Beijing Keyuan Xinhai Grand Pharmacy Co., Ltd.” with the Group’s subsidiary, Beijing Keyuan Xinhai Pharmaceutical Business Co., Ltd. (hereinafter referred to as “Keyuan Pharmaceutical Business”), and its 100% owned enterprise, Beijing Keyuan Xinhai Grand Pharmacy Co., Ltd. (hereinafter referred to as “Beijing Keyuan Grand Pharmacy”). Health Commerce acquired a 51% equity in Beijing Keyuan Grand Pharmacy through a unilateral capital increase and share issuance in the form of cash, while Keyuan Pharmaceutical Business waived its right to participate in this capital increase at the same proportion. After the completion of the transaction, Beijing Keyuan Grand Pharmacy became an associate of the Group. In the Group’s consolidated financial statements, the difference between its fair value as of the date of loss of control and the share of the subsidiary’s net assets, amounting to RMB84,653,145.36, was recognised as investment income for the current period. The transaction was conducted in June 2025 through the Shanghai United Assets and Equity Exchange via a capital increase listing. In October 2025, Beijing Keyuan Grand Pharmacy was renamed Beijing Yiyao Keyuan Pharmacy Co., Ltd.



## (VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Balance of receivables and payables of related parties

		RMB'000			
		31 December 2025		31 December 2024	
		Gross carrying amount	Bad debt allowance	Gross carrying amount	Bad debt allowance
Accounts receivable	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	895,429.04	(1,144.85)	946,768.37	(1,403.42)
	Shanghai Pharma Health Commerce Co., Ltd. and its subsidiaries	235,628.34	(371.76)	189,547.14	(578.95)
	Jiangsu Runtian Pharmaceutical Chain Pharmacy Co., Ltd.	112,393.50	(119.90)	125,606.30	(356.07)
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	71,911.98	(243.74)	86,515.42	(461.95)
	Shanghai Leiyunshang Northern Area Medicine General Co., Ltd. and its subsidiaries	11,010.81	(661.98)	28,387.43	(620.48)
	Shanghai Hutchison Pharmaceuticals Co., Ltd. and its subsidiaries	-	-	23,730.00	(54.58)
	Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	9,531.15	(2,255.83)	975.24	(0.29)
	Shanghai Roche Pharmaceutical Co., Ltd.	23,361.93	(27.01)	61.93	(1.35)
	Beijing Lianxin Pharmaceutical Co., Ltd.	15,095.93	(55.85)	-	-
	Others	24,563.77	(1,637.21)	7,984.11	(1,764.80)
	<b>Total</b>	<b>1,398,926.45</b>	<b>(6,518.13)</b>	1,409,575.94	(5,241.89)
Other receivables	Shanghai Hutchison Pharmaceuticals Co., Ltd. and its subsidiaries	-	-	50,750.17	(4.13)
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	97.21	(0.50)	42,455.40	(231.51)
	Shanghai Shangyao Kangxinuo Biopharmaceutical Co., Ltd.	35,818.51	(35,818.51)	35,818.51	(35,818.51)
	Shanghai Roche Pharmaceutical Co., Ltd.	16,098.30	(382.08)	26,818.70	(374.80)
	Shanghai Huayu Saffron Planting Professional Cooperative	19,068.27	(11,385.40)	3,000.00	(3,000.00)
	Hangzhou Hujing Yutang Pharmaceutical Co., Ltd.	16,800.00	-	-	-
	Others	11,818.96	(1,482.05)	17,717.80	(3,112.48)
	<b>Total</b>	<b>99,701.25</b>	<b>(49,068.54)</b>	176,560.58	(42,541.43)
Prepayments	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	11,031.55	-	18,275.23	-
	Shanghai Huayu Saffron Planting Professional Cooperative	-	-	15,341.00	-
	Shanghai Hutchison Pharmaceuticals Co., Ltd. and its subsidiaries	-	-	1,560.29	-
	Others	753.74	-	1,043.44	-
	<b>Total</b>	<b>11,785.29</b>	<b>-</b>	36,219.96	<b>-</b>

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### 6. Balance of receivables and payables of related parties (continued)

		RMB'000	
		31 December 2025	31 December 2024
Accounts payable	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	98,795.06	3,769.43
	Shanghai Roche Pharmaceutical Co., Ltd.	101,896.48	84,563.54
	Shanghai Hutchison Pharmaceuticals Co., Ltd. and its subsidiaries	–	25,437.18
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	6,693.88	17,591.29
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	17,100.13	33,939.52
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	15,165.86	9,543.28
	Wing Fat Printing Limited and its subsidiaries	17,955.60	20,691.52
	Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	24,327.10	26,632.93
	Shanghai Pharma Health Commerce Co., Ltd. and its subsidiaries	59,006.77	25,972.56
	Shanghai Leiyunshang Northern Area Medicine General Co., Ltd. and its subsidiaries	12,834.08	13,341.87
	Others	11,791.37	10,822.63
	<b>Total</b>	<b>365,566.33</b>	<b>272,305.75</b>
Notes payable	Shanghai Roche Pharmaceutical Co., Ltd.	25,435.53	10,000.00
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	1,430.08	10,529.64
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	8,377.33	–
	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	–	–
	Wing Fat Printing Limited and its subsidiaries	580.17	–
	<b>Total</b>	<b>35,823.11</b>	<b>20,529.64</b>
Other payables	SPH-Biocad (HK) Limited	–	1,118,220.78
	Shanghai Pharma Group and its subsidiaries	86,854.08	6,100.25
	Shanghai Shangshi	343,006.22	161,240.00
	Shanghai Industrial Dongtan Investment & Development (Group) Co., Ltd.	138,805.06	–
	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	79,875.22	–
	Shanghai Tandong Enterprise Consulting Service Co., Ltd.	22,440.00	–
	Shanghai Sine Promod Pharmaceutical Co., Ltd. and its subsidiaries	9,120.11	9,120.11
	Qingdao Tongdarong Industrial Co., Ltd.	15,481.70	–
	Others	15,505.13	8,066.07
	<b>Total</b>	<b>711,087.52</b>	<b>1,302,747.21</b>



## (VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Balance of receivables and payables of related parties (continued)

		RMB'000	
		31 December 2025	31 December 2024
Other non-current liabilities due within one year	Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership)	<b>70,229.83</b>	-
Other non-current liabilities	Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership)	-	72,662.37
Contract liabilities	Shanghai Pharma Health Commerce Co., Ltd. and its subsidiaries	<b>12,370.85</b>	-
	Shanghai Xuniao Biotechnology Co., Ltd.	<b>1,855.88</b>	1,709.25
	Chongqing Quanzhidao Pharmaceutical Co., Ltd.	-	5,326.14
	Jiangxi Nanhua Medicines Co., Ltd. and its subsidiaries	<b>118.87</b>	290.35
	Others	<b>121.02</b>	2,002.58
	Total	<b>14,466.62</b>	9,328.32
Lease liabilities	Shanghai Pharma Group and its subsidiaries	<b>54,491.35</b>	42,021.28
Employee benefits payable	Key management personnel	<b>8,687.92</b>	31,641.26
Short-term and long-term borrowings	Shanghai Industrial Group Finance Co., Ltd.	<b>4,721,736.06</b>	4,087,487.62
Cash and bank balances	Shanghai Industrial Group Finance Co., Ltd.	<b>4,845,601.82</b>	4,771,045.77

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### 7. Interests and rights of directors

##### (1) Remuneration of directors

The remuneration of each director for the year 2025 is as follows:

Name	Remuneration for services rendered as a director					Remuneration of other services rendered for the management of the Company or subsidiaries		Total
	Compensation	Salaries and allowances	Pension plan contributions	Bonus	Other allowances and benefits	Stock option		
Independent directors								
Gu Chaoyang	300	-	-	-	-	-	-	300
Huo Wenxun	300	-	-	-	-	-	-	300
Wang Zhong	300	-	-	-	-	-	-	300
Wan Jun(iii)	238	-	-	-	-	-	-	238
Directors								
Yang Qiuhua (iii)	-	-	-	-	-	-	-	-
Zhang Wenxue (iii)	-	-	-	-	-	-	-	-
Dong Ming	-	-	-	-	-	-	-	-
Shen Bo (i)	-	1,512	201	1,470	97	-	-	3,280
Li Yongzhong (i)	-	1,365	98	1,760	96	-	-	3,319
Total	1,138	2,877	299	3,230	193	-	-	7,737



## (VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 7. Interests and rights of directors (continued)

#### (1) Remuneration of directors (continued)

The remuneration of each director for the year 2024 is as follows:

Name	Remuneration for services rendered as a director					Remuneration of other services rendered for the management of the Company or subsidiaries		Total
	Compensation	Salaries and allowances	Pension plan contributions	Bonus	Other allowances and benefits	Stock option		
Independent directors								
Gu Chaoyang	300	-	-	-	-	-	-	300
Huo Wenxun	300	-	-	-	-	-	-	300
Wang Zhong	300	-	-	-	-	-	-	300
Directors								
Yang Qihua (iii)	-	-	-	-	-	-	-	-
Zhang Wenxue (iii)	-	-	-	-	-	-	-	-
Yao Jiayong (iii)	-	-	-	-	-	-	-	-
Chen Fashu (iii)	-	-	-	-	-	-	-	-
Dong Ming	-	-	-	-	-	-	-	-
Shen Bo(i)	-	1,629	196	1,132	97	-	-	3,054
Li Yongzhong (i)	-	1,632	97	929	96	-	-	2,754
<b>Total</b>	<b>900</b>	<b>3,261</b>	<b>293</b>	<b>2,061</b>	<b>193</b>	<b>-</b>	<b>-</b>	<b>6,708</b>

- (i) For 2025 and 2024, directors Shen Bo and Li Yongzhong provided management services to the Company or subsidiaries. The Group did not make a clear distinction between the remunerations of the above persons as directors or executives, and therefore such remunerations are consolidated and presented in the remuneration for services rendered as directors.
- (ii) There was no waiver of directors' compensations for the year 2025 (2024: Nil).
- (iii) Director Yang Qihua was appointed on 19 March 2024. Director Zhang Wenxue was appointed on 28 June 2024. Director Wan Jun was appointed on 13 March 2025. Director Yao Jiayong resigned on 19 March 2024. Director Chen Fashu resigned on 27 May 2024.

**(VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)****7. Interests and rights of directors (continued)***(2) Retirement benefits for directors*

In 2025, in addition to the contribution plans disclosed above, no other retirement benefits in respect of the services rendered as directors or for other services (2024: Nil).

*(3) Termination benefits of directors*

There were no termination benefits for directors in 2025 (2024: Nil)

*(4) Consideration paid to third parties for services received as directors*

In 2025, no consideration was paid to the company in which the director served before becoming a director of the Company (2024: Nil).

*(5) Loans, quasi-loans and other transactions for directors, legal persons controlled by directors and connected persons of directors*

(i) In 2025, the Group has no loans, similar loans to directors, corporate bodies controlled by directors and connected persons of directors or other transactions in favour of such persons (2024: Nil).

(ii) In 2025, no guarantees in respect of loans to directors, corporate bodies controlled by directors and connected persons of such directors were provided (2024: Nil).

*(6) Material interests of directors in transactions, arrangements or contracts*

In 2025, the Company did not enter into any material transactions, arrangements or contracts with other parties in relation to the business of the Group in which a director of the Company had, directly or indirectly, a material interest (2024: Nil).



## (VIII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 8. Top five remunerations

The top five highest paid directors of the Group for the year 2025 include two directors (2024: two directors) whose remunerations are reflected in Note VIII (7); the total remunerations of the other three directors (2024: three directors) are set out below:

	RMB'000	
	2025	2024
Basic salary, housing allowance and other allowances	4,471	5,812
Bonus	5,015	1,520
Share-based payments	–	–
<b>Total</b>	<b>9,486</b>	<b>7,332</b>

	Headcount	
	2025	2024
Salary range:		
HKD2,500,001 to HKD3,000,000	–	3
HKD3,000,001 to HKD3,500,000	2	–
HKD3,500,001 to HKD4,000,000	1	–

## (IX) CONTINGENCIES

The Group has no significant contingencies that need to be disclosed.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (X) COMMITMENTS

#### 1. Capital expenditure commitments

	31 December 2025	31 December 2024
Capital commitments that have been entered into but have not been recognised in the financial statements:		
– Commitment for acquisition and construction of long-term assets	769,279,564.92	1,407,163,546.97
– External investment commitment		
Including: Unrecognised commitments related to investments in associates and joint ventures	940,359,018.20	995,036,566.00
<b>Total</b>	<b>1,709,638,583.12</b>	<b>2,402,200,112.97</b>

### (XI) EVENTS AFTER THE BALANCE SHEET DATE

#### 1. Explanation of distribution of profits

According to the resolution of Board of Director dated 30 March 2026, the Board of Directors proposes to distribute cash dividends of RMB3.50 per 10 shares (inclusive of tax) to all shareholders. The aforesaid proposal is pending for approval at the shareholders' meeting.

#### 2. Proposed Transfer of Equity in a Significant Associate

On 4 February 2026, the Company held the 28th Meeting of the 8th Board of Directors, at which it reviewed and approved the "Proposal on the Proposed Public Listing and Transfer of a 30% Equity in Sino-American Shanghai Squibb Pharmaceuticals Ltd.". The Board agreed that the Company would transfer its 30% equity in the joint venture, Sino-American Shanghai Squibb Pharmaceuticals Ltd, through a public listing on a property rights exchange. The listing price shall not be less than RMB1,023,192,000, and the relevant state-owned asset assessment procedures must be completed. The final transfer price shall be determined by the results of the public listing (hereinafter referred to as "the transaction"). The equity was listed on the Shanghai United Assets and Equity Exchange on 4 March 2026, and the transaction is currently ongoing.



## (XII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's operating activities expose it to a variety of financial risks: market risk (primarily including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### 1. Market risk

#### (1) Currency risk

The Group's major operating activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars and Hong Kong dollars. The Group continuously monitors the size of the Group's transactions, assets and liabilities denominated in foreign currencies to minimise exposure to foreign exchange risk.

The financial assets and the financial liabilities denominated in foreign currencies, which are held by the Group, whose recording currencies are RMB, are expressed in RMB as at 31 December 2025 and 31 December 2024 as follows:

	31 December 2025		
	USD and HKD	Others	Total
Financial assets denominated in foreign currency–			
Cash and bank balances	90,145,285.92	29,208,530.10	119,353,816.02
Accounts receivable	24,745,853.78	1,160,381.95	25,906,235.73
<b>Total</b>	<b>114,891,139.70</b>	<b>30,368,912.05</b>	<b>145,260,051.75</b>
Financial liabilities denominated in foreign currency			
Accounts payable	64,438,467.39	1,540,034.63	65,978,502.02
<b>Total</b>	<b>64,438,467.39</b>	<b>1,540,034.63</b>	<b>65,978,502.02</b>

**(XII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)**

## 1. Market risk (continued)

## (1) Currency risk (continued)

The financial assets and the financial liabilities denominated in foreign currencies, which are held by the Group, whose recording currencies are RMB, are expressed in RMB as at 31 December 2025 and 31 December 2024 as follows: (continued)

	31 December 2024		Total
	USD and HKD	Others	
Financial assets denominated in foreign currency–			
Cash and bank balances	143,571,074.48	21,443,904.22	165,014,978.70
Accounts receivable	12,906,529.24	1,571,366.15	14,477,895.39
<b>Total</b>	<b>156,477,603.72</b>	<b>23,015,270.37</b>	<b>179,492,874.09</b>
Financial liabilities denominated in foreign currency			
Short-term borrowings	392,088,491.49	–	392,088,491.49
Accounts payable	66,035,381.37	1,848,129.61	67,883,510.98
<b>Total</b>	<b>458,123,872.86</b>	<b>1,848,129.61</b>	<b>459,972,002.47</b>

As at 31 December 2025, for various financial assets and liabilities denominated in USD and HKD in the Group, if the USD and HKD strengthens/weakens by 5% against the RMB while holding all other variables constant, the Group's profit before income tax for the year would have been lower/higher by approximately RMB2,522,633.62 (31 December 2024: higher/lower by approximately RMB15,082,313.46).



## **(XII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)**

### **1. Market risk (continued)**

#### *(2) Interest rate risk*

The Group's interest rate risk mainly arises from interest-bearing debts, including short-term borrowings, borrowings due within one year and long-term bank borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2025, the Group's short-term, due within one year and long-term interest-bearing debts mainly include floating rate contracts, amounting to RMB2,567,605,038.65 (31 December 2024: RMB2,433,142,823.33).

Increases in interest rates will increase the cost of new interest-bearing debts and the interest expenses with respect to the Group's outstanding floating rate interest-bearing debts, and therefore could have a material adverse effect on the Group's financial performance. The Management makes adjustments timely with reference to the latest market conditions. For 2025 and 2024, the Group did not enter into any interest rate swap agreements.

As at 31 December 2025, if interest rates on the floating rate borrowings rise/fall by 10% while holding all other variables constant, the Group's profit before tax would decrease/increase by approximately RMB6,253,625.25 (31 December 2024: approximately RMB5,264,603.88).

#### *(3) Other price risk*

The Group's other price risk arises mainly from financial assets at fair value through profit or loss and investments in other equity instruments.

As at 31 December 2025, if the price of above financial assets rise/fall by 10% while holding all other variables constant, the Group's profit before tax would increase/decrease by approximately RMB154,531,071.35 (31 December 2024: approximately RMB172,466,813.12), other comprehensive income would increase/decrease by approximately RMB3,268,390.55 (31 December 2024: approximately RMB4,389,934.07).

## **(XII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)**

### **2. Credit risk**

The Group's credit risk mainly arises from bank deposits, notes receivables, accounts receivable, other receivables, financial guarantee contracts, receivables financing, long-term receivables, etc.

The Group expects that there is no significant credit risk associated with bank deposits and on hand since they are deposited at state-owned banks, finance company and other medium or large size listed banks with good reputation and high credit rating. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group has policies to limit the credit exposure on notes receivables, accounts receivable, other receivables, receivables financing and long-term receivables, the Group sets relevant policies to control credit risk exposure. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

In addition, financial guarantees and loan commitments may pose risks due to the default of the counterparty. The Group has established strict application and approval requirements for financial guarantees and loan commitments, taking into account a comprehensive set of information including internal and external credit ratings. The Group continuously monitors the credit risk exposure, changes in the credit ratings of counterparties, and other relevant information to ensure that the overall credit risk remains within a controllable range.

As at 31 December 2025, the Group has no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2024: Nil).



## (XII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 3. Liquidity risk

Each subsidiary within the Group is responsible for its own cash flow forecasts. On the basis of summarizing the cash flow forecasts of subsidiaries, the finance department of the headquarters continuously monitors short-term and long-term funding requirements at the Group level to ensure that adequate cash reserves and readily realisable marketable securities are maintained, and continuously monitors compliance with the borrowing agreements and obtains commitments from major financial institutions to provide sufficient standby funds to meet both short-term and long-term funding requirements.

As at the balance sheet date, the financial liabilities of the Group are presented below based on the undiscounted contractual cash flows by maturity date:

	31 December 2025				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	44,091,821,016.96	-	-	-	44,091,821,016.96
Derivative financial liabilities	13,294,428.53	-	-	-	13,294,428.53
Notes payable	8,810,206,222.12	-	-	-	8,810,206,222.12
Accounts payable	52,594,352,033.44	-	-	-	52,594,352,033.44
Other payables	16,731,913,987.12	-	-	-	16,731,913,987.12
Long-term borrowings due within one year	2,125,374,630.45	-	-	-	2,125,374,630.45
Lease liabilities due within one year	695,718,752.77	-	-	-	695,718,752.77
Stock repurchase option due within one year	98,851,631.25	-	-	-	98,851,631.25
Other current liabilities	5,036,081,369.86	-	-	-	5,036,081,369.86
Long-term borrowings	-	2,439,330,121.83	111,274,740.00	1,685,270,738.20	4,235,875,600.03
Lease liabilities	-	434,747,462.53	446,174,917.75	430,889,892.75	1,311,812,273.03
Long-term payables	-	-	9,000,000.00	-	9,000,000.00
Borrowing interests	321,107,365.09	57,182,509.45	150,116,117.57	412,220,482.34	940,626,474.45
<b>Total</b>	<b>130,518,721,437.59</b>	<b>2,931,260,093.81</b>	<b>716,565,775.32</b>	<b>2,528,381,113.29</b>	<b>136,694,928,420.01</b>

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (XII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

#### 3. Liquidity risk (continued)

	31 December 2024				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	38,064,098,967.71	-	-	-	38,064,098,967.71
Derivative financial liabilities	1,598,178.46	-	-	-	1,598,178.46
Notes payable	9,241,133,347.89	-	-	-	9,241,133,347.89
Accounts payable	50,241,787,131.40	-	-	-	50,241,787,131.40
Other payables	16,797,359,516.09	-	-	-	16,797,359,516.09
Long-term payables due within one year	1,288,321.02	-	-	-	1,288,321.02
Long-term borrowings due within one year	191,801,162.87	-	-	-	191,801,162.87
Lease liabilities due within one year	670,133,878.12	-	-	-	670,133,878.12
Other current liabilities	6,031,879,726.03	-	-	-	6,031,879,726.03
Other non-current liabilities	-	-	102,275,542.50	-	102,275,542.50
Long-term borrowings	-	4,869,501,210.88	2,094,373,000.00	1,367,459,904.69	8,331,334,115.57
Lease liabilities	-	443,598,073.17	658,468,886.97	505,164,142.31	1,607,231,102.45
Long-term payables	-	548,661.60	1,657,265.62	43,119,878.64	45,325,805.86
Borrowing interests	564,361,932.39	89,746,633.41	134,009,415.01	307,119,792.98	1,095,237,773.79
<b>Total</b>	<b>121,805,442,161.98</b>	<b>5,403,394,579.06</b>	<b>2,990,784,110.10</b>	<b>2,222,863,718.62</b>	<b>132,422,484,569.76</b>

As at the balance sheet date, the Group has no financial guarantees provided to external parties.



## (XII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 3. Liquidity risk (continued)

Bank and other borrowings are analysed by repayment terms as follows:

	31 December 2025		31 December 2024	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	46,217,195,647.41	5,036,081,369.86	38,255,900,130.58	6,031,879,726.03
1 to 2 years	2,439,330,121.83	–	4,869,501,210.88	–
2 to 5 years	111,274,740.00	–	2,094,373,000.00	–
Over 5 years	1,685,270,738.20	–	1,367,459,904.69	–
	<b>50,453,071,247.44</b>	<b>5,036,081,369.86</b>	46,587,234,246.15	6,031,879,726.03

## (XIII) FAIR VALUE DISCLOSURES

The level of fair value measurement results is determined by the lowest level of inputs that are significant to the fair value measurement as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (XIII) FAIR VALUE DISCLOSURE (continued)

#### 1. Assets and liabilities measured at fair value on a recurring basis

As at 31 December 2025, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets–				
Forward exchange contracts	–	721,010.06	–	721,010.06
Foreign exchange swap contracts	–	–	–	–
Held-for-trading financial assets	–	–	10,360,938,931.51	10,360,938,931.51
Receivables financing	–	–	2,528,730,548.02	2,528,730,548.02
Other non-current financial assets	4,157,628.50	–	1,541,153,084.95	1,545,310,713.45
Investments in other equity instruments	32,683,905.48	–	–	32,683,905.48
<b>Total financial assets</b>	<b>36,841,533.98</b>	<b>721,010.06</b>	<b>14,430,822,564.48</b>	<b>14,468,385,108.52</b>

As at 31 December 2025, the financial liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities–				
Forward exchange contracts	–	13,294,428.53	–	13,294,428.53
Stock repurchase option	–	–	98,851,631.25	98,851,631.25
<b>Total financial liabilities</b>	<b>–</b>	<b>13,294,428.53</b>	<b>98,851,631.25</b>	<b>112,146,059.78</b>



## (XIII) FAIR VALUE DISCLOSURES (continued)

### 1. Assets and liabilities measured at fair value on a recurring basis (continued)

As at 31 December 2024, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets–				
Forward exchange contracts	–	5,421,503.02	–	5,421,503.02
Foreign exchange swap contracts	–	10,803,283.33	–	10,803,283.33
Held-for-trading financial assets	–	–	8,632,930,000.00	8,632,930,000.00
Receivables financing	–	–	1,965,669,770.02	1,965,669,770.02
Other non-current financial assets	4,455,830.81	–	1,720,212,300.42	1,724,668,131.23
Investments in other equity instruments	43,899,340.70	–	–	43,899,340.70
<b>Total financial assets</b>	<b>48,355,171.51</b>	<b>16,224,786.35</b>	<b>12,318,812,070.44</b>	<b>12,383,392,028.30</b>

As at 31 December 2024, the financial liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities–				
Forward exchange contracts	–	1,598,178.46	–	1,598,178.46
Stock repurchase option	–	–	102,275,542.50	102,275,542.50
<b>Total financial liabilities</b>	<b>–</b>	<b>1,598,178.46</b>	<b>102,275,542.50</b>	<b>103,873,720.96</b>

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There was no transfer between Level 1 and Level 2 for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include expected return, estimated discount rate, EV, EBIT, stock volatility, etc.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (XIII) FAIR VALUE DISCLOSURES (continued)

#### 1. Assets and liabilities measured at fair value on a recurring basis (continued)

The changes in Level 3 assets and liabilities are as follows:

	31 December 2024	Increase	Decrease	Transfer into Level 3	Transfer out of Level 3	Gain or loss for the current period		31 December 2025	Changes in unrealised gains or losses included in profit or loss for the year 2025 with respect to assets still held as at 31 December 2025 – gains or losses on changes in fair value
						Gain or loss recognised in the current profit or loss	Gain or loss recognised in other comprehensive income		
Held-for-trading									
financial assets	8,632,930,000.00	14,200,000,000.00	(12,641,942,608.44)	-	-	169,951,539.95	-	<b>10,360,938,931.51</b>	60,938,931.51
Receivables financing	1,965,669,770.02	22,919,826,255.08	(22,273,488,493.97)	-	-	(83,276,983.11)	-	<b>2,528,730,548.02</b>	-
Other non-current									
financial assets	1,720,212,300.42	-	(204,231,909.36)	-	-	25,172,693.89	-	<b>1,541,153,084.95</b>	25,172,693.89
Stock repurchase									
option	(102,275,542.50)	-	-	-	-	3,423,911.25	-	<b>(98,851,631.25)</b>	3,423,911.25
<b>Total</b>	<b>12,216,536,527.94</b>	<b>37,119,826,255.08</b>	<b>(35,119,663,011.77)</b>	<b>-</b>	<b>-</b>	<b>115,271,161.98</b>	<b>-</b>	<b>14,331,970,933.23</b>	<b>89,535,536.65</b>

Information about the Level 3 fair value measurement is as follows:

	Fair value as at 31 December 2025	Valuation technique	Name	Inputs		
				Scope	Relationship with fair value	Observable/ Unobservable
Held-for-trading financial assets	<b>10,360,938,931.51</b>	Discounted cash flow	Expected return rate	1.85%-1.97%	Positive	Unobservable
Receivables financing	<b>2,528,730,548.02</b>	Discounted cash flow	Estimated discount rate	0.05%-3.00%	Negative	Unobservable
Other non-current financial assets	<b>1,541,153,084.95</b>	Market method	EV/EBIT, EV/S, etc.	0.23-9.38	Positive	Unobservable
Stock repurchase option due within one year	<b>98,851,631.25</b>	Equity value distribution method	Stock volatility	27.80%-56.53%	Positive	Unobservable



### (XIII) FAIR VALUE DISCLOSURES (continued)

#### 1. Assets and liabilities measured at fair value on a recurring basis (continued)

	Fair value as at 31 December 2024	Valuation technique	Name	Inputs		
				Scope	Relationship with fair value	Observable/ Unobservable
Held-for-trading financial assets	8,632,930,000.00	Discounted cash flow	Expected return rate	2.20%-2.60%	Positive	Unobservable
Receivables financing	1,965,669,770.02	Discounted cash flow	Estimated discount rate	0.40%-2.50%	Negative	Unobservable
Other non-current financial assets	1,720,212,300.42	Market method	EV/EBIT, EV/S, etc.	0.26-9.53	Positive	Unobservable
Other non-current liabilities	102,275,542.50	Equity value distribution method	Stock volatility	33.24%-44.11%	Positive	Unobservable

Information about the Level 2 fair value measurement is as follows:

	Fair value as at 31 December 2025	Valuation technique	Name	Observable inputs
				Scope/weighted average
Assets				
Derivative financial assets-				
Forward exchange contracts	<b>721,010.06</b>	Market method	Exchange rate	AUDUSD: 0.6284-0.6690 USDCNY: 6.9220-7.0658 HKDCNY: 0.8996-0.9136
Liabilities				
Derivative financial liabilities-				
Forward exchange contracts	<b>13,294,428.53</b>	Market method	Exchange rate	AUDNZD: 0.8832-0.9432

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (XIII) FAIR VALUE DISCLOSURES (continued)

#### 1. Assets and liabilities measured at fair value on a recurring basis (continued)

	Fair value as at 31 December 2024	Valuation technique	Observable inputs	
			Name	Scope/weighted average
<b>Assets</b>				
Derivative financial assets-				
Forward exchange contracts	5,421,503.02	Market method	Exchange rate	AUDUSD: 0.6235-0.6894
Foreign exchange swap contracts	10,803,283.33	Market method	Exchange rate	USDCNY: 6.9841
<b>Liabilities</b>				
Derivative financial liabilities-				
Forward exchange contracts	1,598,178.46	Market method	Exchange rate	AUDNZD: 0.9071-0.9370

#### 2. Assets measured at fair value on a non-recurring basis

The Group's assets measured at fair value on a non-recurring basis are the assets of acquiree at the acquisition date under business combinations not involving enterprises under common control.

#### 3. Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities not measured at fair value mainly include cash and bank balances, notes receivables, accounts receivable, other receivables, long-term receivables, short-term borrowings, notes payable, accounts payables, other payables, other current liabilities, long-term payables, long-term borrowings, long-term borrowings due within one year and long-term payables due within one year, etc.

As at 31 December 2025 and 31 December 2024, the carrying amount of long-term receivables and non-current borrowings is a reasonable approximation of their fair value. The fair value of long-term receivables, long-term payables and long-term borrowings is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.



## (XIV) CAPITAL MANAGEMENT

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is total owners' equity plus net debt. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (as shown in the consolidated statement of financial position including short-term borrowings, non-current liabilities due within one year, other current liabilities, long-term borrowings, long-term payables and lease liabilities) less cash and cash equivalents.

As at 31 December 2025 and 31 December 2024, the Group's gearing ratios are as follows:

	<b>31 December 2025</b>	31 December 2024
	(%)	(%)
Gearing ratio	<b>24.37</b>	21.40

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

#### 1. Accounts receivable

	31 December 2025	31 December 2024
Accounts receivable	<b>122,096,966.98</b>	198,851,808.14
Less: Bad debt allowance	<b>(119,851,808.14)</b>	(119,902,482.49)
<b>Total</b>	<b>2,245,158.84</b>	78,949,325.65

(1) *The aging analysis of accounts receivable based on recording date is as follows:*

	31 December 2025	31 December 2024
Within 1 year	<b>2,245,158.84</b>	79,000,000.00
Over 3 years	<b>119,851,808.14</b>	119,851,808.14
<b>Total</b>	<b>122,096,966.98</b>	198,851,808.14

(2) *As at 31 December 2025, the top five accounts receivable based on the balance of the debtors are summarised and analysed as follows:*

	Balance	Amount of bad debt allowance	% of total balance of accounts receivable
Total top five accounts receivable	39,911,209.13	(39,911,209.13)	32.69



## (XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 1. Accounts receivable (continued)

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

	Gross carrying amount	Lifetime ECL rate (%)	Amount of bad debt allowance	Reasons
Accounts receivable 1	11,546,794.10	100.00	(11,546,794.10)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 2	10,013,149.47	100.00	(10,013,149.47)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 3	8,634,602.83	100.00	(8,634,602.83)	Upon assessment, it is expected to be unrecoverable
Accounts receivable 4	5,546,970.95	100.00	(5,546,970.95)	Upon assessment, it is expected to be unrecoverable
Others	84,110,290.79	100.00	(84,110,290.79)	Upon assessment, it is expected to be unrecoverable
<b>Total</b>	<b>119,851,808.14</b>		<b>(119,851,808.14)</b>	

### 2. Other receivables

	31 December 2025	31 December 2024
Amounts due from subsidiaries	<b>15,874,369,904.56</b>	14,963,993,522.85
Guarantees (including deposits)	<b>7,436,140.80</b>	6,059,268.13
Dividends receivable	<b>123,716,042.74</b>	218,233,166.04
Interest receivable	<b>84,384,470.97</b>	83,245,232.24
Receivables from enterprises	<b>119,877,955.64</b>	553,877.00
Others	<b>257,141,035.97</b>	257,141,035.97
Gross carrying amount	<b>16,466,925,550.68</b>	15,529,226,102.23
Less: Bad debt allowance	<b>(267,606,853.66)</b>	(267,262,017.80)
Carrying amount	<b>16,199,318,697.02</b>	15,261,964,084.43

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

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### 2. Other receivables (continued)

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

	31 December 2025	31 December 2024
Within 1 year	<b>8,645,011,743.14</b>	9,002,186,212.26
1 to 2 years	<b>1,813,538,459.64</b>	484,958,692.51
2 to 3 years	<b>466,385,309.82</b>	3,320,757,197.38
Over 3 years	<b>5,541,990,038.08</b>	2,721,324,000.08
<b>Total</b>	<b>16,466,925,550.68</b>	15,529,226,102.23

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

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

	31 December 2025				31 December 2024			
	Gross carrying amount		Bad debt allowance		Gross carrying amount		Bad debt allowance	
	Amount	Proportion to total amount (%)	Amount	Proportion (%)	Amount	Proportion to total amount (%)	Amount	Proportion (%)
Bad debt allowance made on an individual basis (i)	257,141,035.97	1.56	(257,141,035.97)	100.00	257,141,035.97	1.66	(257,141,035.97)	100.00
Bad debt allowance made on a portfolio basis (ii)	16,209,784,514.71	98.44	(10,465,817.69)	0.06	15,272,085,066.26	98.34	(10,120,981.83)	0.07
<b>Total</b>	<b>16,466,925,550.68</b>	<b>100.00</b>	<b>(267,606,853.66)</b>	<b>1.63</b>	<b>15,529,226,102.23</b>	<b>100.00</b>	<b>(267,262,017.80)</b>	<b>1.72</b>

As at 31 December 2025 and 31 December 2024, the Company has no other receivables at stage 2. The other receivables at stage 1 and stage 3 are analysed as follows:



## (XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 2. Other receivables (continued)

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

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

	Gross carrying amount	Stage 3 – Lifetime ECL rate (%)	Bad debt allowance	Reasons
Other receivables 1	120,000,000.00	100.00	(120,000,000.00)	It is expected to be unrecoverable
Other receivables 2	33,375,018.03	100.00	(33,375,018.03)	It is expected to be unrecoverable
Other receivables 3	26,030,686.00	100.00	(26,030,686.00)	It is expected to be unrecoverable
Other receivables 4	22,000,000.00	100.00	(22,000,000.00)	It is expected to be unrecoverable
Others	55,735,331.94	100.00	(55,735,331.94)	It is expected to be unrecoverable
<b>Total</b>	<b>257,141,035.97</b>		<b>(257,141,035.97)</b>	

As at 31 December 2024, other receivables for which bad debt allowance is made on an individual basis are analysed as follows:

	Gross carrying amount	Stage 3 – Lifetime ECL rate (%)	Bad debt allowance	Reasons
Other receivables 1	120,000,000.00	100.00	(120,000,000.00)	It is expected to be unrecoverable
Other receivables 2	33,375,018.03	100.00	(33,375,018.03)	It is expected to be unrecoverable
Other receivables 3	26,030,686.00	100.00	(26,030,686.00)	It is expected to be unrecoverable
Other receivables 4	22,000,000.00	100.00	(22,000,000.00)	It is expected to be unrecoverable
Others	55,735,331.94	100.00	(55,735,331.94)	It is expected to be unrecoverable
<b>Total</b>	<b>257,141,035.97</b>		<b>(257,141,035.97)</b>	

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### 2. Other receivables (continued)

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

(ii) As at 31 December 2025 and 31 December 2024, other receivables for which bad debt allowance is made on a portfolio basis are analysed as follows:

	31 December 2025			31 December 2024		
	Gross carrying amount	Bad debt allowance		Gross carrying amount	Bad debt allowance	
	Amount	Amount	Proportion (%)	Amount	Amount	Proportion (%)
Stage 1 – 12-month ECL (portfolio)						
Amounts due from subsidiaries	15,874,369,904.56	(10,165,858.56)	0.06	14,963,993,522.85	(9,598,615.42)	0.06
Guarantees (including deposits)	7,436,140.80	(166,643.65)	2.24	6,059,268.13	(124,373.60)	2.05
Receivables from enterprises	119,877,955.64	(49.07)	0.00	553,877.00	(355.28)	0.06
Dividends receivable	123,716,042.74	(79,227.08)	0.06	218,233,166.04	(344,240.08)	0.16
Interest receivable	84,384,470.97	(54,039.33)	0.06	83,245,232.24	(53,397.45)	0.06
<b>Total</b>	<b>16,209,784,514.71</b>	<b>(10,465,817.69)</b>		<b>15,272,085,066.26</b>	<b>(10,120,981.83)</b>	



## (XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 2. Other receivables (continued)

(3) As at 31 December 2025, the top five other receivables categorised by debtor are analysed as follows:

	Nature	Balance	Aging	Proportion to total balance of other receivables (%)	Bad debt allowance
Other receivables 1	Amounts due from subsidiaries	5,161,279,094.96	Within one year to over two years	31.34	(3,305,254.53)
Other receivables 2	Amounts due from subsidiaries	3,270,226,560.69	Within one year to over two years	19.86	(2,094,234.97)
Other receivables 3	Amounts due from subsidiaries	1,256,576,226.13	Within one year to over two years	7.63	(804,704.45)
Other receivables 4	Amounts due from subsidiaries	999,051,733.05	Within one year to over two years	6.07	(639,787.18)
Other receivables 5	Amounts due from subsidiaries	911,187,138.67	Within one year to over two years	5.53	(583,519.20)
Total		11,598,320,753.50		70.43	(7,427,500.33)

### 3. Long-term equity investments

	31 December 2025	31 December 2024
Subsidiaries (1)	<b>30,281,635,081.78</b>	29,227,995,117.42
Associates (2)	<b>2,589,955,174.98</b>	2,224,101,542.46
Joint ventures (3)	<b>25,428,136.44</b>	25,428,136.44
Less: Provision for impairment of long-term equity investments	<b>(185,895,633.03)</b>	(185,895,633.03)
Total	<b>32,711,122,760.17</b>	31,291,629,163.29

The Company is not subject to significant restriction on realisation of long-term investments.

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### 3. Long-term equity investments (continued)

##### (1) Subsidiaries

	Changes for the year				Impairment provision		Cash dividends declared in the current year	
	31 December 2024	Investment made in the current year	Decrease in investments	Impairment provision	Others	31 December		
						2025		2024
SIC Medical Science and Technology (Group) Limited	7,157,607,012.94	-	-	-	-	7,157,607,012.94	-	
Shanghai Pharmaceuticals (HK) Investment Limited	5,321,484,935.07	35,386,170.00	-	-	-	5,356,871,105.07	-	
Shanghai Pharma Co., Ltd.	4,785,138,992.45	-	-	-	-	4,785,138,992.45	799,830,000.00	
Shanghai TCM Co., Ltd.	1,896,158,274.10	-	-	-	-	1,896,158,274.10	309,412,177.00	
SPH Sine Pharmaceutical Factory Co., Ltd.	1,418,321,561.86	-	-	-	-	1,418,321,561.86	245,780,000.00	
SPH New Asia Pharmaceutical Co., Ltd.	1,225,981,233.99	-	-	-	-	1,225,981,233.99	14,312,130.00	
Shanghai SPH Biomedical Co., Ltd.	1,218,873,515.07	45,423,643.76	-	-	-	1,264,297,158.83	-	
Shanghai Hutchison Pharmaceuticals Co., Ltd.	-	952,710,790.60	-	-	-	952,710,790.60	-	
Liaoning Pharmaceutical Foreign Trading Co., Ltd.	597,322,888.99	-	-	-	-	597,322,888.99	75,644,367.50	
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	513,419,323.04	-	-	-	-	513,419,323.04	274,112,631.00	
Guangdong Techpool Biochemical Pharmaceutical Co., Ltd.	492,732,445.39	-	-	-	-	492,732,445.39	64,881,624.93	
Shanghai Medical Instruments Co., Ltd.	406,446,400.48	-	-	-	-	406,446,400.48	-	
Shanghai Pharmaceutical (USA) INC. SPH (Benxi) North Pharmaceuticals Co., Ltd.	440,013,236.30	11,521,920.00	-	-	-	451,535,156.30	-	
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	380,000,000.00	-	-	-	-	380,000,000.00	-	
Shanghai Innovation Center for Biopharmaceuticals	361,866,971.62	63,000,000.00	-	-	-	424,866,971.62	129,630,000.00	
	312,599,154.06	-	-	-	-	312,599,154.06	-	

# Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)



## (XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 3. Long-term equity investments (continued)

#### (1) Subsidiaries (continued)

	Changes for the year				Impairment provision		Cash dividends declared in the current year	
	31 December 2024	Investment made in the current year	Decrease in investments	Impairment provision	Others	31 December 2025		31 December 2024
Shanghai Jiaolian Pharmaceutical R&D Co., Ltd.	305,315,023.99	-	-	-	-	-	-	
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	259,918,653.79	-	-	-	-	-	47,090,527.50	
SPH Changzhou Pharmaceutical Co., Ltd.	207,456,710.09	-	-	-	-	-	43,204,826.35	
Shanghai Industrial United Holdings Pharmaceutical Co., Ltd.	167,500,000.00	-	-	-	-	-	-	
Shanghai Shangyao Innovation Pharmaceutical Technology Co., Ltd.	101,417,608.00	-	-	-	-	-	-	
Shanghai Zhonghua Pharmaceutical Co., Ltd.	101,049,509.15	-	-	-	-	-	-	
Shanghai Shangyao Rui'er Pharmaceutical Co., Ltd.	100,511,914.00	-	-	-	-	-	-	
Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.	85,847,130.00	-	-	-	-	-	-	
Shanghai Pharmaceutical Group Institute of Traditional Chinese Medicine Co., Ltd.	57,000,000.00	18,020,000.00	-	-	-	-	-	
Shanghai Pharmaceutical Group Industrial Marketing Management Co., Ltd.	19,270,000.00	-	-	-	-	-	-	
SPH Biotherapeutics Limited	100,000,000.00	-	-	-	-	-	-	
Others	1,194,742,623.04	-	(72,422,560.00)	-	-	1,122,320,063.04	172,128,156.24	
<b>Total</b>	<b>29,227,995,117.42</b>	<b>1,126,062,524.36</b>	<b>(72,422,560.00)</b>	<b>-</b>	<b>-</b>	<b>30,281,635,081.78</b>	<b>2,176,026,440.52</b>	

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### 3. Long-term equity investments (continued)

##### (2) Associates

	Changes for the year						Impairment provision				
	31 December 2024	Additional investment	Decrease in investments	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared	Impairment provision	Others	31 December 2025	31 December 2024
Shanghai Industrial Group Finance Co., Ltd.	429,353,783.47	138,805,056.72	-	18,401,524.75	-	-	(13,591,562.98)	-	-	572,968,801.96	-
Shanghai Fudan-Zhangjiang Bio- Pharmaceutical Co., Ltd.	310,511,144.62	-	-	(21,207,100.38)	58,844.37	(54,806.73)	(4,187,356.80)	-	-	285,120,725.08	-
Shanghai Biomedical M&A Private Equity Fund Partnership (Limited Partnership)	-	375,967,467.54	(6,310,720.04)	55,505,057.81	-	-	-	-	-	425,161,805.31	-
Shanghai Lianyi Investment Center (Limited Partnership)	241,914,060.08	-	(27,041,047.79)	18,225,142.54	-	-	(7,912,026.19)	-	-	225,186,128.64	-
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	213,111,202.67	-	-	33,093,034.93	-	-	(74,254,633.00)	-	-	171,949,604.60	-
Chengdu Wester Biomedical Co., Ltd.	118,984,679.52	-	-	1,884,129.76	-	(120,868,809.28)	-	-	-	-	-
Shanghai Ajinomoto Amino Acid Co., Ltd.	128,805,940.07	-	-	11,179,060.85	-	-	(4,210,406.34)	-	-	135,774,594.58	-
Hangzhou Huiqing Yitang Pharmaceutical Co., Ltd.	111,726,626.97	-	-	6,733,960.71	-	-	(8,724,800.00)	-	-	109,735,787.68	-
Shanghai Good Health Capital LLP	81,555,167.64	-	-	3,202,468.17	-	-	(9,994,688.92)	-	-	74,772,936.89	-
Shanghai Shangshi Biomedical Innovation and Transformation Private Investment Fund LLP	109,658,571.79	-	-	6,453,002.74	-	-	-	-	-	116,311,574.53	-

# Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)



## (XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 3. Long-term equity investments (continued)

#### (2) Associates (continued)

	Changes for the year										Impairment provision	
	31 December 2024	Additional investment	Decrease in investments	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared	Impairment provision	Others	31 December	31 December	
										2024	2025	2025
West China Precision Medicine Industrial Innovation Center	94,867,777.61	-	-	(1,676,074.37)	-	336,653.96	-	-	-	93,528,357.20	-	
Sichuan Greentech Bio-technology Co., Ltd.	66,308,281.18	-	-	1,313,027.85	-	-	-	-	-	67,621,309.03	-	
Shanghai Chest Medical Instruments Co., Ltd.	55,050,485.55	-	-	6,879,849.21	-	(3,060,000.00)	-	-	-	58,870,334.76	-	
Shanghai Pharma Health Commerce Co., Ltd.	53,097,663.26	-	-	86,412.03	-	(13,408.96)	-	-	-	53,170,666.33	-	
Shanghai Biomedical Industry Equity Investment Fund Management Co., Ltd.	19,315,320.87	-	(2,941,203.00)	5,138,893.57	-	-	(4,799,554.13)	-	-	16,713,456.31	-	
Shangshi Commercial Factoring Co., Ltd.	-	-	-	-	-	-	-	-	-	-	(154,799,830.72)	
Others	29,173,340.57	-	(5,717,716.52)	(907,184.45)	-	53,155.89	-	-	-	22,601,595.49	(5,667,665.87)	
<b>Total</b>	<b>2,063,634,045.87</b>	<b>514,772,524.26</b>	<b>(42,010,687.35)</b>	<b>144,305,204.72</b>	<b>58,844.37</b>	<b>(120,547,215.12)</b>	<b>(130,725,038.36)</b>	<b>-</b>	<b>-</b>	<b>2,429,487,678.39</b>	<b>(160,467,496.59)</b>	

**(XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)**

## 3. Long-term equity investments (continued)

## (3) Joint venture

31 December 2024	Changes for the year							Impairment provision 31 December 2025	31 December 2025	31 December 2024	
	Additional investment	Decrease in investments	Net profit or loss adjusted using equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared	Impairment provision				Others
-	-	-	-	-	-	-	-	-	(25,428,136.44)	(25,428,136.44)	

Zhejiang Shangqiao Jiuzhou  
Biopharmaceutical Co., Ltd.



**(XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)**

**4. Capital reserve**

	31 December 2024	Increase in the current year	Decrease in the current year	<b>31 December 2025</b>
Share premium	32,520,299,301.85	21,586,605.15	–	<b>32,541,885,907.00</b>
Other capital reserve –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	231,470,727.08	–	(120,547,215.12)	<b>110,923,511.96</b>
Share-based payments	17,157,711.45	–	(14,797,227.45)	<b>2,360,484.00</b>
Others	(289,656,947.52)	–	–	<b>(289,656,947.52)</b>
<b>Total</b>	<b>32,479,270,792.86</b>	<b>21,586,605.15</b>	<b>(135,344,442.57)</b>	<b>32,365,512,955.44</b>

	31 December 2023	Increase in the current year	Decrease in the current year	31 December 2024
Share premium	32,404,631,759.09	115,667,542.76	–	32,520,299,301.85
Other capital reserve –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	225,763,258.19	5,707,468.89	–	231,470,727.08
Share-based payments	50,792,867.95	308,220.66	(33,943,377.16)	17,157,711.45
Others	(289,656,947.52)	–	–	(289,656,947.52)
<b>Total</b>	<b>32,391,530,937.71</b>	<b>121,683,232.31</b>	<b>(33,943,377.16)</b>	<b>32,479,270,792.86</b>

## Notes to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

### (XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

#### 5. Other comprehensive income

	Other comprehensive income in the balance sheet		Other comprehensive income in the Company's income statement for the year ended 31 December 2025				
	31 December 2024	Converted from other comprehensive income into	31 December 2025	Amount before income tax	Less: Other comprehensive income transferred out for the year	Less: Income tax expenses	Net amount after tax
		retained earnings					
Other comprehensive income that will be reclassified to profit or loss							
Other comprehensive income that may be transferred to profit or loss under equity method	(420,774.15)	-	(361,929.78)	58,844.37	-	-	58,844.37

	Other comprehensive income in the balance sheet		Other comprehensive income in the Company's income statement for the year ended 31 December 2024				
	31 December 2023	Converted from other comprehensive income into	31 December 2024	Amount before income tax	Less: Other comprehensive income transferred out for the year	Less: Income tax expenses	Net amount after tax
		retained earnings					
Other comprehensive income that will be reclassified to profit or loss							
Other comprehensive income that may be transferred to profit or loss under equity method	(390,780.10)	-	(420,774.15)	(29,994.05)	-	-	(29,994.05)

#### 6. Retained profits

	2025	2024
Retained profits at the beginning of the year	2,333,058,032.95	2,074,708,835.61
Add: Net profit of the Company	2,107,758,333.23	2,073,171,351.67
Less: Appropriation to statutory surplus reserve	-	-
Dividends distribution	(1,520,428,341.69)	(1,814,822,154.33)
Retained profits at the end of the year	2,920,388,024.49	2,333,058,032.95



## (XV) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 7. Operating income and operating cost

	2025	2024
Income from main operating activities	–	–
Income from other operating activities (1)	<b>153,320,637.15</b>	249,622,461.53
<b>Total</b>	<b>153,320,637.15</b>	249,622,461.53

	2025	2024
Costs of main operating activities	–	–
Costs of other operating activities (1)	<b>4,968,701.29</b>	43,796,164.43
<b>Total</b>	<b>4,968,701.29</b>	43,796,164.43

#### (1) Income from other operating activities and costs of other operating activities

	2025		2024	
	Income from other operating activities	Costs of other operating activities	Income from other operating activities	Costs of other operating activities
Management service	<b>146,782,972.80</b>	–	153,272,836.63	–
Technology transfer and R&D services	<b>6,537,664.35</b>	<b>4,968,701.29</b>	96,349,624.90	43,796,164.43
<b>Total</b>	<b>153,320,637.15</b>	<b>4,968,701.29</b>	249,622,461.53	43,796,164.43

### 8. Investment income

	2025	2024
Income from long-term equity investments under cost method	<b>2,176,026,440.52</b>	2,433,656,529.68
Income from long-term equity investments under equity method	<b>144,305,204.72</b>	67,948,806.46
Interest income from intra-group loans	<b>193,904,907.53</b>	235,353,188.76
Investment loss on disposal of long-term equity investments	<b>39,781.88</b>	–
Others	<b>81,327,607.52</b>	50,993,277.50
<b>Total</b>	<b>2,595,603,942.17</b>	2,787,951,802.40

The Company is not subject to significant restriction on repatriation of investment income.

# Supplementary Information to the Financial Statements for The Year Ended 31 December 2025

(In RMB, unless otherwise stated)

## (I) SUMMARY OF NON-RECURRING PROFIT OR LOSS

	2025
Gain or loss on disposal of non-current assets, including write-off of provision for impairment of assets	<b>3,191,777,241.15</b>
Government grants recognised in profit or loss, except for those government grants that are closely related to the Group's normal business operations, in conformity with national policies, in accordance with defined criteria, and that have a continuing effect on the Group's profit or loss	<b>365,924,648.18</b>
Gain or loss on changes in fair value of financial assets and financial liabilities held by non-financial enterprises and gain or loss on disposal of financial assets and financial liabilities, except for effective hedging business related to the Group's normal business operations	<b>120,521,542.53</b>
Reversal of bad debts allowance for receivables on individual basis	<b>86,816,182.75</b>
Non-operating income and expenses other than the above	<b>(122,281,115.52)</b>
<b>Sub-total</b>	<b>3,642,758,499.09</b>
Effect of income tax expense	<b>(847,053,929.07)</b>
Effect on the minority interests, net of tax	<b>(51,587,555.78)</b>
<b>Total</b>	<b>2,744,117,014.24</b>

### (1) Basis for preparation of summary of non-recurring profit or loss for 2025

CSRC promulgated Explanatory announcement No.1 (2023 Revised) on information disclosure by companies offering securities to the public – non-recurring profit or loss (Hereinafter referred to as Explanatory announcement No.1 (2023 Revised)), the provision shall come into force on the date of promulgation. The Group prepared the summary of non-recurring profit or loss for 2025 under the requirements in Explanatory announcement No.1 (2023 Revised).

Under the requirements in Explanatory announcement No.1 (2023 Revised) from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.



## (II) RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return		Earnings per share			
	on net assets (%)		Basic earnings per share		Diluted earnings per share	
	2025	2024	2025	2024	2025	2024
Net profit attributable to ordinary shareholders of the Company	<b>7.74</b>	6.50	<b>1.54</b>	1.23	<b>1.54</b>	1.23
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	<b>4.03</b>	5.81	<b>0.80</b>	1.10	<b>0.80</b>	1.10



Shanghai Pharmaceuticals Holding Co., Ltd.\*

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