



国药集团
SINOPHARM

China Traditional Chinese Medicine Holdings Co. Limited

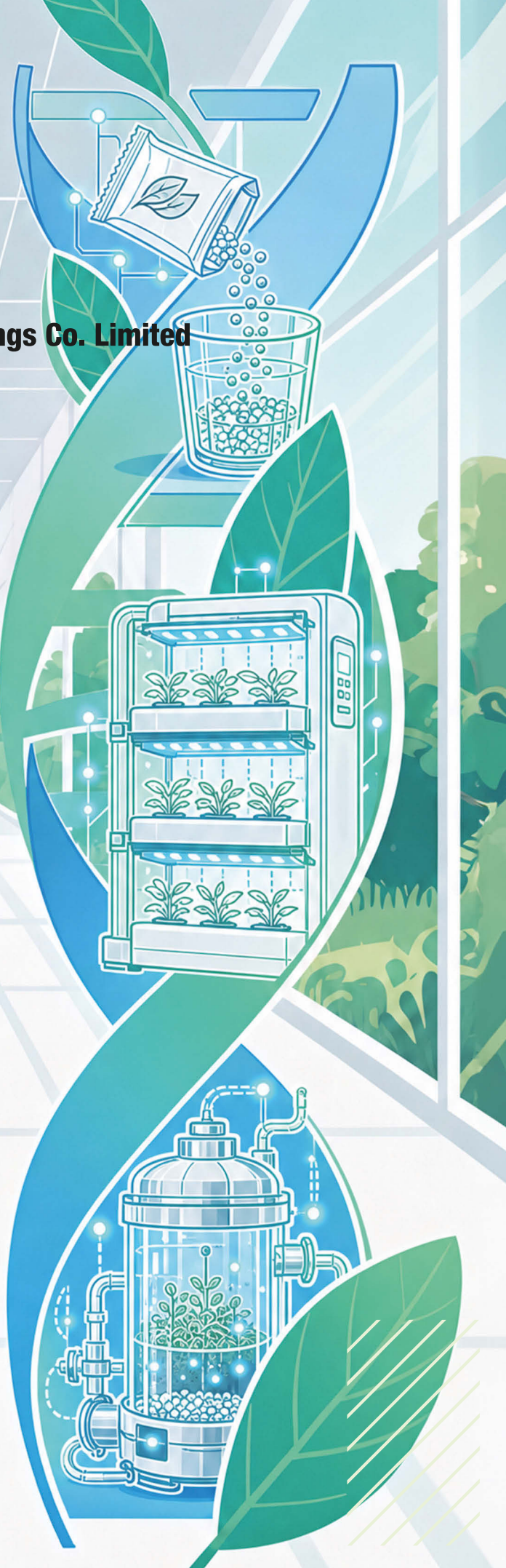
(Incorporated in Hong Kong with Limited Liability)

(Stock code: 00570)



2026

Interim Report



CONTENTS

CORPORATE INFORMATION	2
MANAGEMENT DISCUSSION AND ANALYSIS	3
OTHER INFORMATION	28
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	31
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	33
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	34
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	36
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	37
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	38



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. GUO Jinhong (*Chairman*)
Mr. LI Hongjian
Mr. PENG Li

Non-executive Directors

Mr. LI Xiangrong
Mr. ZU Jing
Ms. XU Jinghui
Mr. CHEN Kun
Mr. HUANG Hao

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. NG Sau Mei

AUDIT COMMITTEE

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

REMUNERATION AND EVALUATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGIC COMMITTEE

Mr. GUO Jinhong (*Chairman*)
Mr. LI Hongjian
Mr. PENG Li
Mr. LI Xiangrong
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STOCK CODE

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

Stock code: 00570

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MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The board (the “Board”) of directors (the “Directors”) of China Traditional Chinese Medicine Holdings Co. Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) prepared under Hong Kong Financial Reporting Standards for the six months ended 30 June 2026 (the “Reporting Period”, the “Period”), together with comparative figures for the corresponding period of 2025 and relevant explanatory notes. The consolidated results are unaudited but have been reviewed by the Company’s independent auditor, BDO Limited, and the audit committee of the Board (the “Audit Committee”).

OVERVIEW

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

Analyzed by business segment:

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

(I) Chinese medicinal herbs integration business

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(II) TCM decoction pieces

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

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

(III) Concentrated TCM granules

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) TCM finished drugs

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

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

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

(V) TCM great health

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

II. Enhance Governance and Operations and Drive Technological Innovation

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

IV. Policy Update

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

4. ***The new version of “Administrative Measures for the National Essential Medicines List” (《國家基本藥物目錄管理辦法》) issued on 11 February 2026***

Keywords: equal emphasis on traditional Chinese and Western medicine, expansion of the essential drugs, evidence-based evidences, priority for primary healthcare

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Task 1 – Improving high-quality TCM service systems

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

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

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

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

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

Task 4 – Building a high-quality TCM talent cadre

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

MANAGEMENT DISCUSSION AND ANALYSIS

Task 5 – Promoting TCM inheritance and innovation

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

Task 6 – Promoting modernised TCM industry and health services

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

Task 7 – Fostering TCM cultural prosperity

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

Task 8 – Promoting the open development of TCM

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Task 10 – Deepening reform and governance in the TCM field

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

V. Work Arrangement for the Next Step

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

(1) Deepen reform to reshape business development models

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Incubate and cultivate innovation-driven momentum

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

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

Conclusion

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS

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

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

1. Chinese medicinal herbs integration business

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

During the Reporting Period, the revenue of the Chinese medicinal herbs integration business segment was approximately RMB189,582,000, representing a decrease of 57.5% compared with the revenue of approximately RMB445,584,000 for the same period last year and accounting for 3.5% of the total revenue, which was mainly due to: (1) focusing to the development of local varieties and advantageous varieties, and gradually cutting high-risk businesses; and (2) the decline in sales unit prices of Chinese medicinal herbs affected by the downward fluctuation in its market price, leading to a decrease in revenue.

The gross profit margin for the Period was 4.8%, representing a decrease of 5.0 percentage points compared with 9.8% for the same period last year, which was mainly attributed to the decrease in the market prices of some Chinese medicinal herbs, leading to a decrease in the gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

2. TCM decoction pieces

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

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

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

3. Concentrated TCM granules

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

4. TCM finished drugs

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

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

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

5. TCM great health

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

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

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

FINANCIAL REVIEW

Other income

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

Other gains and losses

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

Impairment losses under expected credit loss model, net of reversal

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

Selling and distribution costs

For the six months ended 30 June 2026, the Group's selling and distribution costs were approximately RMB1,890,051,000 (six months ended 30 June 2025: approximately RMB2,556,399,000). Selling and distribution costs decreased by 26.1% as compared with the same period last year, which was mainly because the income from concentrated TCM granules and TCM finished drugs businesses decreased year-on-year, resulting in a decrease in relevant selling expenses during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

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

Research and development expenses

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

Finance costs

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

Share of results of associates

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

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period

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

Earnings per share

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

Liquidity and financial resources

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

MANAGEMENT DISCUSSION AND ANALYSIS

Bank and other borrowings and pledge of assets

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

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

Capital sources

For the six months ended 30 June 2026, no major financing activity has been carried out by the Group. As at 30 June 2026, the Group had an unutilised bank credit facility of approximately RMB10,538,228,000, and had completed the registration of RMB2,000,000,000 in medium-term notes and RMB3,000,000,000 in ultra-short-term commercial papers through the National Association of Financial Market Institutional Investors, both of which had not yet been issued. The Group had sufficient working capital and a stable financial position.

Capital expenditure

For the six months ended 30 June 2026, the Group's fixed asset and intangible asset investment expense was approximately RMB72,219,000, compared with approximately RMB179,508,000 for the same period last year. During the Reporting Period, the capital expenditure was mainly used for the upgrade and replacement of production equipment for TCM granules and decoction pieces, as well as for investments in expanding production capacity for TCM finished drugs.

MANAGEMENT DISCUSSION AND ANALYSIS

Financing capacity

As at 30 June 2026, capital commitments which the Group has entered into but were outstanding and not provided for in the financial statements were approximately RMB47,427,000 (31 December 2025: approximately RMB80,655,000). Such capital commitments were mainly used for the construction of plants and purchase of production facilities. The Group is of the view that with available cash balance, a stable cash inflow from operating activities, undrawn but already granted bank facilities, and recognition and support from major financial institutions, the Group will be capable of fully satisfying liquidity needs and the abovementioned funding needs.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2026 (30 June 2025: nil).

Financial risk

The Group mainly operates in Chinese mainland, with most of its transactions originally denominated and settled in Renminbi, for which the foreign exchange risk is considered insignificant. As at 30 June 2026, the Group had no Hong Kong Dollar bank borrowings and did not enter into any forward foreign exchange contracts. In future, the Group will continue to regularly review its net foreign exchange exposure and take appropriate and timely measures to mitigate the impact of exchange rate fluctuations.

Employees and remuneration policies

As at 30 June 2026, the Group had a total of 13,755 (30 June 2025: 15,583) employees, including the Directors, of which 4,510 were sales staff, 4,619 were manufacturing staff, and 4,626 were engaged in research and development, administration and senior management. Remuneration packages mainly consisted of salary and a discretionary bonus based on individual performance. The Group's total remuneration for the Reporting Period was approximately RMB1,171,458,000 (six months ended 30 June 2025: approximately RMB1,113,036,000).

OTHER INFORMATION

INTERIM DIVIDEND

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2026, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2026, the interests and short positions of the shareholders, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under section 336 of the SFO were as follows:

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

Notes:

1. The 1,634,705,642 shares are held by Sinopharm Group Hongkong Co., Limited ("Sinopharm Hongkong"), which is indirectly wholly owned by China National Pharmaceutical Group Co., Ltd. ("CNP GC").
2. The 604,296,222 shares are held by Ping An Insurance Company of China, Ltd. ("Ping An Life") which is a subsidiary of Ping An (Group) Company of China, Ltd. ("Ping An Group"). Ping An Group is deemed to be interested in Ping An Life's interest in the Company under the SFO.

Save as disclosed above, the register which was required to be kept by the Company under section 336 of the SFO showed that the Company had not been notified of any interests or short positions of the shareholders (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as at 30 June 2026.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

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

During the six months ended 30 June 2026, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares, if any). As at 30 June 2026, the Company did not hold any treasury shares.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company is committed to maintaining high standard of corporate governance. The Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules throughout the six months ended 30 June 2026.

Model Code for Securities Transactions

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

OTHER INFORMATION

CHANGES IN DIRECTORS' AND SENIOR MANAGEMENT'S INFORMATION

Subsequent to the date of the Annual Report 2025 of the Company (20 March 2026) and as of the date of this interim report, pursuant to Rule 13.51B(1) of the Listing Rules, changes of information about the Directors and senior management of the Company are as follows:

- Mr. CHEN Kun was appointed as a non-executive Director and a member of the remuneration and evaluation committee of the Board (the "Remuneration and Evaluation Committee"), with effect from 15 May 2026.
- Mr. LIU Haijian resigned as a non-executive Director and ceased to serve as a member of the Remuneration and Evaluation Committee, with effect from 15 May 2026.
- Mr. GUO Jinhong was appointed as an executive Director and the chairman of each of the nomination committee of the Board (the "Nomination Committee") and the strategic committee of the Board (the "Strategic Committee"), and was elected as the Chairman of the Board, with effect from 17 July 2026.
- Mr. YANG Jun resigned as an executive Director and the Chairman of the Board, and ceased to serve as chairman of each of the Nomination Committee and the Strategic Committee, with effect from 17 July 2026.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

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

By Order of the Board

GUO Jinhong
Chairman

Hong Kong, 28 August 2026

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of China Traditional Chinese Medicine Holdings Co. Limited

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 33 to 64 which comprise the interim condensed consolidated statement of financial position of China Traditional Chinese Medicine Holdings Co. Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2026 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial information, including material accounting policy information (the “interim condensed consolidated financial statements”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Chau Ka Kin

Practising Certificate Number P07445

Hong Kong, 28 August 2026

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

For the six months ended 30 June 2026

	Notes	2026 (Unaudited) RMB'000	2025 (Unaudited) RMB'000
REVENUE	4	5,438,498	7,463,383
Cost of sales		(2,857,654)	(3,828,790)
Gross profit		2,580,844	3,634,593
Other income	5	75,410	91,052
Other gains and losses	6	(613,382)	(262,394)
Impairment losses under expected credit loss model, net of reversal	16	(139,185)	(185,875)
Selling and distribution expenses		(1,890,051)	(2,556,399)
Administrative expenses		(552,082)	(500,543)
Research and development expenses		(187,513)	(256,123)
Operating losses		(725,959)	(35,689)
Finance costs	7	(33,911)	(47,203)
Share of results of associates		(57)	(47)
LOSS BEFORE TAX	8	(759,927)	(82,939)
Income tax expense	9	(74,768)	(58,821)
LOSS FOR THE PERIOD		(834,695)	(141,760)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent period:			
Change in fair value on debt instruments measured at fair value through other comprehensive income		1,811	6,463
Reversal of impairment loss recognised for debt instruments at fair value through other comprehensive income included in profit or loss		(266)	(724)
Income tax relating to items that may be reclassified to profit or loss		(148)	(904)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		1,397	4,835
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(833,298)	(136,925)
Loss for the period attributable to:			
Owners of the Company		(776,297)	(107,918)
Non-controlling interests		(58,398)	(33,842)
		(834,695)	(141,760)
Total comprehensive income for the period attributable to:			
Owners of the Company		(774,907)	(103,248)
Non-controlling interests		(58,391)	(33,677)
		(833,298)	(136,925)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted (RMB cents)	11	(15.42)	(2.14)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

	Notes	30 June 2026 (Unaudited) RMB'000	31 December 2025 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	5,851,416	6,123,376
Right-of-use assets	12	1,045,583	1,064,320
Investment properties		152,508	156,387
Goodwill	13	1,885,914	2,531,159
Other intangible assets	13	4,305,141	4,491,572
Investments in associates		10,666	10,724
Deposits and prepayments		18,984	12,779
Deferred tax assets		266,816	248,807
Total non-current assets		13,537,028	14,639,124
CURRENT ASSETS			
Inventories	14	3,748,947	3,710,941
Trade and other receivables	15	8,017,385	8,844,453
Debt instruments at fair value through other comprehensive income ("FVTOCI")	17	898,301	1,108,164
Pledged bank deposits	18(a)	74,923	102,670
Bank balances and cash	18(b)	3,592,568	3,942,077
Total current assets		16,332,124	17,708,305
CURRENT LIABILITIES			
Trade and other payables	19	4,843,049	5,327,339
Lease liabilities		20,754	18,652
Contract liabilities		187,296	136,186
Interest-bearing bank and other borrowings	20	849,832	992,939
Unsecured notes	21	–	1,221,910
Tax liabilities		15,560	36,559
Total current liabilities		5,916,491	7,733,585
NET CURRENT ASSETS		10,415,633	9,974,720
TOTAL ASSETS LESS CURRENT LIABILITIES		23,952,661	24,613,844

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

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

Approved and authorised for issue by the Board of directors on 28 August 2026 and signed on its behalf by:

GUO Jinhong
Executive Director

LI Hongjian
Executive Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2026

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Translation reserve	Statutory surplus reserve*	FVTOCI reserve	Other reserve	Retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000 (note)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2026 (audited)	11,982,474	(165,183)	947,766	(9,370)	(71,180)	7,785,225	20,469,732	2,558,234	23,027,966
Loss for the period	-	-	-	-	-	(776,297)	(776,297)	(58,398)	(834,695)
Other comprehensive income for the period	-	-	-	1,390	-	-	1,390	7	1,397
Total comprehensive income for the period	-	-	-	1,390	-	(776,297)	(774,907)	(58,391)	(833,298)
At 30 June 2026 (unaudited)	11,982,474	(165,183)	947,766	(7,980)	(71,180)	7,008,928	19,694,825	2,499,843	22,194,668
Balance at 1 January 2025 (audited)	11,982,474	(165,183)	910,372	(14,870)	(71,180)	8,562,171	21,203,784	2,729,250	23,933,034
Loss for the period	-	-	-	-	-	(107,918)	(107,918)	(33,842)	(141,760)
Other comprehensive income for the period	-	-	-	4,670	-	-	4,670	165	4,835
Total comprehensive income for the period	-	-	-	4,670	-	(107,918)	(103,248)	(33,677)	(136,925)
Dividends distributed to non-controlling interests	-	-	-	-	-	-	-	(6,347)	(6,347)
Final dividend and special dividend distribution (note 10)	-	-	-	-	-	(397,482)	(397,482)	-	(397,482)
At 30 June 2025 (unaudited)	11,982,474	(165,183)	910,372	(10,200)	(71,180)	8,056,771	20,703,054	2,689,226	23,392,280

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2026

	Notes	2026 (Unaudited) RMB'000	2025 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		897,384	1,049,324
PRC enterprise income tax paid		(144,837)	(124,461)
Net cash flows generated from operating activities		752,547	924,863
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment and payment for construction in progress		(89,016)	(166,757)
Purchase of investment properties		(1,005)	–
Payments for right-of-use assets		(17,798)	–
Proceeds from disposal of items of property, plant and equipment		5,225	1,039
Purchase of other intangible assets	13	(63)	(1,377)
Asset-related government grants received		38,366	16,320
Decrease in pledged bank deposits		27,747	46,048
Interest received		13,951	17,900
Net cash flows used in investing activities		(22,593)	(86,827)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings raised	20	683,273	813,277
Repayment of unsecured notes		(1,200,000)	–
Repayment of bank and other borrowings	20	(609,988)	(1,188,972)
Principal portion of lease payments		(12,892)	(13,868)
Interest paid		(52,919)	(73,438)
Dividend paid to non-controlling interests of subsidiaries		–	(25,612)
Net cash flows used in financing activities		(1,192,526)	(488,613)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(462,572)	349,423
Cash and cash equivalents at beginning of period		3,867,390	3,798,425
Effect of foreign exchange rate changes		(2,431)	(125)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		3,402,387	4,147,723
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash as stated in the interim condensed consolidated statement of financial position		3,592,568	4,309,128
Restricted cash	18(b)	(190,181)	(161,405)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		3,402,387	4,147,723

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

1. BASIS OF PREPARATION

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES

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

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

The application of the revised HKFRS Accounting Standards in the reporting period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

3. OPERATING SEGMENTS INFORMATION

The Group's operating and reporting segments have been identified on the basis of internal management reports that are regularly reviewed by the executive directors, being the chief operating decision makers ("CODM") of the Group, in order to allocate resources to segments and to assess their performances. The Group has four reportable operating segments as follows:

- i. Yi Fang segment mainly engages in the manufacture and sales of concentrated TCM granules ("CTCMG"), TCM healthcare products, and TCM decoction pieces under "Yi Fang" brand. Majority of the revenue of Yi Fang segment is derived from the sales of CTCMG.
- ii. Tian Jiang segment mainly engages in the manufacture and sales of CTCMG, TCM decoction pieces, and TCM healthcare products under "Tian Jiang" brand. The Tian Jiang segment also provides a variety of Chinese medical related healthcare solutions, including Chinese medical consultation and diagnosis, TCM physiotherapy, prescription with concentrated TCM granules, TCM decoction pieces and TCM healthcare product (the "TCM Healthcare Solutions"), through its offline medical institutions under "Tian Jiang" brand. Majority of the revenue of Tian Jiang segment is derived from the sales of CTCMG.
- iii. Tong Ji Tang segment mainly engages in the manufacture and sales of CTCMG, TCM decoction pieces and TCM finished drugs under "Tong Ji Tang" brand. The Tong Ji Tang segment also engages in the manufacture and sales of a wide range of healthcare products in great health industry.
- iv. Medi-World segment mainly engages in the manufacture and sales of TCM finished drugs under various brands, including but not limited to "Medi-World", "De Zhong" and "Feng Liao Xing"; and provision of a variety of TCM Healthcare Solutions through its offline medical institutions under "Feng Liao Xing" brand.

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

3. OPERATING SEGMENTS INFORMATION (continued)

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

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

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

(i) Segment results, assets and liabilities

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

3. OPERATING SEGMENTS INFORMATION (continued)

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

3. OPERATING SEGMENTS INFORMATION (continued)

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

3. OPERATING SEGMENTS INFORMATION (continued)

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

Year ended 31 December 2025					
	Yi Fang RMB'000 (Unaudited)	Tian Jiang RMB'000 (Unaudited)	Tong Ji Tang RMB'000 (Unaudited)	Medi-World RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
As at 31 December 2025 (Audited)					
Segment assets	13,508,962	9,153,656	6,049,940	9,387,050	38,099,608
Elimination of intersegment receivables					(6,236,702)
Deferred tax assets					248,807
Corporate and other unallocated assets					235,716
Total assets					32,347,429
Segment liabilities	3,229,824	3,033,690	992,353	7,223,921	14,479,788
Elimination of intersegment payables					(6,236,702)
Tax liabilities					36,559
Deferred tax liabilities					939,862
Corporate and other unallocated liabilities					99,956
Total liabilities					9,319,463

(ii) Geographical information and information about major customers

Analysis of the Group's non-current assets by geographical market has not been presented as substantially all of the Group's assets are located in Mainland China, no geographical information as required by HKFRS 8 Operating Segments is presented.

The Group's customer base is diversified and none of the customers with whom transactions have exceeded 10% of the Group's revenue in both current and prior periods.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

4. REVENUE (continued)

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

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

5. OTHER INCOME

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

Notes:

- (i) The amount represents subsidy income received from various government authorities as incentives to the Group to recognise their contribution to the local economy.
- (ii) Including government grants and subsidies have been received to compensate for the Group's research and development expenditures, which relate to future costs to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants are recognised in profit or loss when related costs are subsequently incurred and the Group receives government's acknowledgement of compliance. Other government grants have been received to compensate for the construction of the production line. The subsidies are recognised in profit or loss over the useful lives of the relevant assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Impairment loss recognised in respect of goodwill (note 13)	(645,245)	(242,461)
Penalty fees (note (i))	(1,193)	(17,523)
Donation	(1,050)	(1,510)
Loss on disposal of property, plant and equipment	(1,227)	(3,301)
Net exchange loss	(2,432)	(136)
Others (note (ii))	37,765	2,537
Total	(613,382)	(262,394)

Notes:

- (i) Penalty fees mainly represented the penalty fees in relation to the under provision in income taxes in prior periods as disclosed in note 9 Income Tax Expense.
- (ii) Others mainly represented compensation from the builder, amounting to approximately RMB35,000,000.

7. FINANCE COSTS

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

8. LOSS BEFORE TAX

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

	Notes	Six months ended 30 June	
		2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Cost of inventories sold		2,857,654	3,828,790
Included: Write-down of inventories to net realisable value*		27,583	28,817
Depreciation			
– property, plant and equipment		335,244	347,071
– investment properties		6,090	3,734
– right-of-use assets		44,257	30,731
Amortisation of other intangible assets	13	187,294	195,697
Total depreciation and amortisation		572,885	577,233
Research and development costs		187,513	256,123
Impairment loss recognised in respect of goodwill	6 & 13	645,245	242,461
Foreign exchange loss, net	6	2,432	136
Loss on disposal of property, plant and equipment	6	1,227	3,301
Impairment losses recognised/(reversed) in respect of			
– trade receivables	16	136,393	189,717
– other receivables	16	3,058	(3,118)
– debt instruments at FVTOCI	16	(266)	(724)

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

9. INCOME TAX EXPENSE

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

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

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

Note:

During the six months ended 30 June 2026, certain subsidiaries of the Company have been inspected by local tax bureaus, or have conducted self-inspection following the tax audit notices issued by local tax bureaus, respectively.

10. DIVIDENDS

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

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

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

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2026, the Group incurred approximately RMB34,152,000 (six months ended 30 June 2025: RMB54,707,000), and RMB37,835,000 (six months ended 30 June 2025: RMB99,699,000) on acquisition of property, plant and equipment and construction in progress, respectively.

Assets with a net book value of approximately RMB6,276,000 were disposed of by the Group during the six months ended 30 June 2026 (30 June 2025: RMB29,233,000), resulting in a net loss on disposal of approximately RMB1,227,000 (30 June 2025: RMB3,301,000).

Certain of the Group's property, plant and equipment and investment properties with carrying values of approximately RMB653,173,000 (31 December 2025: RMB637,955,000) were pledged to secure certain bank borrowings and bills payables granted to the Group.

The Group has lease contracts for various items of buildings and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 to 10 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. On lease commencement date, the Group recognised right-of-use assets of approximately RMB26,365,000 (six months ended 30 June 2025: RMB41,011,000) and lease liabilities of approximately RMB26,365,000 (six months ended 30 June 2025: RMB46,667,000), respectively.

Certain of the Group's right-of-use assets with carrying values of approximately RMB143,865,000 (31 December 2025: RMB84,028,000) were pledged to secure certain bank borrowings and bills payables granted to the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

13. GOODWILL AND OTHER INTANGIBLE ASSETS

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

Note:

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

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

13. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Note: (continued)

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

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

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

The recoverable amount of the CGU is determined based on value-in-use calculation. The recoverable amount of the CGU as at 30 June 2026 has been arrived at based on the value-in-use calculation carried out on 30 June 2026 by independent qualified professional valuer. The key assumptions used in the value-in-use calculation are those regarding the discount rate, growth rate, budgeted sales and gross profit margin. The changes in selling prices and costs are based on historical operating records and expectation of future changes in the market. Discount rate applied is able to reflect the current market assessments of the time value of money and the risks specific to the CGU.

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

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

14. INVENTORIES

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

15. TRADE AND OTHER RECEIVABLES

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

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

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

17. DEBT INSTRUMENTS AT FVTOCI

	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)
Bills receivable	898,301	1,108,164

The amounts represent the bills receivables that were held under the “hold to collect and sell” business model. As at 30 June 2026, the Group’s debt instruments at FVTOCI amounted to approximately RMB64,667,000 (31 December 2025: RMB50,440,000) were pledged as security for bank facilities of bills payables and bank borrowings granted to the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

18. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

(a) Pledged bank deposits

The amounts represent the guarantee deposits for bills payables and carried interest at market rates ranging from 0.05% to 1.20% per annum (31 December 2025: 0% to 1.20%).

(b) Bank balances and cash

Included in bank balances and cash is approximately RMB3,402,387,000 (31 December 2025: RMB3,867,390,000) which represents cash held by the Group and short-term deposits carried interest at prevailing market rates ranging from 0% to 1.50% per annum (31 December 2025: 0% to 1.30% per annum) with original maturity of three months or less as at 30 June 2026.

The remaining of bank balances were restricted cash of approximately RMB190,181,000 (31 December 2025: RMB74,687,000), in which RMB164,100,000 (31 December 2025: RMB33,970,000) represents the cash collected on behalf of factoring institutions under the non-recourse factoring arrangement of trade receivables with the Group.

Included in pledged bank deposits/bank balances and cash are approximately RMB4,250,000 (31 December 2025: RMB6,209,000) and RMB2,052,000 (31 December 2025: RMB1,500,000), which are denominated in HK\$ and US\$, respectively, the currencies other than functional currency of the relevant group entities.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

19. TRADE AND OTHER PAYABLES

	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)
Trade payables	1,289,414	1,436,045
Bills payables	725,079	771,158
Deposits received from distributors	980,429	977,931
Salaries and welfare payables	343,498	458,199
Other tax payables	104,022	195,025
Accrual of operating expenses	743,096	979,657
Dividend payables	47,651	47,706
Consideration payable for acquisition of subsidiaries	3,550	3,550
Collection of accounts receivable on behalf of financial institutions that entered into the non-recourse factoring arrangement with the Group	164,100	33,970
Refund liabilities	31,171	58,674
Other payables (note)	411,039	365,424
Total	4,843,049	5,327,339

Note:

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank and other borrowings amounting to approximately RMB683,273,000 (six months ended 30 June 2025: RMB813,277,000), repaid bank and other borrowings amounting to approximately RMB609,988,000 (six months ended 30 June 2025: RMB1,188,972,000). The loans carried interest at fixed market rates ranging from 0.29% to 3.65% and were repayable in instalments over a period ranging from 1 month to 6 years.

21. UNSECURED NOTES

On 18 May 2023, the Company issued RMB1,200,000,000 medium-term notes with a three-year maturity and a 3.04% annual coupon rate, which were fully repaid on 18 May 2026.

22. SHARE CAPITAL

	30 June 2026 '000 (Unaudited)	31 December 2025 '000 (Audited)	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)
Authorised	Unlimited number of ordinary shares with no par value			
Issued and fully paid	5,035,801	5,035,801	11,982,474	11,982,474

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

23. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are derecognised in their entirety

During the period, the Group endorsed certain bills receivable for the settlement of trade and other payables. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivable, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because all endorsed and discounted bills receivable are issued and guaranteed by reputable PRC banks. As a result, the relevant assets and liabilities were not recognised on the condensed consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivable at the end of the reporting period are as follows:

	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)
Outstanding endorsed and discounted bills receivable with recourse	106,505	131,279

During the six months ended 30 June 2026, the Group has not recognised any gain or loss on the date of transfer of the derecognised bills. No gains or losses were recognised from the continuing involvement, both during the period or cumulatively. The endorsement has been made evenly throughout the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

24. PLEDGED ASSETS

The following assets were pledged as securities for notes payable and interest-bearing bank and other borrowings:

	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)
Property, plant and equipment and investment properties	653,173	637,955
Right-of-use assets	143,865	84,028
Debt instruments at FVOCI	64,667	50,440
Pledged bank deposits	74,923	102,670
Total	936,628	875,093

25. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)
Contracted for but not provided:		
– Acquisition of property, plant and equipment	47,427	80,655
Total	47,427	80,655

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

26. RELATED PARTY TRANSACTIONS

- (a) Names of the Group's principal related parties and their relationship with the Group:

Name of related parties	Relationship
China National Pharmaceutical Group Corporation's ("CNPGC")	Ultimate controlling party
CNPGC's subsidiaries other than the Group	Fellow subsidiaries of the Group

- (b) During the current interim period, the Group had the following transactions with related parties during the period:

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
(i) Sale of finished goods to CNPGC's subsidiaries other than the Group	508,057	647,203
(ii) Purchase of raw materials from CNPGC's subsidiaries other than the Group	34,744	42,104
(iii) Other purchase from CNPGC's subsidiaries other than the Group	6,138	4,829
(iv) Rental income from CNPGC's subsidiaries other than the Group	1,491	1,747
(v) Interest income from CNPGC's subsidiaries other than the Group	4	596
(vi) Interest expense to CNPGC's subsidiaries other than the Group	3,507	5,084

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

26. RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)
(i) Trade and other receivables due from CNPGC's subsidiaries other than the Group as included in trade and other receivables set out in note 15	702,109	700,136
(ii) Trade and other payables due to CNPGC's subsidiaries other than the Group as included in trade and other payables set out in note 19	19,425	31,090
(iii) Borrowing due to CNPGC's subsidiaries other than the Group as interest-bearing bank and other borrowings set out in note 20	216,127	390,763

(d) Key management remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Short-term employee benefits	6,450	6,354
Post-employment benefits	245	250
Total compensation paid to key management personnel	6,695	6,604

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

26. RELATED PARTY TRANSACTIONS (continued)

(e) Transactions/balances with other state-controlled entities

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

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

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)		
Financial assets at FVTOCI				
Bills receivable	898,301	1,108,164	Level 3	Discounted cash flow at a discount rate that reflects the issuer's current discount rate at the end of the reporting period

There were no transfers between level 1, 2 and 3 during both current and prior periods.

The movements in fair value measurements within level 3 during the period/year are as follows:

	2026 RMB'000 (Unaudited)	2025 RMB'000 (Audited)
Debt instruments at fair value through other comprehensive income ("FVTOCI")		
At 1 January	1,108,164	1,469,238
Change in fair value recognised in other comprehensive income	1,545	5,928
Additions	1,945,963	–
Disposals	(2,157,371)	(367,002)
At 30 June/31 December	898,301	1,108,164

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2026

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Unsecured notes

	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)
Carrying amount	–	1,221,910
Fair value under level 2 fair value hierarchy	–	1,222,965

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

28. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of directors on 28 August 2026.