



国药集团
SINOPHARM

China Traditional Chinese Medicine Holdings Co. Limited

(Incorporated in Hong Kong with Limited Liability)

(Stock code: 00570)



2025

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. YANG Jun (*Chairman*)
Mr. LI Hongjian
Mr. PENG Li

Non-executive Directors

Mr. LIU Haijian
Mr. LI Xiangrong
Mr. ZU Jing
Ms. XU Jinghui
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. XIE Rong
Mr. YU Tze Shan Hailson
Mr. LI Weidong

NOMINATION COMMITTEE

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

STRATEGIC COMMITTEE

Mr. YANG Jun (*Chairman*)
Mr. LI Hongjian
Mr. PENG Li
Mr. LIU Haijian
Mr. LI Xiangrong
Mr. YU Tze Shan Hailson
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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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China Merchants Bank Co., Ltd.
Ping An Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Bank of China (Hong Kong) Limited

WEBSITE

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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 2025 (the “Reporting Period”, the “Period”), together with comparative figures for the corresponding period of 2024 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’s revenue was approximately RMB7,463,383,000, representing a decrease of 11.0% compared with approximately RMB8,385,473,000 for the same period last year. This was mainly attributed to the decline in sales revenue during the Period as a result of significant increase in the proportion of centralised procurement of concentrated TCM granules, intensified market competition and other factors. Meanwhile, the Group actively promoted the optimization of its business structure. The Chinese medicinal herbs integration business focused on the development of local varieties and advantageous varieties, strategically reducing low-margin and high-risk businesses, resulting in a year-on-year decrease in revenue for the Period. The TCM great health suspended certain product lines and businesses that were homogeneous and lacked market competitiveness, resulting in a decline in revenue for the Period.

To analyse by revenue of each of the operating products, revenue from the Chinese medicinal herbs integration business was approximately RMB445,584,000, representing a year-on-year decrease of 40.9% and accounting for 6.0% of the total revenue. Revenue from the TCM decoction pieces business was approximately RMB1,596,128,000, representing a year-on-year increase of 1.2% and accounting for 21.4% of the total revenue. Revenue from the concentrated TCM granules business was approximately RMB2,990,750,000, representing a year-on-year decrease of 14.1% and accounting for 40.1% of the total revenue. Revenue from the TCM finished drugs business was approximately RMB2,308,809,000, representing a year-on-year decrease of 4.5% and accounting for 30.9% of the total revenue. Revenue from the TCM great health business was approximately RMB122,112,000, representing a year-on-year decrease of 21.8% and accounting for 1.6% of the total revenue.

Gross profit was approximately RMB3,634,593,000, representing a decrease of 10.5% compared with approximately RMB4,061,254,000 for the same period last year. Gross profit margin was 48.7%, representing an increase of 0.3 percentage point compared with 48.4% for the same period last year, which was mainly due to the increase in the proportion of centralised procurement of concentrated TCM granules, which led to a further decline in gross profit margin. However, the gross profit margin of the TCM decoction pieces business increased significantly due to the optimisation of sales structure and the improvement of internal production management level.

BUSINESS REVIEW

In the first half of 2025, the TCM industry strengthened foothold in core areas and enhanced quality guided by the policy, and united efforts to advance along standardised pathways. The Group adhered to its principles while exploring new paths by seizing the opportunities, and steadily embarked on a new journey of quality development. Leveraging the five business sectors of Chinese medicinal herbs integration business, TCM decoction pieces, concentrated TCM granules, TCM finished drugs and TCM great health, the Group improved its development quality and operational efficiency relying on a solid industrial layout and through resource integration, reform and transformation, which was promoted by quality and efficiency enhancement and collaborative innovation.

I. Firmly implement the strategies of five major businesses and enhance high-quality development level

(I) *Chinese medicinal herbs integration business*

Chinese medicinal herbs are the material foundation for the development of TCM and have a strategic impact on the national economy and people's livelihoods. Most Chinese medicinal herbs are naturally grown and harvested seasonally, and the origins of authentic medicinal materials are distinctly regional. Their prices and yields are susceptible to factors such as natural conditions, economic environment, and market supply and demand. Between 2022 and the first half of 2024, the prices of Chinese medicinal herbs experienced significant increases. Although the price index for key Chinese medicinal herbs has gradually retreated since mid-July 2024, the overall market remains in a high and volatile range. Against this backdrop, the Group strategically exited high-risk, low-margin businesses and implemented refined cost control plans to cope with market challenges and enhance development resilience.

To achieve supply-demand balance, supply security and strategic reserve management of Chinese medicinal herbs, and to connect data across the entire supply chain of on-site, in-transit and in-warehouse inventory, the Group initiated the construction of a Chinese medicinal herbs inventory management system at the beginning of 2025. The project is currently progressing steadily, which will gradually realise visualised presentation and standardised management of inventory data, laying a solid digital and institutional foundation for a new model for the all-round management of Chinese medicinal herbs inventory. During the Reporting Period, the Group conducted an in-depth survey on origins and markets of Chinese medicinal herbs, continuously strengthened price monitoring and trend forecasting mechanisms, and established a strategic reserve model based on Chinese medicinal herbs market trend analysis and supported by industrial demand. This increased the Group's ability to stabilise the quality and cost of industrial raw materials, and continuously enhance supply chain resilience and sustainability.

The Group continued to expand the construction of Good Agricultural Practice (the “GAP”) for Chinese medicinal herbs bases that meet the Group’s development needs. As of 30 June 2025, the Group has jointly built a total of 162 production bases for Chinese medicinal herbs in 22 provinces (regions and municipalities) across China, involving a total of 109 Chinese medicinal herbs varieties and with a base area of more than 459,000 mu, of which 95 varieties have been put online in the TCM quality traceability system; it has built a total of 24 seed and seedling breeding bases, with an area of 2,347.5 mu and involving 22 key Chinese medicinal herbs varieties. During the Reporting Period, houttuynia cordata newly passed the GAP compliance inspection, with a total of 24 varieties passed the GAP compliance inspection. Leveraging the Quality and Technical Service Platform for Traditional Chinese Medicine whole industry chain, the Group, based on its core systems, being “Chinese medicinal herbs production quality traceability system” and “TCM industrial production quality traceability system”, successfully established a closed-loop quality traceability system encompassing the entire supply chain of “seed and seedling – Chinese medicinal herbs production – industrial processing – sales”.

(II) TCM decoction pieces

During the Reporting Period, the Group actively exploited its advantage of regional presence in the TCM decoction pieces segment, strengthened collaboration with existing clients, and continued to cultivate the medical terminal market, developing over 400 new medical terminal clients. Simultaneously, the Group continued to leverage its competitive strength in the TCM decoction pieces business, establishing a leading position in five regions, including Beijing, Shanghai, Guangdong, Shandong and Guizhou, thus accelerated the integrated and coordinated regional development.

The Group’s characteristic business of share of TCM · Intelligent Distribution Centers continued to expand in terms of volume and scope, effectively driving the growth in sales volume of TCM decoction pieces and a significant increase in sales revenue from the medical terminal business. During the Reporting Period, sales revenue from medical decoction pieces increased by 10.3% year-on-year; 3.83 million prescriptions for decoction and delivery were completed, with a total production of 28.48 million doses, representing a year-on-year growth of approximately 15%. At the same time, the Group actively adjusted its sales strategy, exploring new varieties and new customers through the sales of toxic decoction pieces and protected-wildlife-based decoction pieces, and continuously strengthened market expansion and product structure optimisation.

Since April 2025, the nationwide centralised procurement of TCM decoction pieces, spearheaded by the Shandong Provincial Healthcare Security Administration, has been launched in phases and steadily implemented across provinces (regions and municipalities). This centralised procurement includes 45 commonly used clinical varieties, including astragalus and codonopsis. Clear quantity, price and quality standards are set for the supply of TCM decoction pieces to public medical institutions, emphasizing “good quality and competitive price”. Participating companies must meet even stricter quality thresholds to qualify for bidding. A total of 13 subsidiaries, 45 varieties and 84 specifications of the Group were successfully selected. The price reductions of varieties for the centralised procurement will help to enhance the Group’s brand benefits and influence in the industry in spite of putting certain downward pressure on business operation results of the Group’s TCM decoction pieces in the short term. The Group will implement effective production and stocking plans to provide the market with standardised, large-scale and fully traceable TCM decoction pieces.

(III) Concentrated TCM granules

Centralised procurement of concentrated TCM granules is a key component of the modernisation of TCM and healthcare reform. Since the initial publication of “Announcement on Centralized Procurement of the Procurement Alliance of Concentrated TCM Granules” (《中藥配方顆粒採購聯盟集中採購公告》) by the Shandong Public Resources Trading Center, the centralised procurement of concentrated TCM granules has entered a new stage of standardisation. In March 2024, the Beijing-Tianjin-Hebei “3+N” alliance, led by the Tianjin Healthcare Security Administration, expanded to cover Jiangsu, Henan, Guizhou and other regions. In April 2024, the Gansu Province launched the fifth batch of centralised bulk-buying of medicines (special project for concentrated TCM granules). As of 30 June 2025, the centralised procurement of concentrate TCM granules has been fully implemented in all 22 provinces (regions and municipalities) included in the centralised procurement.

During the Reporting Period, affected by the price reduction of centralised procurement, rising costs, intensified market competition and other factors, the revenue and profitability of the Group’s concentrated TCM granules experienced phased decreases. The centralised procurement places higher demands on concentrated TCM granules companies, requiring them to improve production processes, strengthen quality management and control, and improve traceability systems. During the cycle of industry transformation and adjustment, the Group integrated key resources to promote business transformation and upgrading, and continued to explore new models for sustainable development in the context of centralised procurement.

In terms of marketing expansion, the Group continued to reinforce academic research and clinical applications of concentrated TCM granules. Through means such as pharmaceutical property analysis, evidence accumulation of efficacy advantages and promotion of alternative solutions, the Group built an evidence chain system to increase physicians’ awareness and acceptance of concentrated TCM granules. In the meantime, the Group steadily advanced the development of comprehensive hospitals, and expanded terminal coverage and customer loyalty on an on-going basis.

In terms of cost management and control, the Group, on the one hand, optimised its production processes and extraction procedures, carried out process innovations for its concentrated TCM granules varieties to increase the utilisation rate of medicinal materials, and promoted the standardised transformation of extraction processes to reduce production losses. On the other hand, the Group intensified intelligent manufacturing and digital application, deployed automated production lines and intelligent supply chain optimisation systems, and increased production efficiency and responsiveness to centralised procurement orders through full-process digital control.

(IV) TCM finished drugs

During the Reporting Period, by following the customer-centric, market-oriented, marketing-led and innovation-driven approach, the Group deepened the production and sales synergy, promoted market integration, focused on core varieties of TCM finished drugs, and continued to promote healthy development of the industry.

In terms of prescription drugs business, with the core goal of increasing direct sales to terminals and the focus on expanding the coverage of graded terminals, the Group meticulously cultivated its presence in core terminals. The “One Person, One Hospital, One Benchmark” (一人一院一標桿) project continued to deliver results. During the Reporting Period, over 1,750 new secondary and above medical institutions were developed, further increasing the market penetration. Xianling Gubao (仙靈骨葆) and Jingshu Granules (頸舒顆粒) continued to ascend their market positions in the orthopedics field, while Moisturising & Anti-Itching Capsule (潤燥止癢膠囊) consolidated its leading position in the dermatology field. Key varieties such as Xianling Gubao (仙靈骨葆) and JinYE Baidu Granules (金葉敗毒顆粒) achieved sales exceeding RMB100 million, achieving a positive year-on-year growth.

In terms of OTC business, factors such as overall outpatient planning, adjustments to medical insurance policies and the online channels sales diversion have narrowed the growth potential of the brick-and-mortar pharmacy retail market, bringing operating pressure to nationwide chain pharmacies in general. Against this backdrop, sales of the Group’s related products have been impacted to a certain extent. The Group proactively addressed these challenges, conducted online business layout, made breakthroughs and efforts in brand promotion, variety exploration and new retail models, and completed systematic connection with multiple core e-commerce platforms. Meanwhile, the Group continuously improved the layout of national chain customers and concentrated resources on strengthening core chain partnerships. The coverage of Biyankang Tablets (鼻炎康片), Yu Ping Feng Granules (玉屏風顆粒), Chongcao Qingfei Capsules (蟲草清肺膠囊) and Yaoshen Paste (腰腎膏) in the “10+200” chain catalogue continued to increase.

During the Reporting Period, the Group conducted in-depth research on the relationship between disease treatment and variety development, and actively promoted the inclusion of its core products in the medication guidelines and expert consensus for related disease treatment fields. A total of 47 guidelines, consensuses and textbooks have been approved for access, continuously improving the high-level evidence for products in their respective fields and accelerating clinical research and the transformation of research results.



MANAGEMENT DISCUSSION AND ANALYSIS



(V) TCM great health

The Group seizes new opportunities regarding the development of TCM great health industry in China, and relying on its own resource advantages, steadily explores new and innovative business models.

In terms of TCM great health products, the Group restructured its existing product portfolio, focusing on distinctive varieties, premium decoction pieces and medicine-food homology varieties, while simultaneously promoting the expansion and integration of the marketing channel resources. In terms of TCM medical institutions, the Group maintains a core focus on TCM products and technologies, aiming to provide comprehensive and diverse TCM health services to the public. During the Reporting Period, the Group saw a total of approximately 74,000 outpatient visits; introduced a rehabilitation program for “poor posture correction”, constantly iterating and upgrading its business categories.

II. Technology empowers the innovation chain, leading the new future of TCM

The Group firmly adheres to the leading role of technological innovation, solidifies its scientific research infrastructure, and steadily promotes high-quality development of technological innovation. During the Reporting Period, the Group continued to build high-level scientific research platforms, and the Guangdong Provincial Engineering Technology Research Center (Feng Liaoqing) for TCM Decoction Pieces was newly added, which will provide core technology and quality assurance for the Group’s innovative development in the field of TCM decoction pieces. As of 30 June 2025, the Group had 52 laboratories and technology platforms recognised by the government at the provincial level and above, covering various business segments including TCM decoction pieces, concentrated TCM granules and TCM finished drugs, which will continuously provide strong impetus for the technological advancement of the Group’s industrial chain.

The Group owns industry-leading research capabilities, and its innovative achievements have been repeatedly recognised by authoritative bodies. The project “Evidence-Based Evaluation and Effect Mechanism of Qingda Granules in Preventing and Treating Hypertension” (清達顆粒防治高血壓的循證評價及效應機制), engaged by Jiangyin Tianjiang Pharmaceutical Co., Ltd., won the second prize of the Science and Technology Award from China Academy of Chinese Medical Sciences; and the project “Full-Chain Quality Improvement and Industrial Application of Chinese Medicinal Herbs with Different Medicinal Parts” (不同入藥部位中藥材全鏈條質量提升與產業化應用), engaged by Shandong Yifang Pharmaceutical Co., Ltd., won the Science and Technology Innovation Award of China Industry-University-Research Institute Collaboration Association.

Research on Chinese medicinal herbs continues to advance. The international standard proposal for epimedium developed by Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. has been approved by the International Organization for Standardization and is currently in the Draft International Standard stage.

Research on TCM decoction pieces continues to yield innovative results, and the standard research is progressing in an orderly manner. Sinopharm Group Beijing Huamiao Pharmaceutical Co., Ltd. won the third prize in the Hebei Provincial Science and Technology Progress Award for its project “Establishment and Application of a Standardized Production Technology System for High-Quality Spine Date Seeds” (高品質酸棗仁標準化生產技術體系構建與應用); the processing specifications for three TCM decoction pieces, including those for spine date seeds, stir-fried spine date seeds and cumin, which it participated in drafting, were published by the Chinese Pharmacopoeia Commission in April 2025.



Research on concentrated TCM granules remains at the forefront. During the Reporting Period, the Chinese Pharmacopoeia Commission issued 26 new national drug standards for concentrated TCM granules, of which the Group completed research on 18 standards, accounting for approximately 69%. As of 6 August 2025, the Chinese Pharmacopoeia Commission cumulatively issued nine batches of national drug standards for concentrated TCM granules, covering a total of 369 varieties, of which the Group completed research on 211 varieties, accounting for approximately 57%.

New breakthroughs have been achieved in the research and development of TCM finished drugs. During the Reporting Period, the National Medical Product Administration (“NMPA”) has accepted the new drug application of Yushuda Tablets, the Class 1.1 innovative traditional Chinese medicine of the Group. Meanwhile, the Group continued to advance secondary development of advantageous varieties and post-marketing re-evaluation of marketed varieties. During the Reporting Period, three evidence-based medical studies were conducted on Yu Ping Feng Granules (玉屏風顆粒) and JinYE Baidu Granules (金葉敗毒顆粒). Through multi-dimensional evaluation, medical strategy analysis and scientific research project planning, the Group focused on improving product quality and technological content, thereby empowering product development.

III. Deepen modern governance reform and lay a solid foundation for high-quality development

(I) *Optimise governance structure and risk management and control to enhance the new effectiveness of scientific decision-making*

During the Reporting Period, the Company completed adjustments to the composition of the Board and special committees. The newly appointed Directors possess extensive experience in key areas such as corporate governance, organization and human resources, financial auditing and pharmaceutical investment, injecting new strength into the Board. The Group continued to strengthen and improve its corporate governance mechanisms, and established a checklist of rights and responsibilities for key matters. This has further clarified the boundaries of rights and responsibilities among various governance entities, enabling coordinated operations and further enhancing scientific decision-making and strategic execution capabilities.

The Group takes into account both economic benefits and social responsibility, deeply embeds the Environmental, Social and Governance (“ESG”) concept into the corporate strategic genes, continuously explores and practices on the path of ESG governance, which further strengthens the foundation for high-quality development of the TCM industry. The Group obtained the A-level certification from CCX Green Finance International Limited in 2025.

The Group strengthens internal management and control and risk prevention by implementing the “strategy + operation” model, reinforcing headquarters coordination and business strategy guidance, and thus improving management penetration. At the same time, the Group deepens the construction of the “annual major risk assessment + quarterly dynamic monitoring” prevention and control mechanism, and comprehensively applies qualitative and quantitative methods to strengthen pre-emptive identification and advance the prevention and control of potential major risks at an earlier time.



MANAGEMENT DISCUSSION AND ANALYSIS

(II) Build a characteristic talent system for TCM and activate the driving force for innovative development

During the Reporting Period, the Group continued to strengthen the development of its outstanding young cadre team and continuously improved its talent development system with TCM characteristics. Through iteratively updating the “Brigadier Scheme” training program, and continuously improving the talent development system of “Five-Element & Great-Plan”, the Group established talent development programs with TCM characteristics, and continuously enhanced the comprehensive capabilities of outstanding young cadres. As of 30 June 2025, the Group had 587 certified internal lecturers, representing an increase of approximately 8.1% compared to the end of 2024.

The Group currently has three employees enjoying special government allowances from the State Council, two national master craftsmen, one deputy chief scientist of Chinese medicinal herbs in the national modern agricultural industry technology system, and 100 scientific and technological talents of Class IV or above within Sinopharm Group, including five leading talents and 16 leaders in disciplines (fields). Talents who graduated from high-level colleges and universities accounted for approximately 6%, representing an increase of approximately 1% compared to the end of 2024. The number of individuals with senior professional titles increased by approximately 19.4% compared to the end of 2024. The Group won the “2025 Outstanding Employer” brand award from 51job, Inc..

(III) Strengthen the foundation of production safety and fulfill the commitment to green sustainable development

The Group continues to promote special actions for production safety as well as energy conservation and environmental protection, implementing dynamic management and control throughout the entire process. In terms of production safety, the Group continuously strengthened the investigation and management of potential hazards, conducted 27 supervisory inspections of its subsidiaries, and proactively implemented rectification measures based on identified hazards. During the Reporting Period, a total of 784 special training sessions were held, involving 30,428 participants in areas such as machine operation, fire emergency response, hazardous chemical management, confined space operations and electrical safety.

In terms of energy conservation and environmental protection, the Group deployed work around five major directions, including pollution management in key areas, ecological and environmental risk prevention and control, and the promotion of carbon peaking and carbon neutrality, so as to ensure the effective implementation of annual plan. Meanwhile, 96 internal training sessions on energy conservation and environmental protection were conducted with the focus on environmental protection knowledge dissemination, wastewater treatment, waste management and other aspects, which continuously deepened the accumulation and application of professional energy conservation and environmental protection technologies.



IV. Policy Update

During the Reporting Period, various national departments issued multiple policies related to the development of TCM. The industry policies related to the Group are as follows:

On 3 January 2025, the General Office of the State Council issued the “Opinions on Comprehensively Deepening Regulatory Reforms for Drugs and Medical Devices to Promote High-Quality Development of the Pharmaceutical Industry” (《關於全面深化藥品醫療器械監管改革促進醫藥產業高質量發展的意見》), which clearly states that a regulatory system applicable to pharmaceutical innovation will be established by 2027, and that regulatory modernisation will be essentially achieved by 2035. Key reforms in TCM field include: improving a distinctive TCM review and evidence system that integrates TCM theory, human experience and clinical trials, and establishing a mechanism for medical institutions to standardise the collection and organisation of human experience data; supporting the transformation of prescriptions of renowned senior TCM practitioners and TCM preparations from medical institutions into new traditional Chinese medicines, and encouraging the application of new technologies to improve marketed TCM varieties; granting market exclusivity periods to proprietary TCM varieties; allowing the cross-provincial sales of TCM decoction pieces prepared according to provincial specifications, and allowing the direct cross-provincial sales of concentrated TCM granules produced according to national standards; prioritising the review and approval of substitutes for endangered medicinal materials, and expanding the import of high-quality medicinal resources from abroad.

On 9 January 2025, the National Healthcare Security Administration (“NHSA”) issued the “Notice on Promoting the Reform of Real-time Settlement of Basic Medical Insurance Funds” (《關於推進基本醫保基金即時結算改革的通知》), which explicitly requires real-time settlement in 80% of coordinated regions nationwide by 2025, with full coverage by 2026. This policy will shorten the payment cycle for medical institutions from six months to within 30 days, covering outpatient, inpatient, purchase of medicines and other medical expenses at designated medical institutions, and support innovative models such as separation of appropriation and review, and payment on a case-by-case basis. The first batch of 76 coordinated regions in 17 provinces served as pilot provinces and cities for real-time settlement of basic medical insurance funds, and started to carry out real-time settlement from January to May 2025. The remaining provinces will fully launch the initiative from July to December 2025. Among them, Anhui Province, as a pioneering province nationwide, has already implemented the new real-time settlement model for the compensation and settlement of medical insurance funds for inpatient expenses at designated medical institutions.

On 14 January 2025, the State Administration for Market Regulation issued the “Compliance Guidelines for Pharmaceutical Enterprises to Prevent Commercial Bribery Risks” (《醫藥企業防範商業賄賂風險合規指引》). The guidelines categorise the risk points of commercial bribery in nine specific scenarios, such as academic exchanges, business receptions, donations, sponsorships and funding, into three levels based on the degree of illegality risk, namely prohibition, avoidance and attention, and clearly define four tiers of behavioral standards, namely “shall”, “may”, “recommended” and “encouraged”. Through a “positive list + negative list” model, the guidelines promote the shift of commercial bribery governance from post-incident punishment to pre-emptive prevention, providing pharmaceutical enterprises with a compliance operation framework across the entire process.



MANAGEMENT DISCUSSION AND ANALYSIS

On 23 January 2025, the General Office of the State Council issued the “Anti-monopoly Guidelines for the Pharmaceutical Field” (《關於藥品領域的反壟斷指南》) (the “Guidelines”), which aim to establish a comprehensive regulatory framework for the entire pharmaceutical industry chain, with the focus on regulating three types of monopolistic practices. Firstly, to prohibit operators from jointly setting prices, dividing markets and restricting production to curb collusive price hikes; secondly, to crack down channel manipulation behaviors, such as over-invoicing at multiple levels to drive up drug prices and disrupting supply to gain competitive advantages; thirdly, to restrict the abuse of intellectual property rights that hinder market access for new drugs. The introduction of the Guidelines helps operators in the pharmaceutical field deepen and unify their understanding and recognition on the application of the Anti-monopoly Law in such field, and enables pharmaceutical enterprises to effectively prevent and mitigate legal risks, jointly creating a fair and competitive market environment in the pharmaceutical field.

On 14 February 2025, the NHSA released the “List of 2025 First Key Matters for ‘Efficiently Completing One Thing’ in the Medical Insurance Field” (《醫保領域「高效辦成一件事」2025年度第一批重點事項清單》) (the “List”). The List covers six core tasks: real-time settlement of medical insurance and designated medical institutions, direct settlement for centrally procured drugs, medical consumables and nationally negotiated drugs, nationwide online review and approval for pharmaceutical product listings, direct settlement of cross-provincial expenses for ten outpatient chronic and special diseases, one-time withdrawal of balances from employee medical insurance personal accounts and cross-provincial pooled use of funds. The List specifies that by the end of 2025, 80% of the coordinated areas nationwide should achieve real-time settlement, and that online review and direct settlement should be promoted nationwide.

On 17 February 2025, the National Administration of Traditional Chinese Medicine (the “NATCM”) issued the “Implementation Rules for the Management of Key Special Projects under the National Key Research and Development Program Led by the NATCM” (《國家中醫藥管理局主責國家重點研發計劃重點專項管理實施細則》) (the “Rules”), which clearly state that the special projects should focus on addressing clinical issues in TCM, improving service capabilities, scientifically elucidating the efficacy mechanisms of TCM, and organising interdisciplinary collaborative research around key issues in basic research, clinical research and industrial development. The implementation of these special projects adheres to the principles of demand-driven development, open innovation, target management and accountability, with the entire process integrated into the national science and technology management information system. Meanwhile, the Rules clearly define the responsibilities of various relevant parties, including the responsible entities and professional institutions. Project undertaking units are required to be independent legal entities registered in Mainland China for at least one year. Furthermore, the Rules emphasise the flexible application of various selection methods and organisational models, including competitive selection, targeted entrustment, “open competition mechanism to select the best candidates”, “horse racing mechanism” and young scientist programs, so as to select outstanding research teams to undertake these projects based on the characteristics of the tasks.



MANAGEMENT DISCUSSION AND ANALYSIS

On 5 March 2025, the Third Session of the 14th National People's Congress opened in Beijing, with Premier Li Qiang of the State Council delivering a government work report (the "Report") to the Congress. The Report emphasises the need to "strengthen basic medical and health services" and promote the coordinated development and governance of medical care, medical insurance and pharmaceuticals. It also calls for the expansion and transfer of high-quality medical resources to lower levels and their balanced regional distribution, and implementing projects to strengthen the foundation of medical and health care. In addition, it is required to optimise the centralised procurement policies for drugs and strengthen quality assessment and supervision. It also emphasises steadily promoting provincial-level coordination of basic medical insurance, improving basic medical insurance financing and benefit adjustment mechanisms, deepening reform of medical insurance payment methods, and promoting hierarchical diagnosis and treatment. In terms of TCM, it is necessary to improve the mechanisms for the inheritance, innovation and development of TCM and promote the high-quality development of the TCM business and industry.

On 19 March 2025, four departments including the NHSA jointly issued the "Notice on Strengthening the Collection and Application of Drug Traceability Codes in the Fields of Medical Insurance and Work-related Injury Insurance" (《關於加強藥品追溯碼在醫療保障和工傷保險領域採集應用的通知》), which requires to strengthen the collection and application of drug traceability codes in the fields of medical insurance and work-related injury insurance. In principle, starting from 1 July 2025, it is required to scan drug traceability codes during the sales process for medical insurance settlement purposes, while previously uncoded drugs will be temporarily included in the "uncoded database" for settlement. From 1 January 2026 onwards, all medical institutions must fully collect and upload drug traceability codes. Drug traceability codes will be widely used in medical insurance catalog negotiations, commercial insurance catalog development, listing on provincial-level centralised drug procurement platforms, centralised volume-based procurement and other fields.

On 20 March 2025, the General Office of the State Council issued the "Opinions on Improving the Quality of Traditional Chinese Medicine and Promoting the High-Quality Development of the Traditional Chinese Medicine Industry" (《關於提升中藥質量促進中醫藥產業高質量發展的意見》), which proposes 21 key tasks in eight aspects around the entire TCM industry chain: firstly, to strengthen the protection and utilisation of TCM resources, standardise the development and utilisation of rare TCM resources, break through a series of breeding, biomimetic and alternative technologies for rare TCM resources, and promote the statistical monitoring of TCM resources; secondly, to improve the development level of the Chinese medicinal herbs industry, develop modern Chinese medicinal herbs seed industry, promote the ecological planting and breeding of Chinese medicinal herbs, while strengthening the construction of circulation and reserve system for Chinese medicinal herbs, and improving the price supervision mechanism of Chinese medicinal herbs; thirdly, to accelerate the transformation and upgrading of the TCM industry, optimise the layout, improve manufacturing quality and cultivate famous and high-quality brands; fourthly, to promote the value assessment and allocation of TCM products, develop evaluation models and optimize centralized procurement policies; fifthly, to strengthen scientific and technological innovation in TCM, build a high-level platform and support the transformation of results; sixthly, to reinforce the quality supervision of TCM, improve standards and review exit mechanisms; seventhly, to promote the open development of TCM, advance higher-level openness, and facilitate the international registration and market expansion of TCM products; eighthly, to improve comprehensive governance capabilities and guarantee levels, strengthen overall leadership, promote talent team building and increase financial support.



MANAGEMENT DISCUSSION AND ANALYSIS

On 9 April 2025, 12 departments including the Ministry of Commerce and the National Health Commission jointly issued the “Special Action Plan to Promote Healthy Consumption” (《促進健康消費專項行動方案》), proposing 10 key tasks to cultivate new productive forces in healthy consumption, improve supply quality, and meet people’s healthy consumption needs. Specific measures include deepening the reform of the registration and filing system for special foods, and improving the review and evaluation mechanism for health foods; supporting the development of health industries such as medical tourism and biopharmaceuticals in free trade zones; vigorously developing new service formats such as health checkups, consulting and management, focusing on enhancing differentiated, intelligent and customised service capabilities.

On 24 April 2025, seven departments including the Ministry of Industry and Information Technology and the NMPA jointly issued the “Implementation Plan for the Digital and Intelligent Transformation of the Pharmaceutical Industry (2025-2030)” (《醫藥工業數智化轉型實施方案(2025-2030年)》), proposing a two-step development goal: by 2027, significant progress will be achieved in the digital and intelligent transformation of the pharmaceutical industry, with notable improvements in the competitiveness of the entire pharmaceutical industry chain and the quality management across the full lifecycle driven by digital and intelligent technologies; by 2030, pharmaceutical industrial enterprises above the designated scale will basically achieve full coverage of digital and intelligent transformation, the integrated innovation capability of digital and intelligent technologies will be greatly enhanced, the data system of the entire pharmaceutical industry chain will be further improved, and the ecosystem for the digital and intelligent transformation of the pharmaceutical industry will be further strengthened.

On 25 April 2025, the NHSA issued the “Notice on Launching the Reform Pilot for Smart Supervision” (《關於開展智能監管改革試點的通知》) (the “Reform Pilot”), which aimed to reduce illegal and unlawful use of medical insurance funds at the source by bringing checkpoints forward. The Reform Pilot requires to establish a fully audited, closed-loop management mechanism to standardise processes and ensure traceability; at the same time, a scenario-based monitoring module shall be established to compare, analyze and identify suspected fraudulent claims. Under the condition of not affecting patients’ normal medical treatment, not interfering with normal medical activities and not imposing additional burden on medical staff, full coverage of monitoring is implemented for key scenarios such as hemodialysis.

On 29 April 2025, the State Council issued the “Regulations on the Protection of New Varieties of Plants of the People’s Republic of China (Revised in 2025)” (《中華人民共和國植物新品種保護條例(2025修訂)》) (the “Regulations”). The Regulations fully implement the decisions and arrangements regarding the implementation of the seed industry revitalisation action and the enhancement of legal protections for intellectual property rights. It is required to strengthen the protection of new varieties of plants while promoting innovation and development in the seed industry, implement the revised Seed Law, further refine and improve relevant systems, and ensure the connection with relevant international treaties, providing a solid institutional guarantee for China’s seed industry to gain an advantage in international competition.



MANAGEMENT DISCUSSION AND ANALYSIS

On 23 May 2025, the NHA issued the “Announcement on Public Release of the First Batch of Rules and Knowledge Points for the “Two Databases” under Smart Supervision” (《關於公開發佈第一批智能監管「兩庫」規則和知識點的公告》), which publicly released the first batch of rules and knowledge points for the “Two Databases” under smart supervision. It covers a total of 11,290 items in five categories, including gender-specific use, and pediatric-specific/restricted use of drugs and medical services. The announcement aims to help designated medical institutions proactively comply with regulations through intelligent means, bring the regulatory checkpoints forward, and strengthen the “first line of defense” for fund security. At the same time, the development of “Two Databases” supports the reform of DRG/DIP payment methods. Through deep integration, it promotes a shift from “extensive” medical insurance fund supervision to “precise” medical insurance fund supervision, standardising medical practices and increasing the sustainability of reform.

On 5 June 2025, the NHA issued the “Notice on Further Improving the Trustworthiness Evaluation System for Drug Prices and Procurement by Bidding” (《關於進一步完善醫藥價格和招採信用評價制度的通知》), with the main revised contents covering four aspects: firstly, on the basis of the original court judgment cases and penalty decisions by relevant law enforcement administrative departments, audit reports and other case sources shall be added; secondly, the classification of dishonesty shall be simplified from four levels to three levels, with stricter standards; thirdly, penalties shall be strengthened, with companies engaging in bribery or bid-rigging collusion in centralised procurement being subject to the maximum penalty, including a nationwide ban on the sale of implicated products and accountability extended to marketing authorisation holders; fourthly, relevant procedures shall be refined. Corrective measures for dishonest behavior shall be further refined, with companies encouraged to rectify through price reductions, rather than charitable donations.

On 13 June 2025, fourteen departments including the NHA and the Ministry of Commerce jointly issued the “Notice on the Key Points for the Rectification of Unethical Practices in the Field of Pharmaceutical Purchasing and Sales and Medical Services in 2025” (《2025年糾正醫藥購銷領域和醫療服務中不正之風工作要點的通知》), proposing 15 tasks across three key areas: top-level design, purchase and sales management and service rectification. In terms of top-level design, the focus shall be on improving the synchronous mechanism to the investigation and resolution of the unethical practices and corruption, and strengthening the Party building in medical and health institutions; in terms of purchase and sales management, the focus shall be on key regulatory areas such as drug and medical consumables as well as tendering, strengthening regulatory responsibilities throughout the entire process, implementing penetrating audit supervision, establishing a full-process traceability mechanism from production to distribution, and improving the “blacklist” system for bribery; in terms of service rectification, the focus shall be on cracking down on funeral corruption, standardising online medical treatment, strengthening the supervision of medical ethics and style, and effectively safeguarding the security of medical insurance funds.

On 24 June 2025, the NHA issued the “Notice on Further Strengthening the Management of Designated Medical Institutions for Medical Security” (《關於進一步加強醫療保障定點醫療機構管理的通知》), focusing on key links such as inclusion in designated institutions, agreement management and exit. It clarifies work measures in three aspects: strictly guarding the entry standard, standardising process management, and strengthening exit mechanisms to promote the high-quality development of medical institutions.



MANAGEMENT DISCUSSION AND ANALYSIS

On 27 June 2025, the National Health Commission issued the “National Tertiary Public Hospital Performance Monitoring Operation Manual (2025 Edition)” (《國家三級公立醫院績效監測操作手冊(2025版)》) to further optimise the performance appraisal system for tertiary public TCM hospitals. This revision updates some monitoring indicators: firstly, expand the statistical scope of TCM treatment costs, adding TCM special processing and dietary therapy based on syndrome differentiation; secondly, adjust the monitoring rules for the increase in expense to more accurately reflect hospital operations; thirdly, delegate authority for monitoring scientific research funding, adjust the previous national-level monitoring projects to provincial-level management projects. Through scientific and refined assessment guidance, guiding medical institutions in the rational use of drugs and promoting the sustainable development of TCM and innovative drugs.

V. Work Arrangement for the Next Step

Driven by factors such as policy adjustments and intensified market competition, the competitive landscape of the pharmaceutical industry has changed significantly where the industry has entered a stage of competition for existing market share and survival of the fittest in niche markets. In July 2025, the eleventh batch of national organised centralised drug procurement was launched in accordance with the principles of “stabilising clinical application, ensuring quality, preventing bid rigging and countering internally vicious competition”. It aims to guide the industry back to rational competition and is an important measure for the country to support the high-quality development of the pharmaceutical industry. In the second half of 2025, in the face of market changes, the Group will rapidly construct a leading TCM industrial cluster based on the principles of “specialised management, intensive operation and integrated coordination” to promote the development model shifting from scale orientation to value creation. Based on technological innovation and deepening of reform, the Group will improve the internal industrial chain coordination and connection, promote cost reduction and efficiency enhancement, further strengthen organisational team building and enhance management and coordination capabilities, thus laying a solid foundation for the start of the “15th Five-Year Plan”. Specific measures include:

Firstly, optimise the layout structure and systematically build a new collaboration system. Promote the layout of processing clusters in the place of origin, and gradually develop advantageous varieties of local medicinal materials to achieve “quality improvement and cost control” through fresh-graded processing in the place of origin; focus on the supply of authentic medicinal materials to ensure the storage of medicinal raw materials, build a nationwide three-dimensional supply system to achieve “locking resources and ensuring supply” of raw materials by implementing on-site reserves of medicinal materials, independent reserves of major varieties and supplier reserves; optimise the production structure layout, establish a new collaboration model for the manufacture of concentrated TCM granules across regions, cultivate lean factories for TCM preparations, and promote the upgrading of core equipment in the production process; establish a marketing collaboration system to promote the coordinated development of concentrated TCM granules and TCM decoction pieces, so as to achieve joint access to medical terminals, and create comprehensive service abilities.



MANAGEMENT DISCUSSION AND ANALYSIS

Secondly, enhance efficiency through lean management and implement multiple measures to improve operational effectiveness. Integrate internal extraction and formulation production capacity, and promote the transfer of production to low-cost and high-margin regions with market competitiveness, thereby improving internal production capacity efficiency; leverage the price control function of centralised procurement, expand the scope of centralised procurement and increase the overall centralised procurement rate to achieve volume-for-price trade-offs; implement tiered supplier management and improve the supply chain system to play a role in “enhancing quality, ensuring supply and stabilising prices”; comprehensively reduce sales expenses through marketing system integration, business team restructuring and business model reform.

Thirdly, focus on transformation to address shortcomings and stimulate the enterprise’s development momentum from multiple perspectives. Continue to optimise the organisational structure and management hierarchy, improve decision-making and authorisation procedures, optimise control and supervision mechanisms, and develop the penetrating control and coordination of professional functions at the headquarters over the subsidiaries, striving to achieve “one unified plan” for operations and the “flat” management; establish a “challenge and lead” mechanism, improve the collaborative innovation system between scientific research, production and quality, and promote collaborative research and development on product varieties, processes and quality, promote the implementation and transformation of scientific and technological achievements in line with the strategic needs of the Company, focus on promoting the issuance and supplement of Yushuda Tablets and clinical research on expanded indications for TCM finished drugs; further advance the overall digital transformation plan, coordinate the digitalisation of the industry and the digitalisation of management and control projects, accelerate the application of digital technologies and the implementation of artificial intelligence scenarios, and comprehensively support the transformation, upgrading and value extension of the TCM industry chain.

Fourthly, consolidate the foundation and prevent risks and build a comprehensive and robust foundation for development. Deepen analysis on policies and industry and enhance external corporation, formulate local centralised procurement response measures tailored to local conditions, and proactively advance in scientific and technological breakthroughs, production process improvements, market development and online channel development; enhance the safety of the TCM industry chain, focus on the construction of the Environment, Health, Safety and Quality system, implement safety hazard inspection and treatment and quality control risk inspection and supervision, gradually remove data bottlenecks and obstacles, and strengthen the integrated operation of technology research and development, production, manufacturing and external sales data; enhance the refinement of contract management and strengthen the access supervision for service providers, and continuously strengthen compliance and risk prevention and control.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS

During the Reporting Period, the Group's revenue was approximately RMB7,463,383,000, representing a decrease of 11.0% from approximately RMB8,385,473,000 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					
	2025	2024		2025	2024	
	Revenue RMB'000	Revenue RMB'000	Change	Cost of sales RMB'000	Cost of sales RMB'000	Change
Chinese medicinal herbs integration business	445,584	754,277	(40.9)%	402,050	690,575	(41.8)%
TCM decoction pieces	1,596,128	1,576,914	1.2%	1,219,630	1,244,087	(2.0)%
Concentrated TCM granules	2,990,750	3,479,735	(14.1)%	1,329,265	1,421,554	(6.5)%
TCM finished drugs	2,308,809	2,418,349	(4.5)%	793,301	853,221	(7.0)%
TCM great health	122,112	156,198	(21.8)%	84,544	114,782	(26.3)%
Total	7,463,383	8,385,473	(11.0)%	3,828,790	4,324,219	(11.5)%

1. Chinese medicinal herbs integration business

	Six months ended 30 June		
	2025 RMB'000	2024 RMB'000	Change
Revenue	445,584	754,277	(40.9)%
Cost of sales	402,050	690,575	(41.8)%
Gross profit	43,534	63,702	(31.7)%
Gross profit margin	9.8%	8.4%	1.4pp

During the Reporting Period, the revenue of the Chinese medicinal herbs integration business segment was approximately RMB445,584,000, representing a decrease of 40.9% compared with the revenue of approximately RMB754,277,000 for the same period last year and accounting for 6.0% of the total revenue, which was mainly due to: (1) actively shifting business focuses to the development of local varieties and advantageous varieties, and cutting high-risk businesses with low margin; and (2) declines in sales volume of Chinese medicinal herbs affected by the downward fluctuation in its market price.

The gross profit margin during the Period was 9.8%, representing an increase of 1.4 percentage points compared with 8.4% for the same period last year, which was mainly attributed to the optimization of the sales structure.



2. TCM decoction pieces

	Six months ended 30 June		
	2025	2024	Change
	RMB'000	RMB'000	
Revenue	1,596,128	1,576,914	1.2%
Cost of sales	1,219,630	1,244,087	(2.0)%
Gross profit	376,498	332,827	13.1%
Gross profit margin	23.6%	21.1%	2.5pp

During the Reporting Period, the revenue of the TCM decoction pieces business segment was approximately RMB1,596,128,000, representing an increase of 1.2% compared with the revenue of approximately RMB1,576,914,000 for the same period last year and accounting for 21.4% of the total revenue, which was mainly due to the continued efforts in the field of medical terminals, which resulted in deeper cooperation with existing customers and boosted sales growth.

The gross profit margin for the Period was 23.6%, representing an increase of 2.5 percentage points compared with 21.1% for the same period last year, which was mainly due to the optimization of the sales structure and the increase in the proportion of medical terminal sales business, as well as the improvement of internal production management level.

3. Concentrated TCM granules

	Six months ended 30 June		
	2025	2024	Change
	RMB'000	RMB'000	
Revenue	2,990,750	3,479,735	(14.1)%
Cost of sales	1,329,265	1,421,554	(6.5)%
Gross profit	1,661,485	2,058,181	(19.3)%
Gross profit margin	55.6%	59.1%	(3.5)pp

During the Reporting Period, the revenue of the concentrated TCM granules business segment was approximately RMB2,990,750,000, representing a decrease of 14.1% compared with the revenue of approximately RMB3,479,735,000 for the same period last year and accounting for 40.1% of the total revenue, which was mainly due to a significant increase in the proportion of centralized procurement business during the Period, while affected by factors such as intensified market competition, resulting in a decline in sales revenue for the Period.

The gross profit margin during the Period was 55.6%, representing a decrease of 3.5 percentage points compared with 59.1% for the same period last year, which was mainly due to the increase in the proportion of centralized procurement business and further decline in gross profit margin.



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4. TCM finished drugs

	Six months ended 30 June		Change
	2025	2024	
	RMB'000	RMB'000	
Revenue	2,308,809	2,418,349	(4.5)%
Cost of sales	793,301	853,221	(7.0)%
Gross profit	1,515,508	1,565,128	(3.2)%
Gross profit margin	65.6%	64.7%	0.9pp

During the Reporting Period, the revenue of the TCM finished drugs business segment was approximately RMB2,308,809,000, representing a decrease of 4.5% compared with the revenue of approximately RMB2,418,349,000 for the same period last year and accounting for 30.9% of the total revenue, which was mainly due to the pressure on OTC product sales as a result of the continued deepening of medical reform and the development of e-commerce platforms, as well as the adjustments to sales pace and product strategy, resulting in a decrease in revenue.

The gross profit margin during the Period was 65.6%, representing an increase of 0.9 percentage point compared with 64.7% for the same period last year, which was mainly attributed to the decrease in procurement costs of Chinese medicinal herbs during the Period.

5. TCM great health

	Six months ended 30 June		Change
	2025	2024	
	RMB'000	RMB'000	
Revenue	122,112	156,198	(21.8)%
Cost of sales	84,544	114,782	(26.3)%
Gross profit	37,568	41,416	(9.3)%
Gross profit margin	30.8%	26.5%	4.3pp

During the Reporting Period, the revenue of TCM great health business segment was approximately RMB122,112,000, representing a decrease of 21.8% compared with the revenue of approximately RMB156,198,000 for the same period last year and accounting for 1.6% of the total revenue, which was mainly attributed to the adjustment of business development strategies and the suspension of some low-efficient product lines and businesses.

The gross profit margin during the Period was 30.8%, representing an increase of 4.3 percentage points compared with 26.5% for the same period last year, which was mainly attributed to the increase in profitability as a result of the optimization of sales structure.



FINANCIAL REVIEW

Other income

For the six months ended 30 June 2025, the Group's other income was approximately RMB91,052,000, representing an increase of 14.4% from approximately RMB79,597,000 for the same period last year, which was mainly due to the government grants received by the Group amounted to approximately RMB68,350,000 during the Reporting Period, representing an increase of 14.4% from approximately RMB59,766,000 for the same period last year.

Other gains and losses

For the six months ended 30 June 2025, the Group's other losses were approximately RMB262,394,000 (six months ended 30 June 2024: other losses of approximately RMB64,768,000). This was mainly because: (1) impairment recognised in respect of goodwill was approximately RMB242,461,000 for the Period; and (2) penalty interests during the Period was approximately RMB17,523,000, representing a decrease of 66.8% compared with approximately RMB52,708,000 for the same period last year.

Impairment losses under expected credit loss model, net of reversal

As at 30 June 2025, the balance of trade receivables of the Group for more than one year increased by approximately RMB176,965,000 year-on-year. According to the Group's credit impairment loss provision policy, the provision for credit impairment loss was approximately RMB185,875,000 for the Period, representing an increase of approximately RMB27,107,000 compared with approximately RMB158,768,000 for the same period last year.

Selling and distribution expenses

For the six months ended 30 June 2025, the Group's selling and distribution expenses were approximately RMB2,556,399,000 (six months ended 30 June 2024: approximately RMB2,752,658,000). Selling and distribution expenses decreased by 7.1% as compared with the same period last year, which was mainly because the income from concentrated TCM granules and TCM finished drugs business decreased year-on-year, resulting in a decrease in relevant selling expenses during the Period.

Administrative expenses

For the six months ended 30 June 2025, the Group's administrative expenses were approximately RMB500,543,000 (six months ended 30 June 2024: approximately RMB512,150,000), representing a decrease of approximately 2.3% compared with the same period last year, which was mainly because: (1) the optimisation of the management team structure and streamlining of management personnel during the Period resulted in a reduction in compensation expenses; and (2) the reduction of various expenses through multiple measures during the Period led to a significant reduction in costs.



MANAGEMENT DISCUSSION AND ANALYSIS

Research and development expenses

For the six months ended 30 June 2025, the Group's research and development expenses amounted to approximately RMB256,123,000 (six months ended 30 June 2024: approximately RMB267,925,000), representing a decrease of 4.4% compared with 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 2025, the Group's finance costs were approximately RMB47,203,000 (six months ended 30 June 2024: approximately RMB84,274,000), 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 2.7% (six months ended 30 June 2024: 2.8%). 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 losses of associates

For the six months ended 30 June 2025, the Group recorded share of loss in associates of approximately RMB47,000, and recorded share of loss of approximately RMB874,000 in the same period last year. During the Period, it was mainly attributed to the recognition of investment losses regarding the Group's investment in certain associates.

Profit for the Period

For the six months ended 30 June 2025, the Group's profit for the Period was approximately RMB-141,760,000, representing a decrease of approximately 166.2% as compared with approximately RMB214,143,000 for the same period last year. The net profit margin (defined as profit divided by revenue for the period) was -1.9%, representing a decrease of approximately 4.5 percentage points from 2.6% for the same period last year, which was mainly attributed to: (1) the declines in scale of sales and profitability of the concentrated TCM granules business affected by multiple factors such as the decrease of prices as a result of the centralised procurement and the intensified market competition; and (2) the impairment recognised in respect of goodwill was approximately RMB242,461,000 for the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

Earnings per share

For the six months ended 30 June 2025, basic earnings per share were RMB-2.14 cents, representing a decrease of 151.1% from basic earnings per share of RMB4.19 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 151.2% to approximately RMB-107,918,000 (six months ended 30 June 2024: approximately RMB210,979,000).

Liquidity and financial resources

As at 30 June 2025, the Group's current assets amounted to approximately RMB18,970,577,000 (31 December 2024: approximately RMB18,839,503,000), which included cash, cash equivalents and bank deposits of approximately RMB4,416,823,000 (31 December 2024: approximately RMB4,020,654,000), of which the pledged bank deposits amounted to approximately RMB107,695,000 (31 December 2024: approximately RMB153,743,000), mainly for bills payable security. Trade and other receivables amounted to approximately RMB9,021,812,000 (31 December 2024: approximately RMB8,566,512,000). Current liabilities amounted to approximately RMB9,449,353,000 (31 December 2024: approximately RMB7,800,198,000). Net current assets aggregated to approximately RMB9,521,224,000 (31 December 2024: approximately RMB11,039,305,000). The Group's current ratio was 2.0 (31 December 2024: 2.4). The gearing ratio (defined as bank and other loans and bonds payable divided by equity attributable to equity holders of the Company) decreased from 18.5% as at 31 December 2024 to 17.0% as at 30 June 2025. The decrease in gearing ratio was mainly due to the repayment of external interest-bearing liabilities with own funds during the Period, and a decrease in bank borrowings compared to the beginning of the Period.

Interest-bearing bank and other borrowings and pledge of assets

As at 30 June 2025, the balance of interest-bearing bank and other borrowings of the Group was approximately RMB2,306,923,000 (31 December 2024: approximately RMB2,697,314,000), of which approximately RMB335,761,000 was secured borrowings (31 December 2024: approximately RMB492,113,000). Out of the balance of interest-bearing bank and other borrowings, approximately RMB2,083,351,000 and RMB223,572,000 were repayable within one year and over one year, respectively (31 December 2024: approximately RMB2,078,923,000 and RMB618,391,000, respectively).

As at 30 June 2025, the Group's bank deposits of approximately RMB107,695,000, land use rights with carrying values of approximately RMB111,324,000, investment property and property, plant and equipment with carrying values of approximately RMB679,839,000 and bills receivable with carrying values of approximately RMB108,693,000 were pledged to secure certain borrowings and bill financing of the Group (31 December 2024: bank deposits of approximately RMB153,743,000, land use rights of approximately RMB50,420,000, investment property and property, plant and equipment of approximately RMB614,842,000 and bills receivable of approximately RMB62,648,000 were pledged).



MANAGEMENT DISCUSSION AND ANALYSIS

Capital sources

For the six months ended 30 June 2025, no major financing activity has been carried out by the Group. As at 30 June 2025, the Group had an unutilised bank credit facility of approximately RMB10,396,072,000, and had completed the registration of RMB2.0 billion in medium-term notes and RMB3.0 billion 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 2025, the Group's fixed asset and intangible asset investment expense was approximately RMB179,508,000, compared with approximately RMB209,351,000 for the same period last year. During the Reporting Period, the capital expenditure was mainly used for the capacity renovation and expansion expenditure for the business segment of TCM decoction pieces.

Financing capacity

As at 30 June 2025, capital commitments which the Group has entered into but were outstanding and not provided for in the financial statements were approximately RMB30,677,000 (31 December 2024: approximately RMB39,586,000). 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 2025 (30 June 2024: 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 2025, the Group had no Hong Kong Dollar bank borrowings. As at 30 June 2025, the Group 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 2025, the Group had a total of 15,583 (30 June 2024: 17,716) employees, including the Directors, of which 4,988 were sales staff, 5,407 were manufacturing staff, and 5,188 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 RMB1,113,036,000 (six months ended 30 June 2024: approximately RMB1,174,466,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2025, 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 2025, 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%



OTHER INFORMATION

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. ("CNPGC").
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 2025.

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 2025, 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 2025, 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 the 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 2025.

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.



CHANGES IN DIRECTORS' AND SENIOR MANAGEMENT'S INFORMATION

Subsequent to the date of the Annual Report 2024 of the Company (25 March 2025) 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. PENG Li was appointed as an executive Director and a member of the strategic committee of the Board (the "Strategic Committee"), with effect from 25 July 2025.
- Ms. XU Jinghui was re-designated as a member of the nomination committee of the Board (the "Nomination Committee"), and ceased to be a member of the Audit Committee, with effect from 20 June 2025.
- Mr. ZU Jing was re-designated as a member of the Audit Committee, and ceased to be a member of the Strategic Committee, with effect from 20 June 2025.
- Mr. LIU Haijian was re-designated as a member of the Strategic Committee, and ceased to be a member of the Nomination Committee, with effect from 20 June 2025.
- Mr. ZHENG Jun was appointed as the vice president of the Company, with effect from 14 May 2025.
- Mr. LAN Qingshan, Mr. ZHAO Dongji and Mr. HUANG Zhangxin ceased to serve as the vice presidents of the Company, and Mr. ZHAO Dongji also ceased to serve as a joint company secretary of the Company, with effect from 14 May 2025.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2025, including the accounting principles, treatments and practices adopted by the Group and the Interim Report 2025 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

YANG Jun
Chairman

Hong Kong, 29 August 2025



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 30 to 60 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 2025 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.

OTHER MATTER

The comparative information for the interim condensed consolidated statement of financial position as at 30 June 2025, and the related notes were audited by another auditor who expressed an unmodified conclusion on the statement on 25 March 2025.

The comparative 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 months ended 30 June 2024, and the related notes were reviewed in accordance with HKSRE 2410 by another auditor who expressed an unmodified conclusion on those statements on 28 August 2024.

BDO Limited

Certified Public Accountants

Chau Ka Kin

Practising Certificate Number P07445

Hong Kong, 29 August 2025



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

For the six months ended 30 June 2025

	Notes	2025 (Unaudited) RMB'000	2024 (Unaudited) RMB'000
REVENUE	4	7,463,383	8,385,473
Cost of sales		(3,828,790)	(4,324,219)
Gross profit		3,634,593	4,061,254
Other income	5	91,052	79,597
Other gains and losses	6	(262,394)	(64,768)
Impairment losses under expected credit loss model, net of reversal	16	(185,875)	(158,768)
Selling and distribution expenses		(2,556,399)	(2,752,658)
Administrative expenses		(500,543)	(512,150)
Research and development expenses		(256,123)	(267,925)
Operating (losses)/profits		(35,689)	384,582
Finance costs	7	(47,203)	(84,274)
Share of results of associates		(47)	(874)
(LOSS)/PROFIT BEFORE TAX	8	(82,939)	299,434
Income tax expense	9	(58,821)	(85,291)
(LOSS)/PROFIT FOR THE PERIOD		(141,760)	214,143
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		6,463	(109)
(Reversal of impairment loss)/impairment loss recognised for debt instruments at fair value through other comprehensive income included in profit or loss		(724)	17
Income tax relating to items that may be reclassified to profit or loss		(904)	(93)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		4,835	(185)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(136,925)	213,958
(Loss)/profit for the period attributable to:			
Owners of the Company		(107,918)	210,979
Non-controlling interests		(33,842)	3,164
		(141,760)	214,143
Total comprehensive income for the period attributable to:			
Owners of the Company		(103,248)	210,962
Non-controlling interests		(33,677)	2,996
		(136,925)	213,958
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted (RMB cents)	11	(2.14)	4.19



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

	Notes	30 June 2025 (Unaudited) RMB'000	31 December 2024 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	6,412,456	6,614,028
Right-of-use assets	12	1,092,315	1,099,971
Investment properties		63,942	81,627
Goodwill	13	2,783,616	3,026,077
Other intangible assets	13	4,913,447	5,106,168
Investments in associates		10,874	10,921
Deposits and prepayments		41,882	65,446
Deferred tax assets		237,681	219,977
Total non-current assets		15,556,213	16,224,215
CURRENT ASSETS			
Inventories	14	4,667,612	4,783,099
Trade and other receivables	15	9,021,812	8,566,512
Debt instruments at fair value through other comprehensive income ("FVTOCI")	17	864,330	1,469,238
Pledged bank deposits	18(a)	107,695	153,743
Cash and cash equivalents	18(b)	4,309,128	3,866,911
Total current assets		18,970,577	18,839,503
CURRENT LIABILITIES			
Trade and other payables	19	5,960,639	5,437,645
Lease liabilities		13,920	22,605
Contract liabilities		152,148	185,192
Interest-bearing bank and other borrowings	20	2,083,351	2,078,923
Unsecured notes	21	1,202,896	22,388
Tax liabilities		36,399	53,445
Total current liabilities		9,449,353	7,800,198
NET CURRENT ASSETS		9,521,224	11,039,305
TOTAL ASSETS LESS CURRENT LIABILITIES		25,077,437	27,263,520



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

	Notes	30 June 2025 (Unaudited) RMB'000	31 December 2024 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred government grants		381,131	396,304
Deferred tax liabilities		1,006,735	1,042,460
Unsecured notes	21	–	1,198,299
Interest-bearing bank and other borrowings	20	223,572	618,391
Lease liabilities		73,719	75,032
Total non-current liabilities		1,685,157	3,330,486
Net assets		23,392,280	23,933,034
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	11,982,474	11,982,474
Reserves		8,720,580	9,221,310
		20,703,054	21,203,784
Non-controlling interests		2,689,226	2,729,250
Total equity		23,392,280	23,933,034

Approved and authorised for issue by the Board of directors on 29 August 2025.

YANG Jun
Executive Director

LI Hongjian
Executive Director



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025

	Attributable to owners of the Company								Total RMB'000
	Share capital RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (note)	FVTOCI reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non- controlling interests RMB'000	
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
At 1 January 2024 (audited)	11,982,474	(165,183)	882,550	(6,703)	(71,180)	8,538,177	21,160,135	2,776,483	23,936,618
Profit for the period	-	-	-	-	-	210,979	210,979	3,164	214,143
Other comprehensive income for the period	-	-	-	(17)	-	-	(17)	(168)	(185)
Total comprehensive income for the period	-	-	-	(17)	-	210,979	210,962	2,996	213,958
At 30 June 2024 (unaudited)	11,982,474	(165,183)	882,550	(6,720)	(71,180)	8,749,156	21,371,097	2,779,479	24,150,576

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.

	Note	2025 (Unaudited) RMB'000	2024 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		1,049,324	775,935
PRC enterprise income tax paid		(124,461)	(206,234)
Net cash flows generated from operating activities		924,863	569,701
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment and payment for construction in progress		(166,757)	(226,193)
Proceeds from disposal of items of property, plant and equipment		1,039	876
Purchase of other intangible assets	13	(1,377)	–
Payments for right-of-use assets		–	(1,319)
Asset-related government grants received		16,320	583
Capital injection to an associate		–	(24)
Decrease in pledged bank deposits		46,048	44,503
Interest received		17,900	16,320
Net cash flows used in investing activities		(86,827)	(165,254)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings raised	20	813,277	3,189,434
Repayment of unsecured notes		–	(800,000)
Repayment of bank and other borrowings	20	(1,188,972)	(2,216,596)
Principal portion of lease payments		(13,868)	(14,437)
Interest paid		(73,438)	(108,721)
Dividend paid to non-controlling interests of subsidiaries		(25,612)	(2,608)
Net cash flows (used in)/generated from financing activities		(488,613)	47,072
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		3,798,425	2,986,819
Effect of foreign exchange rate changes		(125)	95
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash as stated in the interim condensed consolidated statement of financial position		4,309,128	3,603,821
Restricted cash	18(b)	(161,405)	(165,388)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		4,147,723	3,438,433



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2025 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 2024.

The financial information relating to the year ended 31 December 2024 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 2024 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 auditors have reported on the financial statements for the year ended 31 December 2024. 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 2024, except for the adoption of the following revised HKFRS Accounting Standards for the first time for the current period's financial information.

Amendments to HKAS 21 – The Effects of Changes in
Foreign Exchange Rates and HKFRS 1 First-time Adoption of
Hong Kong Financial Reporting Standards

Lack of exchangeability

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

3. OPERATING SEGMENTS INFORMATION

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

- i. Yi Fang segment mainly engages in the manufacture and sales of concentrated TCM granules ("CTCMG"), TCM healthcare products, and TCM decoction pieces under "Yi Fang" brand. Majority of the revenue of Yi Fang segment is derived from the sales of CTCMG.
- ii. Tian Jiang segment mainly engages in the manufacture and sales of CTCMG, TCM decoction pieces, and TCM healthcare products under "Tian Jiang" brand. The Tian Jiang segment also provides a variety of Chinese medical related healthcare solutions, including Chinese medical consultation and diagnosis, TCM physiotherapy, and 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 2025



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 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 2025

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 2025 (Unaudited)					
Segment assets	14,473,704	10,280,678	6,130,725	9,804,957	40,690,064
Elimination of intersegment receivables					(6,540,485)
Deferred tax assets					237,681
Corporate and other unallocated assets					139,530
Total assets					34,526,790
Segment liabilities	3,764,935	3,651,429	1,248,060	7,641,372	16,305,796
Elimination of intersegment payables					(6,540,485)
Tax liabilities					36,399
Deferred tax liabilities					1,006,735
Corporate and other unallocated liabilities					326,065
Total liabilities					11,134,510

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025



3. OPERATING SEGMENTS INFORMATION (continued)

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

	Six months ended 30 June 2024					
	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	2,861,789	1,913,739	1,242,853	2,367,092	–	8,385,473
Intersegment sales	102,381	114,789	180,740	858,141	(1,256,051)	–
Total segment revenue	2,964,170	2,028,528	1,423,593	3,225,233	(1,256,051)	8,385,473
Segment results	155,035	(200,054)	163,585	98,804	–	217,370
Reconciliation:						
Other unallocated head office and corporate expenses						(3,227)
Profit for the period						214,143
Other segment information:						
Interest income	23,996	4,573	11,412	11,327	(34,988)	16,320
Finance costs	(45,342)	(32,960)	(1,430)	(39,530)	34,988	(84,274)
Share of results of associates	–	1	–	(875)	–	(874)
Depreciation and amortisation	(238,697)	(189,179)	(48,838)	(84,763)	–	(561,477)
Write-down of inventories	(16,588)	(11,245)	(7,646)	(4,290)	–	(39,769)
Impairment losses under the expected credit loss model, net of reversal	(69,848)	(78,949)	(9,646)	(325)	–	(158,768)



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025

3. OPERATING SEGMENTS INFORMATION (continued)

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

	Yi Fang RMB'000 (Audited)	Tian Jiang RMB'000 (Audited)	Tong Ji Tang RMB'000 (Audited)	Medi-World RMB'000 (Audited)	Total RMB'000 (Audited)
As at 31 December 2024 (Audited)					
Segment assets	15,110,492	10,244,478	6,033,056	8,860,033	40,248,059
Elimination of intersegment receivables					(5,679,697)
Deferred tax assets					219,977
Corporate and other unallocated assets					275,379
Total assets					35,063,718
Segment liabilities	4,071,509	3,514,196	1,253,622	6,817,455	15,656,782
Elimination of intersegment payables					(5,679,697)
Tax liabilities					53,445
Deferred tax liabilities					1,042,460
Corporate and other unallocated liabilities					57,694
Total liabilities					11,130,684

(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 2025



4. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Types of goods or services		
Concentrated TCM granules	2,990,750	3,479,735
TCM finished drugs	2,308,809	2,418,349
TCM decoction pieces	1,596,128	1,576,914
Chinese medicinal herbs integration business	445,584	754,277
TCM great health services	122,112	156,198
Total	7,463,383	8,385,473

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Geographical markets		
Chinese Mainland	7,407,775	8,341,715
Hong Kong, China	25,755	26,287
Overseas and others	29,853	17,471
Total	7,463,383	8,385,473
Timing of revenue recognition		
At point in time	7,463,383	8,385,473



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025

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	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue from contracts with customers		
External customers	7,463,383	8,385,473
Intersegment sales	1,453,865	1,256,051
Subtotal	8,917,248	9,641,524
Intersegment adjustments and eliminations	(1,453,865)	(1,256,051)
Total	7,463,383	8,385,473

5. OTHER INCOME

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Government grants		
Unconditional subsidies (note (i))	36,857	39,669
Conditional subsidies (note (ii))	31,493	20,097
Interest income on bank deposits	17,900	16,320
Rental income	4,802	3,511
Total other income	91,052	79,597

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 2025



6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Impairment loss recognised in respect of goodwill (note 13)	(242,461)	–
Penalty interests (note)	(17,523)	(52,708)
Donation	(1,510)	(13,114)
Loss on disposal of property, plant and equipment	(3,301)	(1,752)
Net exchange (loss)/gain	(136)	920
Others	2,537	1,886
Total	(262,394)	(64,768)

Note:

Penalty interests mainly represented the penalty interest in relation to the under provision in income taxes in prior periods as disclosed in note 9 Income Tax Expense.

7. FINANCE COSTS

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Interest on bank borrowings	24,153	50,843
Interest on lease liabilities	2,208	2,928
Effective interest expense on unsecured notes	18,689	24,213
Discounting of bills	1,526	5,338
Factoring of trade receivables	627	952
Total borrowing costs	47,203	84,274



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025

8. (LOSS)/PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Cost of inventories sold		3,828,790	4,324,219
Included: Write-down of inventories to net realisable value*		28,817	39,769
Depreciation			
– property, plant and equipment		347,071	338,963
– investment properties		3,734	2,299
– right-of-use assets		30,731	24,794
Amortisation of other intangible assets	13	195,697	195,421
Total depreciation and amortisation		577,233	561,477
Research and development costs		256,123	267,925
Impairment loss recognised in respect of goodwill	6 & 13	242,461	–
Foreign exchange loss/(gain), net	6	136	(920)
Loss disposal of property, plant and equipment	6	3,301	1,752
Loss on disposal of other intangible assets		–	11
Impairment losses recognised/(reversed) in respect of			
– trade receivables	16	189,717	156,817
– other receivables	16	(3,118)	1,934
– debt instruments at FVTOCI	16	(724)	17

* 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 2025



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	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Current		
PRC EIT	75,776	114,262
Underprovision in prior periods (note)	37,367	78,004
Deferred	(54,322)	(106,975)
Total tax charge for the period	58,821	85,291

Note:

During the six months ended 30 June 2025, 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. These subsidiaries have made provisions based on the best estimate of under provision on relevant income tax during the respective periods ranging from year 2017 to year 2024.

10. DIVIDENDS

No dividend was proposed for the six months ended 30 June 2025 (six months ended 30 June 2024: nil).

The proposed 2024 final dividend of HK0.35 cent per ordinary share and special dividend of HK8.30 cents per ordinary share, amounting to a total of approximately HK\$435,597,000 (approximately RMB397,482,000), were approved by the Company's shareholders at the annual general meeting on 27 June 2025.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025

11. (LOSS)/EARNINGS 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 RMB107,918,000 (six months ended 30 June 2024: profit for the period attributable to ordinary equity holders of the Company of approximately RMB210,979,000), and the weighted average number of ordinary shares of 5,035,801,000 (30 June 2024: 5,035,801,000) in issue during the period.

The calculations of basic and diluted (loss)/earnings per share are based on:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
(Loss)/earnings (Loss)/profit for the period attributable to the owners of the Company	(107,918)	210,979

	Number of shares	
	Six months ended 30 June 2025	2024
Shares Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share (in thousand)	5,035,801	5,035,801

No diluted (loss)/earnings 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 2025

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

During the six months ended 30 June 2025, the Group incurred approximately RMB54,707,000 (six months ended 30 June 2024: RMB48,931,000), and RMB99,699,000 (six months ended 30 June 2024: RMB160,389,000) on acquisition of property, plant and equipment and construction in progress, respectively.

Assets with a net book value of approximately RMB29,233,000 were disposed of by the Group during the six months ended 30 June 2025 (30 June 2024: RMB2,133,000), resulting in a net loss on disposal of approximately RMB3,301,000 (30 June 2024: RMB1,752,000).

Certain of the Group's property, plant and equipment and investment properties with carrying values of approximately RMB679,839,000 (31 December 2024: RMB614,842,000) 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 RMB41,011,000 (six months ended 30 June 2024: RMB42,160,000) and lease liabilities of approximately RMB46,667,000 (six months ended 30 June 2024: RMB40,841,000), respectively.

Certain of the Group's right-of-use assets with carrying values of approximately RMB111,324,000 (31 December 2024: RMB50,420,000) 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 2025

13. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Intangible assets RMB'000
Cost and carrying amount:		
At 1 January 2025 (audited)	3,026,077	5,106,168
Additions	–	1,377
Transfer from construction in progress	–	1,599
Amortisation for the period	–	(195,697)
Impairment loss (note)	(242,461)	–
At 30 June 2025 (unaudited)	2,783,616	4,913,447

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 CGUs for the purpose of impairment assessment.

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 (30 June 2024: nil), 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.

In the opinion of the Directors, no additional impairment loss of other CGUs was recognised during the six months ended 30 June 2025 and 2024.

The recoverable amount of the CGU is determined based on value-in-use calculation. The recoverable amount of the CGU as at 30 June 2025 has been arrived at based on the value-in-use calculation carried out on 30 June 2025 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 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.

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%

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025



14. INVENTORIES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Raw materials	1,141,819	1,104,406
Work in progress	1,326,894	1,630,106
Finished goods	2,198,899	2,048,587
Total	4,667,612	4,783,099

As at 30 June 2025, there is a provision for inventories write-down with the amount of approximately RMB203,820,000 (31 December 2024: RMB192,485,000).

15. TRADE AND OTHER RECEIVABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade receivables	8,982,467	8,392,206
Less: allowance for credit losses	(412,847)	(223,216)
	8,569,620	8,168,990
Deposits and prepayments	96,517	68,780
Advance tax payments	147,380	160,681
Other receivables	236,280	199,164
Less: allowance for credit losses	(27,985)	(31,103)
	452,192	397,522
Total	9,021,812	8,566,512

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



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025

15. TRADE AND OTHER RECEIVABLES (continued)

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 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
0 to 90 days	3,927,935	4,377,309
91 to 180 days	2,129,363	1,738,053
181 to 365 days	2,045,640	1,813,051
Over 365 days	879,529	463,793
Total	8,982,467	8,392,206

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

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Impairment losses recognised/(reversed) in respect of		
– trade receivables	189,717	156,817
– other receivables	(3,118)	1,934
– debt instruments at FVTOCI	(724)	17
Total	185,875	158,768

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 2025 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025



17. DEBT INSTRUMENTS AT FVTOCI

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Bills receivable	864,330	1,469,238

The amounts represent the bills receivables that were held under the “hold to collect and sell” business model. As at 30 June 2025, the Group’s debt instruments at FVTOCI amounted to approximately RMB108,693,000 (31 December 2024: RMB62,648,000) were pledged as security for bank facilities of bills payables and bank borrowings granted to the Group.

18. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Pledged bank deposits

The amounts represent the guarantee deposits for bills payables and carried interest at market rates ranging from 0.05% to 1.50% per annum (31 December 2024: 0.10% to 1.70%).

(b) Cash and cash equivalents

Included in bank balances and cash is approximately RMB4,147,723,000 (31 December 2024: RMB3,798,425,000) which represents cash held by the Group and short-term deposits carried interest at prevailing market rates ranging from 0.05% to 1.35% per annum (31 December 2024: 0.10% to 1.30% per annum) with original maturity of three months or less as at 30 June 2025.

The remaining of bank balances were restricted cash of approximately RMB161,405,000 (31 December 2024: RMB68,486,000), in which RMB132,676,000 (31 December 2024: RMB48,165,000) 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 RMB7,916,000 (31 December 2024: RMB9,635,000) and RMB1,200,000 (31 December 2024: RMB639,000), 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 2025

19. TRADE AND OTHER PAYABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade payables	1,833,522	1,432,901
Bills payables	715,561	803,992
Deposits	1,005,012	1,015,315
Salaries and welfare payables	283,840	528,859
Other tax payables	137,056	185,091
Accrual of operating expenses	909,856	908,072
Dividend payables	405,590	29,345
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	135,510	48,165
Refund liabilities	17,173	28,733
Other payables (note)	513,969	453,622
Total	5,960,639	5,437,645

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 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
0 to 90 days	2,224,591	1,479,694
91 to 180 days	247,921	527,182
181 to 365 days	63,451	160,895
Over 365 days	13,120	69,122
Total	2,549,083	2,236,893

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025



20. INTEREST-BEARING BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank and other borrowings amounting to approximately RMB813,277,000 (six months ended 30 June 2024: RMB3,199,149,000), repaid bank and other borrowings amounting to approximately RMB1,188,972,000 (six months ended 30 June 2024: RMB2,216,596,000). The loans carried interest at fixed market rates ranging from 1.95% to 4.75% 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 the medium-term notes in an aggregate amount of RMB1,200,000,000, with a maturity of three years and a coupon rate of 3.04% per annum.

22. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2025 '000 (Unaudited)	31 December 2024 '000 (Audited)	30 June 2025 RMB'000 (Unaudited)	31 December 2024 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 2025

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 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Outstanding endorsed and discounted bills receivable with recourse	101,738	148,768

During the six months ended 30 June 2025, 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 2025



24. PLEDGED ASSETS

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Property, plant and equipment and investment properties	679,839	614,842
Right-of-use assets	111,324	50,420
Debt instruments at FVTOCI	108,693	62,648
Pledged bank deposits	107,695	153,743
Total	1,007,551	881,653

25. CAPITAL COMMITMENTS

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Contracted for but not provided:		
– Acquisition of other intangible assets	115	459
– Acquisition of property, plant and equipment	30,562	39,127
Total	30,677	39,586



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025

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
Ping An Bank	Fellow subsidiary of a substantial shareholder

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

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
(i) Sale of finished goods to CNPGC's subsidiaries other than the Group	647,203	712,468
(ii) Purchase of raw materials from CNPGC's subsidiaries other than the Group	42,104	75,222
(iii) Other purchase from CNPGC's subsidiaries other than the Group	4,829	2,949
(iv) Rental income from CNPGC's subsidiaries other than the Group	1,747	1,672
(v) Interest income from CNPGC's subsidiaries other than the Group	596	666
(vi) Interest income from Ping An Bank	–	15
(vii) Interest expense to Ping An Bank	–	7
(viii) Interest expense to CNPGC's subsidiaries other than the Group	5,084	–

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2025



26. RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 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	682,035	634,715
(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	75,497	60,437
(iii) Time deposits and bank deposits placed in CNPGC's subsidiaries other than the Group as included in bank balances and cash set out in note 18	561,570	582,125
(iv) Borrowing due to CNPGC's subsidiaries other than the Group as interest-bearing bank and other borrowings set out in note 20	630,374	400,000
(v) Bank deposits placed in Ping An Bank as included in cash and cash equivalents set out in note 18	–	2,963

(d) Key management remuneration

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

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Short-term employee benefits	6,354	3,648
Post-employment benefits	250	386
Total compensation paid to key management personnel	6,604	4,034

26. RELATED PARTY TRANSACTIONS (continued)

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 2025



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 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)		
Financial assets at FVTOCI				
Bills receivable	864,330	1,469,238	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:

	2025 RMB'000 (Unaudited)	2024 RMB'000 (Audited)
Debt instruments at fair value through other comprehensive income ("FVTOCI")		
At 1 January	1,469,238	886,777
Total gains/(losses) recognised in other comprehensive income	724	(17)
Additions	854,952	1,469,255
Disposals	(1,460,584)	(886,777)
At 30 June/31 December	864,330	1,469,238

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.



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

Unsecured notes

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Carrying amount	1,202,896	1,220,687
Fair value under level 2 fair value hierarchy	1,204,654	1,221,741

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 THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of directors on 29 August 2025.