

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED**

**中國神威藥業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2877)**

**2024 ANNUAL RESULTS ANNOUNCEMENT  
AND  
DECLARATION OF 2025 FIRST INTERIM DIVIDEND**

The board of directors (the “Board”) of China Shineway Pharmaceutical Group Limited (the “Company” or “Shineway”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2024 as follows:

**FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2024, the operating results of the Group were as follows:

- Turnover amounted to RMB3,778,043,000, a decrease of 16.4% as compared to last year;
- Gross profit margin was 75.0% as compared to 75.1% of last year;
- Profit for the year amounted to RMB840,052,000, a decrease of 13.4% as compared to last year;
- Earnings per share amounted to RMB111 cents;
- Declared 2025 first interim dividend of RMB36 cents per share;
- Net assets per share amounted to RMB9.03 (equivalent to HK\$9.57); and
- Net cash per share amounted to RMB7.03 (equivalent to HK\$7.45).

## CHAIRMAN’S STATEMENT

Dear Shareholders,

Over the past year, the pharmaceutical industry faced numerous challenges and opportunities. Influenced by multiple factors such as policy adjustments, intensified market competition, and evolving consumer demands, the industry exhibited characteristics of “slowing growth, increasing divergence, and deepening transformation”. According to industry data, both the overall revenue and profit of the traditional Chinese medicine (“TCM”) industry experienced a certain degree of decline. While under a macro environment of market downturn, by utilizing the collective efforts of all staffs of the Group and a proactive spirit and a resilient work ethic, the Group maintained a stable operational performance. We were also fully equipped to counter this complex and ever-changing market environment by continuously driving efficiency improvements, marketing transformation, and quality and research and development innovation.

In 2024, the Group recorded a sales revenue of RMB3.78 billion, representing a year-on-year decrease of 16.4%, and a net profit of RMB840 million, representing a year-on-year decline of 13.4%. The Board has resolved to declare a dividend of RMB36 cents per share. Together with the interim dividend of 11 cents per share distributed in September 2024, the total dividend relating to the profit for the financial year 2024 is RMB47 cents per share, with a dividend payout ratio of 42.3%.

The operating results reflected certain challenges and uncertainties faced by the Group in the current market environment. However, despite the seemingly adverse market conditions, the TCM industry had also encountered some new opportunities. The on-going implementation of medical insurance cost-control policy and the introduction of national centralized procurement policies for TCM and formula granules led to an orderly decline in drug prices, effecting the profitability in short term and further intensifying market competition. On the other hand, against the backdrop of numerous factors such as national healthcare reform, adjustments to the medical insurance catalogue, encouragement for the development of new TCM drugs, and centralized procurement of TCM products are incentivizing TCM enterprises to accelerate transformation and upgrading, thereby improving the overall industrial chain layout across the entire industry. With increasing national support for the TCM industry and growing public recognition of TCM, the TCM market is poised to enter a higher-quality development stage.

The Group continues to uphold the philosophy of “inheriting essence while maintaining integrity and innovation”. During the year, the Group has continuously strengthened internal management, optimized production processes, improved production efficiency, and effectively controlled costs, thereby enhancing market competitiveness. With high-quality products and excellent services, the Group has built a strong market reputation. Despite the challenges posed by declining market demand and centralized procurement policies, the Group has managed to maintain stable profitability.

In 2024, the Group implemented a series of measures to respond to the medical insurance cost-control policies. On one hand, the Group actively adjusted its product portfolio and enhanced efforts on research and development and production of efficient, cost-effective and high-quality pharmaceuticals. On the other hand, the Group actively participated in the national centralized procurement bidding process for Chinese patent medicine, during which the Group competed with more competitive pricing by lowering costs through improved product quality and optimized production processes. Meanwhile, the Group strengthened its collaboration with medical institutions and distributors to expand sales channels and gain market share. By actively exploring new sales channels and markets, we aim to cope with future market competition and changes.

In the field of research and development, the Group has continued to increase investment in new product development, and comprehensively laying out the research of TCM compound formulas based on ancient classical prescriptions. By integrating modern technological advancements, the Group has initiated the development of multiple innovative TCM products with potential clinical value across various therapeutic areas. During the year, the Group submitted four new medication registration applications for TCM compound formulas based on ancient classical prescriptions under Class 3.1 of TCM regulations, including “Shengxian Granules (升陷顆粒)”, “Erdong Granules (二冬顆粒)”, “Loquat Qingfei Granules (枇杷清肺顆粒)”, and “Taohong Siwu Granules (桃紅四物顆粒)”, which cover respiratory, endocrine, dermatology and gynecology therapeutic areas, respectively. In terms of clinical trials, significant progress has been achieved by the Group. Phase III clinical trials for the innovative TCM medications, namely Sailuotong Capsule and JC Soft Capsule, were completed within the year, with market launch expected next year. These products are set to bring groundbreaking clinical treatment advancements for patients with vascular dementia. Additionally, preparations for Phase II clinical trials of the Group’s “Yi Gong San Granules (異功散顆粒)”, a Class 1.1 new TCM, were successfully carried out in 2024, and is expected to receive approval for market launch in the coming years. Once launched, Yi Gong San Granules will fill a gap in the market for treating anemia of chronic diseases, providing significant social value.

In 2024, the Group’s exclusive products sustained robust growth momentum. Driven by continuous investments and innovations in the modern research and development of TCM, the Group’s exclusive products cover multiple therapeutic areas, addressing diverse patient needs. Key products such as Huamoyan Granules, Qi Huang Tong Mi Soft Capsule, Jiangzhi Tong Luo Soft Capsules, and Dandeng Tongnao Soft Capsules maintained strong market recognition and reputation, achieving significant growth in sales despite current market conditions.

The newly updated National Reimbursement Drug List (NRDL) was released during the year, the Group’s Yiguan Jian Granule successfully passed the rigorous negotiation process with the National Healthcare Security Administration and was included in the updated NRDL. Additionally, two exclusive products — Jiang Zhi Tong Luo Soft Capsule and Dandeng Tongnao Soft Capsules — successfully renewed their listings through the NRDL renewal negotiations.

The main construction phase of the Group's Modern TCM Innovative Technology Industrial Expansion and Smart Manufacturing Demonstration Facility Project has now been substantially completed, marking a new milestone in the project's development. This project serves as an implementation of China's 14th Five-Year Plan for Smart Manufacturing Development and the Group's digital-intelligent transformation strategy. This project is designated as a Key Provincial Project in Hebei and expects a three-year construction period. It is projected to generate an annual output value of RMB7 billion upon completion. The facility will pioneer a next-generation intelligent TCM production model featuring cloud-integrated operations, unmanned workflows, real-time connectivity, and modern TCM innovation.

The decline in pharmaceutical sales in 2024 reflects the growing pains of industry transformation. In 2025, amid new circumstances, challenges, and objectives, the Group's management team, guided by a strong sense of urgency and crisis awareness, will redouble efforts to implement strategic initiatives, including strengthening management, enhancing quality and efficiency, and reducing costs while increasing results. By optimizing and upgrading operational innovation, product research and development, marketing models, and management systems, the Group will accelerate its digital and intelligent transformation to continuously strengthen its core competitiveness. In response to evolving market dynamics, the Group will fully capitalize on opportunities presented by the national centralized procurement of proprietary Chinese medicines. Leveraging on our scale advantages and digital capabilities, the Group aims to achieve breakthroughs through specialization, differentiation, and integrated pipeline strategies. Together, the Group and its employees will strive to reach the targets of the "14th Five-Year Plan," driving high-quality and leapfrog development.

2024 marks the 40th anniversary of the Group's reform and development. As we look to the future, the Group remains committed to our corporate spirit of integrity, innovation, and our strive for win-win situation, and continues to dedicate ourselves to make even greater contributions to human health. In the face of a complex and ever-changing internal and external environment, the Group remains focus on our key products strategy through leveraging on our diverse and extensive product portfolio. This includes the development of a wide range of specialty products that are highly regarded by healthcare professionals and trusted by consumers, further advancing the high-quality development of TCM for the benefit of society. The Group is confident that, through the collective efforts of its dedicated team, a promising and prosperous future awaits.

On behalf of the Board, I would like to once again extend my deepest gratitude to all directors, shareholders, and partners for their steadfast support and trust in the Group. Moving forward, we will strengthen communication and collaboration to propel the Group's sustainable growth and unlock even greater value. As we set our sights on 2025, the Group remains unwavering in its commitment to the principles of innovation, quality, and cooperation, driving the transformation and high-quality development of the TCM industry. Together, let us unite our efforts and channel our collective wisdom and strength toward a thriving future for the Chinese medicine industry!

**Li Zhenjiang**

*Chairman of the Board*

Hong Kong, 28 March 2025

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results Highlights

In 2024, the pharmaceutical industry underwent significant adjustments and faced multiple challenges, resulting in a slowing growth momentum in the pharmaceutical market. At the same time, there was a substantial decline in the demand for medications used to treat respiratory diseases. The current economic environment and consumer purchasing power are also noticeably weak, prompting medical institutions and retail pharmacies to actively reduce their inventories. Additionally, Chinese medicine products have been widely included in national centralised procurement, which significantly affected medication usage in hospitals. A combination of these factors has led to a slowdown in market demand for pharmaceuticals. Compared with a high comparison base from the previous year, the majority of our products experienced a decline in sales revenue during the year, except for several exclusive oral products of the Group that recorded continuous growth. As a result, the Group's overall revenue decreased by approximately 16.4% year-on-year to RMB3,778,043,000, while net profit fell by 13.4% to RMB840,052,000.

Facing a complex and ever-changing market environment and industry challenges, the Group has persevered amidst various unfavorable factors such as policy adjustments, changes in market demand, and structural adjustments within the industry. We made every effort to enhance quality and efficiency, strengthen supply chain management, and maintain our gross profit margin, which only slightly decreased by 0.1 percentage point to 75.0% as compared to last year. Net profit margin increased from 21.5% of last year to 22.2%, and earnings per share however was only down by 13.3% to RMB111 cents as compared to last year.

During the year, the Group generated net cash from operating activities of RMB963,135,000. Capital expenditures including those for construction of factories and production lines as well as purchasing equipment totalled approximately RMB140,112,000. As such, the Group's free cash flow for the year of 2024 amounted to approximately RMB823,023,000, which was equivalent to RMB1.00 per share (as calculated based on the total issued shares of 827,000,000).

After considering the free cash flow and dividend policy, the Board has decided to declare the first interim dividend for 2025 amounting to RMB36 cents per share (in lieu of a final dividend). Together with the 2024 second interim dividend amounting to RMB11 cents per share paid in September 2024, total dividend relating to the profit for the financial year 2024 decreased by 13.0% to RMB47 cents per share, representing a dividend payout ratio of 42.3%.

As of 31 December 2024, the Group's total bank balances and cash amounted to RMB6,140,153,000, and total bank borrowings amounted to RMB330,000,000. As calculated based on the total issued shares of 827,000,000, net cash per share of the Company amounted to HK\$7.45, and net assets per share amounted to HK\$9.57.

### *Overall revenue (by dosage form)*

In 2024, the Group's overall revenue experienced a significant decline, mainly due to the high base effect resulting from explosive demand surges in respiratory, cold, and anti-infective drugs in the previous year, coupled with multiple factors such as changes in market demand due to the macro-economy and policy adjustments. As a result, the overall sales dropped significantly, with injection products recording a relatively large decline in sales.

The table below shows the sales and each dosage form's rates of change in 2024:

	Year-on-year rates of change in 2024			RMB'000	Percentage of sales
	First half	Second half	Full year	Full year sales	
Injections	<u>-18.6%</u>	<u>-41.0%</u>	<u>-29.0%</u>	<u>1,267,983</u>	<u>33.6%</u>
Soft capsules	-18.0%	-10.2%	-14.9%	495,307	13.1%
Granules	4.2%	-9.3%	-2.9%	673,651	17.8%
TCM formula granules	-11.8%	-6.6%	-9.3%	1,090,116	28.9%
Others	<u>-8.2%</u>	<u>6.7%</u>	<u>-0.9%</u>	<u>250,986</u>	<u>6.6%</u>
Oral products	<u>-9.3%</u>	<u>-6.7%</u>	<u>-8.1%</u>	<u>2,510,060</u>	<u>66.4%</u>
Total	<u><u>-13.0%</u></u>	<u><u>-20.1%</u></u>	<u><u>-16.4%</u></u>	<u><u>3,778,043</u></u>	<u><u>100.0%</u></u>

Sales of injections products decreased by 29.0% during the year. Amongst which sales of Qing Kai Ling Injection recorded a negative growth of 40.8% to RMB504,029,000. Sales of Shu Xue Ning Injection and Guan Xin Ning Injection also decreased by 8.6% and 52.7% to RMB168,563,000 and RMB138,469,000 respectively, while sales of Shen Mai Injection increased by 10.6% to RMB207,751,000 for the full year.

The Group continued to focus on the development of the oral products market, with sales of oral products accounting for 66.4% of the Group's overall sales. However, oral products were also affected by a high year-on-year base of last year in 2024, coupled with changes in market demand and policy adjustments, making the overall sales of oral products declining as compared to last year, and recording a negative growth of 8.1% for the full year.



Among the numerous oral products, sales of soft capsule products recorded a significant decline by 14.9% as compared to last year, which was mainly attributable to the drop in sales of Qing Kai Ling Soft Capsule, an respiratory system oral medication and Huo Xiang Zheng Qi Soft Capsule by 20.4% and 42.3% to RMB69,788,000 and RMB107,985,000 respectively during the year, resulting from a high year-on-year base due to the excessively high market demand last year. Sales of Wu Fu Xin Nao Qing Soft Capsule, a cardiovascular and cerebrovascular medication also declined by 9.3% to RMB122,603,000 during the year. In contrast, the Group's exclusive oral soft capsule products recorded impressive growth. Amongst which sales of Dan Deng Tong Nao Soft Capsule increased by 53.1% to RMB47,589,000; sales of Jiang Zhi Tong Luo Soft Capsule increased by 24.1% to RMB51,739,000; and sales of Qi Huang Tong Mi Soft Capsule increased by 14.5% to RMB84,316,000 during the year.

Sales of granules decreased by 2.9% during the year. Specifically, sales of Pediatric Lung-Clearing and Expectorant Granule decreased by 31.4% to RMB66,874,000; sales of Cold-Relieving and Heat-Clearing Granule decreased by 18.8% to RMB20,078,000; and sales of Paracetamol Granule decreased by 9.5% to RMB171,538,000 during the year. However, the Group's exclusive oral granule products such as Huamoyan Granule and Shu Jin Tong Luo Granule continued to maintain growth momentum, with sales increasing by 17.5% and 71.9% to RMB285,524,000 and RMB38,997,000 respectively compared to last year.

## **Essential Drugs**

Essential drugs refer to medications that are suitable in dosage form, safe and effective, reasonable in price, can ensure supply, and also easily obtainable from public medical institutions at all levels by patients. The PRC has placed all essential drugs on the drug reimbursement list and their reimbursement ratios are higher than that of non-essential drugs.

The Group regularly manufactured a total of 18 medications which are listed on the National Essential Drug List, including Qing Kai Ling Injection, Shen Mai Injection, Qing Kai Ling Soft Capsule, Huamoyan Granule, Huo Xiang Zheng Qi Soft Capsule, Compound Licorice Tablet and so on.

In 2024, the overall sales of the Group's regularly-manufactured medications listed on the National Essential Drug List decreased by 22.7% to RMB1,348,062,000. Sales of most essential drugs, except for Huamoyan Granule and Compound Licorice Tablet, decreased as compared to last year. Sales of Qing Kai Ling Injection, Qing Kai Ling Soft Capsule and Huo Xiang Zheng Qi Soft Capsule recorded significant decrease of 40.8%, 20.4% and 42.3%, respectively.

In 2024, sales of the Group's regularly-manufactured medications listed on the National Essential Drugs List accounted for 35.7% of the Group's overall sales as compared to 38.6% of last year.

According to national policies, essential drugs shall be prioritized for treatments in medical institutions at all levels. In particular, the proportion of essential drugs by number of types in grass-root medical institutions, tier two public hospitals, and tier three public hospitals, should be no less than 90%, 80% and 60% respectively in principle. At the National Drug Administration Work Conference held in 2024, the officials emphasized on improving the national drug policy, strengthening grass-roots drug management, and enhancing the institutionalization level of essential drugs, aiming to further ensure the balance and accessibility of drug supply, and promote the high-quality development of the supply system of drugs. In terms of improving the institutionalization level of essential drugs, it is expressly stated that during the “14th Five-Year Plan” period, the level of institutionalization of the National Essential Drugs System will be comprehensively enhanced. This includes the revision and improvement of the Administrative Measures for the National Essential Drugs List, the optimization of drug selection and adjustment procedures, and the dynamic adjustment of the National Essential Drugs List, so as to ensure that the core position of essential drugs will be strengthened and the supply and quality level will be constantly improved, to promote the prioritization of essential drugs for treatments.

The government’s promotion of the widespread use of essential drugs will drive the sustained growth of the Group’s medications which are included in the National Essential Drug List.

### Overview on changes in sales

In 2024, the sales of the Group’s prescription and over-the-counter medications (“OTC medications”) accounted for approximately 88.8% and 11.2% of the Group’s total sales respectively. During the year, the overall sales of prescription medications decreased by 14.6% as compared to last year while the OTC medications recorded a decrease of 27.9%. The table below summarizes the changes in sales of the Group by medicine category:

<i>RMB’000</i>	2023 Sales	2024 Sales	Percentage of sales	2024 Changes in sales
TCM formula granules	1,201,664	<b>1,090,116</b>	28.9%	<b>-9.3%</b>
Respiratory system prescription medications	1,102,257	<b>745,758</b>	19.7%	<b>-32.3%</b>
Cardio-cerebrovascular injection prescription medications	822,845	<b>627,280</b>	16.6%	<b>-23.8%</b>
Exclusive oral prescription medications	445,150	<b>543,922</b>	14.4%	<b>22.2%</b>
Other prescription medications	<u>361,405</u>	<u><b>350,254</b></u>	<u>9.2%</u>	<u><b>-3.1%</b></u>
Prescription medications	3,933,321	<b>3,357,330</b>	88.8%	<b>-14.6%</b>
OTC medications	<u>583,217</u>	<u><b>420,713</b></u>	<u>11.2%</u>	<u><b>-27.9%</b></u>
Total	<u>4,516,538</u>	<u><b>3,778,043</b></u>	<u>100.0%</u>	<u><b>-16.4%</b></u>



## ***TCM Formula Granules***

Due to the impact of remediation work in the pharmaceutical industry and the centralized procurement of TCM formula granules initiated by inter-provincial alliance, hospitals had slowed down their procurement of the Group's TCM formula granules in 2024, and the grass-root medical institutions even showed negative growth on their procurements and competition increased. The sales of the Group's TCM formula granules recorded a decrease of 9.3% to RMB1,090,116,000 for the year which accounted for 28.9% of the total sales revenue of the Group in 2024.

Currently, hospitals in Hebei and Yunnan Provinces still contributed to the majority of the sales of TCM formula granules of the Group, and recorded a slight decrease of 4.5% in 2024, accounting for 88.8% of the total sales of TCM formula granules. Whereas sales of TCM formula granule to hospitals in other provinces decreased by 45.0% in 2024, accounting for 1.0% of the total sales of TCM formula granules. In addition, there were an increase in number of TCM formula granule suppliers upon market liberalization. Some of them attempted to occupy the grass-root medical institution market through price wars during the year, causing the Group's sales to grass-root medical institutions located in provinces including Hebei, Yunnan and other provinces across the country significantly decreased by 33.9%, accounting for 10.2% of the total sales of TCM formula granules.

The Group's TCM formula granules achieved rapid development. Over the past decade since its launching, the Group has grown into one of China's largest TCM formula granule producers, with sales now ranking among the top five listed companies in the TCM formula granules sector. As one of the developers of the national standards for TCM formula granules, the Group has engaged in comprehensive research collaborations with top-tier research institutes, national and provincial drug inspection institutes. We have undertaken 1 national level project, 5 provincial level projects, 2 published academic monographs, and have been granted 35 invention and PCT patents. The Group has also established the Hebei Provincial TCM Formula Granules Engineering Technology Research Center and the Yunnan Provincial TCM Formula Granules Engineering Research Center. Our achievements also included the completion of the "Preparation Process and Quality Standard Research for TCM Formula Granules" (recognized as nationally leading), "Quality Control, Standard Research, and Industrialization of TCM Formula Granules" (awarded the Hebei Provincial First Prize for Scientific and Technological Progress), and "Intelligent Manufacturing and Quality Control Research for TCM Formula Granules" (awarded the Second Prize for Science and Technology by the China Association of Chinese Medicine). By incorporating the concept of quality control of Chinese medicine injections, which was awarded the National Science and Technology Progress Award twice, into the production of TCM formula granules, the Group has established the highest benchmark of quality in the TCM formula granules industry.

Amid current TCM granules market volatility and industry restructuring, the Group's TCM formula granule team will capitalize on its scale, financial strength, brand reputation, and technological expertise to intensify its efforts in nationwide market development and manpower deployment in 2025, with a view to achieving a faster and more comprehensive coverage of the country. In addition to the Hebei and Yunnan provinces, the Group's Formula Granules Division will prioritise on expanding its hospital market coverage from 4 other provinces to 10 other provinces, while gradually increasing the coverage of grass-root medical institutions nationwide.

Recently, the National Pharmacopoeia Commission has issued the eighth batch of national standards for 26 traditional TCM formula granules. As of today, the National Pharmacopoeia Commission has issued a total of 342 national standards. The continuous expansion of national standard varieties will better meet the needs of clinical prescription dispensing, laying a solid foundation for the sustainable development of formula granules. At present, the Group has completed the filings of national and provincial standard varieties in all provinces across the country, as well as the medical insurance coding and online listing access, ensuring that the variety quantities better meet clinical demands.

On 3 January 2025, the General Office of the State Council issued the Opinions on Comprehensively Deepening the Reform of Regulation of Drugs and Medical Device to Promote High-quality Development of the Pharmaceutical Industry, which requires the improvement of the supervision quality and efficiency of new business models in pharmaceutical circulation. According to the policy, Chinese medical prepared herbs processed in accordance with provincial processing specifications can be sold across provinces as required, and TCM formula granules produced in accordance with national drug standards can be directly sold across provinces. The introduction of this policy is conducive to the cross-provincial sales of national standard formula granules, bringing significant benefits to the development of TCM formula granules.

The annual output value of the production capacity of the TCM formula granules of the Group at the two major production bases in Shijiazhuang (Hebei Province), and Chuxiong (Yunnan Province), has currently reached RMB5 billion. In the future, the Group will continue to plan for capacity expansion according to the market development situation.

### ***Respiratory system prescription medications***

The Group's respiratory system prescription medications which are used for treating influenza recorded a total sales of RMB745,758,000, representing a decrease of 32.3% and accounting for 19.7% of the Group's overall revenue.

Influenza is under effective control due to widespread influenza vaccination, continuous public health measures and enhanced hygiene practices, which also reduces the spread and incidence of respiratory system diseases. Although there is certain demand for medicines caused by influenza infection, demand for medicines for respiratory system diseases relatively decreased as compared to a high increase for the same period last year caused by mycoplasma pneumonia and Influenza A. In addition, after the pandemic had been brought under control, people and medical institutions procured a large number of influenza medications stockpiles at the beginning of last year, resulting in a slowdown in the demand for respiratory system prescription medications and relevant medications for curing influenza. Among which, the sales of Qing Kai Ling Injection only recorded RMB504,029,000 as compared with a high comparison base from the previous year, representing a substantial decrease of 40.8% and accounting for 13.3% of the Group's overall revenue.

The Group has a rich product line for respiratory system diseases, covering a variety of therapeutic areas. Our products such as Qing Kai Ling Injection have good curative effects in the treatment of respiratory diseases, which are widely recognized by doctors and patients. Qing Kai Ling Injection of the Group has been mainly sold in basic medical institutions such as clinics and township health centers. But currently, a considerable proportion of Qing Kai Ling Injection of the Group was already being used in tier three hospitals, highlighting the trend of the popularization of using TCM injections to treat influenza.

The Group has completed the Phase III clinical trial for its self-developed “JC Soft Capsule” for treating upper respiratory infection during the year. Its production license is expected to be obtained in 2026, which will add a strong new force to the respiratory system medications of the Group.

### ***Cardio-cerebrovascular injection prescription medications***

In 2024, the Group’s sales of a series of cardio-cerebrovascular injection prescription medications decreased by 23.8% to RMB627,280,000, accounting for 16.6% of the Group’s overall revenue. Except for Shen Mai Injection, which increased by 10.6% to RMB207,751,000, all cardio-cerebrovascular injection prescription medications recorded decreases in sales. In particular, sales of Shu Xue Ning Injection decreased by 8.6% to RMB168,563,000 and Guan Xin Ning Injection decreased by 52.7% to RMB138,469,000. Sales of Dan Shen Injection, Huang Qi Injection and Xiang Dan Injection declined by 15.3%, 27.4% and 50.1% to RMB63,161,000, RMB25,037,000 and RMB24,300,000 respectively.

Affected by the implementation of centralized procurement during the year, the Group had to optimize its production and sales strategy according to the supply chain to adapt to the new market environment, which resulted in sales decline. With the national support and promotion of TCM policies, the medical insurance will gradually remove the reimbursement restrictions on TCM injection, and the use of TCM injection in medical institutions will develop steadily.

### ***Exclusive oral prescription medications***

During the year, the Group’s exclusive oral prescription medications maintained growth momentum amid complicated and volatile market environment and industry challenges, with sales for the year increasing by 22.2% to RMB543,922,000. In particular, sales of Huamoyan Granule, Qi Huang Tong Mi Soft Capsule, Jiang Zhi Tong Luo Soft Capsule, Dan Deng Tong Nao Soft Capsule and Shu Jin Tong Luo Granule increased by 17.5%, 14.5%, 24.1%, 53.1% and 71.9% to RMB285,524,000, RMB84,316,000, RMB51,739,000, RMB47,588,000 and RMB38,997,000 respectively as compared to last year.

The Group's exclusive oral products are recognized by doctors and patients for their clinical efficacy. Among them, Huamoyan Granule, as an innovative Chinese Medicine for treating knee joint synovitis, has been widely recognized for its efficacy in the market, impelling a strong competitive edge of the Group's exclusive oral products. Likewise, Qi Huang Tong Mi Soft Capsule is the only next-generation modern Chinese medicine on the market for treating functional constipation in the elderly that is laxative without causing diarrhea, while also being continuously effective. Jiang Zhi Tong Luo Soft Capsule is the only lipid-regulating medication with a hepato-protective effect and can effectively and safely treat hyperlipidemia, making it the first choice for patients with hyperlipidemia accompanied by fatty liver and abnormal liver function. Dan Deng Tong Nao Soft Capsule is a neuroprotective medication for stroke prevention and treatment, capable of effectively improving cerebral circulation, increasing local cerebral blood flow in ischemic areas, inhibiting platelet aggregation, protecting nerve cells and vascular endothelium, and preventing arteriosclerosis. Shu Jin Tong Luo Soft Capsule, originating from a classic formula, comprehensively improves the symptoms of cervical spondylosis and is the preferred medication for patients suffering from dizziness caused by vertebrobasilar insufficiency and chronic cerebral hypoperfusion.

During the year, Jiang Zhi Tong Luo Soft Capsule and Dan Deng Tong Nao Soft Capsule had successfully renewed their inclusion in the medical insurance catalogue. With the successful renewal of Qi Huang Tong Mi Soft Capsule in the 2023 edition of medical insurance catalogue, the Group now has four exclusive products listed as "National Negotiated Drugs."

The number of the Group's exclusive medical insurance products and national negotiated products has been continuously increasing, with the number of exclusive products included currently reaching 12, including Huamoyan Granule, Huamoyan Capsule, Shu Jin Tong Luo Granule, Qing Kai Ling Soft Capsule, Qi Huang Tong Mi Soft Capsule, Xie Chang Antidiarrheal, Dan Deng Tong Nao Capsule, Dan Deng Tong Nao Soft Capsule, Jiang Zhi Tong Luo Soft Capsule, Xiao Jie An Capsule, Si Wu Tablet, Yi Guan Jian Granule and etc.

One of the Group's exclusive medical insurance products, Xiao Jie An Capsule, revealed notable demand in the market lately. As a gynecological medicine inherited from the classic Dai medicine formula, Xiao Jie An Capsule has been mainly used for the treatment of gynecological diseases such as breast hyperplasia, ovarian cysts and uterine fibroids. Through reasonable combination of ingredients and multiple pharmacological mechanisms, it achieves both symptomatic and root-cause treatment effecting, addressing the significant gap in clinical western medicine which only treat symptoms rather than the cause. Meanwhile, proprietary Chinese medicines for gynecology have relatively small adverse effects on the human body, effectively preventing potential harm to pregnant women and infants caused by drug side effects. Currently, there is no specific drug for breast hyperplasia, ovarian cysts and uterine fibroids in clinical practice. Most cases require combined treatment with Dai medicine, and Xiao Jie An Capsule possess great growth potential.

The Group will continue to actively strengthen evidence-based medical research of exclusive products, and expand the sales of the Group's exclusive oral products through boosting end customer engagement and academic promotion.

## ***OTC Medications***

The Group has a number of well-received OTC medications with high growth potential, which are made available for people to purchase at more than 300,000 retail pharmacies nationwide and multiple major online pharmacy platforms.

In 2024, the overall sales of OTC medications decreased by 27.9% year-on-year, of which sales of Huo Xiang Zheng Qi Soft Capsule and Qing Kai Ling Soft Capsule decreased by 42.3% and 20.4% respectively. Meanwhile, the Group's series of OTC granules for treating respiratory diseases in children also recorded a negative growth during the year, with sales of Pediatric Qing Fei Hua Tan Granule down by 31.4% as compared to last year.

The decrease in sales of OTC medications was mainly due to the fact that the public and pharmacies stocked up large quantity of OTC medications in 2023 after the pandemic had been brought under control. The current economic downturn also led to relatively weak consumer purchasing power, resulting in a decrease in the sales of the Group's OTC medications in 2024 as measured against the high comparable base of last year.

## **Clinical Trials of New Medications**

By continuously advancing our investment in scientific research resources, the Group initiated diligently selected projects to develop new modern Chinese medicines with unique curative effects. Our research focuses on the development of orally administered medications targeting treatments of chronic diseases, especially in fields where no cures can be provided by Western medicines. In addition, the Group is well-positioned to take advantage of its knowhow on modernizing TCM and to accelerate the progress of transforming the Group's research findings into practical applications and developing innovative TCMs with clinical advantages and characteristics to contribute to people's health and well-being.

Currently, the Group has a number of research projects, which are progressively being put on pharmaceutical and clinical trials. Among them are two exclusive innovative medications, Sailuotong Capsule and JC Soft Capsule, which had completed their Phase III clinical trials. Currently, the Group's research and development team are conducting work on clinical data analysis and summing-up with the expectation to submit the production permit applications by the end of the year, with the target of obtaining approval for marketing in 2026.

On the other hand, the exclusive innovative medication "Q-B-Q-F Condensed Pill" is still under Phase III clinical trials. The Group will provide updates on the clinical trials from time to time.

Please refer to the interim reports and annual reports announced in previous years for the detailed descriptions and market potential of the above three medications.



The Group's research and development expenses accounted for 2.7% of the total sales revenue during the year. In the future, the Group will continue to focus on modernizing TCMs and developing innovative TCMs with clinical advantages and characteristics in the advantageous fields of TCM such as cardiovascular and cerebrovascular diseases, paediatrics, orthopaedic diseases, gynaecological diseases, and geriatric diseases.

### **Ancient Classical Prescriptions**

The Group has been persistently committed to promoting the inheritance and innovative development of TCMs, and is currently developing more than 100 new medications developed from ancient classical prescriptions of Chinese medicine.

Classical prescriptions are TCM compound preparations originated from ancient classical prescriptions recorded in ancient Chinese medicine books, which are still broadly used nowadays with distinct efficacy. The Group has been actively modernizing such classical prescriptions through standardized and regulated research and development procedures with an aim to making them more acceptable and easier to use by people upon launching to market. Guided by the national policies, the Group is now accelerating the registration of several new medications developed from classical TCM prescriptions under Class 1.1 and Class 3.1 of TCM regulations.

Amid continuous favourable national policies, the Group has achieved innovative breakthroughs while building on its heritage. The Group's Class 3.1 TCM compound "Yiguan Jian Granule" was approved for market launch, making the Group the first holder of approved registration for market launch of this category of medication. Yiguan Jian Granule is used for the treatment of chronic hepatitis, chronic gastritis, gastric and duodenal ulcers, intercostal neuralgia and other diseases. It has been included in the Expert Consensus on the Clinical Application of Yiguan Jian Granule (2024), the Expert Consensus on the Integrated Chinese and Western Diagnosis and Treatment of Chronic Hepatitis B (2024), and the Guideline on the Integrated Diagnosis and Treatment of Dryness Syndrome. Subsequently, the Yiguan Jian Granule was also included in the List of Drugs for National Basic Medical Insurance, Industrial Injury Insurance and Maternity Insurance issued by the National Healthcare Security Administration at the end of 2024, and the new version of the list will be officially implemented from 1 January 2025 onwards.

By the end of 2024, the Group had submitted 6 applications to the National Medical Products Administration for listing under Class 3.1 of TCM, making us the one with the largest number of such category registered in the PRC. Currently, the Group has been granted more than 20 national invention patents for such category.

Phase II clinical trials of "Yi Gong San Granule", a Class 1.1 innovative TCM independently developed by the Group, was commenced during the year. "Yi Gong San Granule" is originated from a classic prescription of the Song Dynasty, which has been clinically applied for more than 900 years treating anemia of chronic disease, for which there has been no specific Chinese patent medicine available in the market. Studies have demonstrated the clinical efficacy of Yi Gong San Granule in the treatment of anemia of chronic disease, especially in cases where EPO therapy with erythropoietin is ineffective.



In addition, the Group also submitted four new medication registration applications for TCM compound formulas based on ancient classical prescriptions under Class 3.1 of TCM regulations during the year, including “Shengxian Granules (升陷顆粒)”, “Erdong Granules (二冬顆粒)”, “Loquat Qingfei Granules (枇杷清肺顆粒)”, and “Taohong Siwu Granules (桃紅四物顆粒)”, which cover respiratory, endocrine, dermatology and gynecology therapeutic areas.

“Shengxian Granules” are primarily used to treat the syndrome of Qi Deficiency and Prolapse, with symptoms including shortness of breath, difficulty in breathing, a deep, slow, and weak pulse, or irregular pulse conditions. “Erdong Granules” are used to treat the Upper Consumption, with symptoms including persistent thirst, frequent urination, a rapid and weak pulse, among others. “Loquat Qingfei Granules” are used to treat Lung Wind Invasion, with symptoms such as facial and nasal bumps, redness, swelling, pain, discharge of purulent fluid, or scabbing. “Taohong Siwu Granules” are used to treat Blood Deficiency and Blood Stasis syndrome, with symptoms including irregular menstruation in women, heavy menstrual flow with clots, dark and sticky blood, abdominal pain, and bloating.

The Group will provide updates from time to time on the research and development of new medications from the conversion of classical prescriptions.

### **Centralized Procurement by the National Procurement Alliance of Proprietary Chinese Medicine**

On 10 February 2025, the National TCM Finished Drugs Joint Procurement Office announced the results of the centralized procurements of TCM products implemented by the National Procurement Alliance of Proprietary Chinese Medicine. Our Group successfully won the bid for eight key products, including Qing Kai Ling Injection, Shu Xue Ning Injection, Shen Mai Injection, Shuanghuanglian Injection, Dengzhanhua Su Injection, Yinzhi Huang Injection, Qingkailing Soft Capsule, and Xiesaitong Dripping Pill. These tendered products cover treatment areas such as cardiovascular and cerebrovascular diseases, respiratory system diseases, and digestive system diseases. They are among the most commonly used medicines in clinical practice and included in medical insurance and essential drug lists.

The National Procurement Alliance of Proprietary Chinese Medicine is composed of representatives delegated by the alliance regions including Hubei, Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hunan, Guangdong, Guangxi Zhuang Autonomous Region, Hainan, Chongqing, Sichuan, Guizhou, Yunnan, Tibet Autonomous Region, Shaanxi, Gansu, Qinghai, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, and Xinjiang Production and Construction Corps. The Alliance conducted centralized volume-based procurements of relevant medicines within its framework on behalf of the relevant medical institutions in the above-mentioned regions.

The Group’s tendered products secured in the centralized procurement bids are now more in line with the disbursement requirements of DRGs/DIP, which catered to providing high-quality and reasonably-priced medication options for more patients. This would further boost terminal market demand and market coverage rate of the Group’s products, expanding marketing and sales opportunities.

## **National Policies Supporting Tcm**

In 2024, the government issued a series of policies on TCM, covering multiple aspects such as the inheritance and innovation of TCM, talent cultivation, industrial development, international exchanges and cooperation, etc., providing strong policy support for the sustained and healthy development of the TCM industry.

During the year, the National Administration of TCM issued the “Action Plan for the Inheritance and Innovation of TCM (2024-2028)”, which clearly outlined the need to reinforce the protection and inheritance of TCM knowledge, support the collation and research of ancient Chinese medicine books, and promote the integration of TCM theories with modern technology, so as to enhance the scientific nature and modernization of TCM, as well as enhance the competitiveness of TCM on the global stage. Moreover, the National Administration of TCM and the Ministry of Education jointly issued the “Guiding Opinions on Reform and Development of the TCM Education”, which proposed to optimize the TCM education system, strengthen the cultivation of TCM talents, especially high-level and compound talents, so as to supply more high-quality professionals for the TCM industry and ultimately to improve the technical level and service quality of the entire TCM industry. Subsequently, the National Administration of TCM also issued the “Action Plan for the International Exchange and Cooperation in TCM (2024-2028)”, which proposed to strengthen international exchange and cooperation in TCM and promote TCM to the world. This initiative will help enhance the international reputation and influence of TCM and promote the international development of TCM products and services.

The National Development and Reform Commission issued the “Development Plan for the Traditional Chinese Medicine Industry (2024-2028)” which proposed to support the innovative development of the TCM industry, promote the in-depth integration of TCM with modern biotechnology, information technology and other fields, and promote the research and development and marketing of TCM products, which will speed up the transformation and upgrading of the TCM industry and enhance the TCM products in science and technology as well as market competitiveness.

The ongoing support from national policies provides strong backing for the development of TCM. Meanwhile, the TCM industry is also growing continuously through innovation and refinement, with more high-quality, safe, and effective TCM products offered to patients.

## **Financial Analysis**

### ***Turnover***

In 2024, the Group recorded a decrease in turnover of 16.4% from last year. Sales of injection products reached approximately RMB1,267,983,000, down approximately 29.0% as compared with 2023. Sales of injection products accounted for approximately 33.6% of the Group's turnover. Sales of soft capsule products were approximately RMB495,307,000, down approximately 14.9% from last year. Soft capsule products accounted for approximately 13.1% of the Group's turnover. Sales of granule products amounted to approximately RMB673,651,000, down approximately 2.9% from last year. Granule products accounted for approximately 17.8% of the Group's turnover. Sales of TCM formula granules were approximately RMB1,090,116,000, representing a decrease of 9.3% from last year and accounting for approximately 28.9% of the Group's turnover. Sales of the Group's products in other dosage forms were approximately RMB250,986,000 which accounted for approximately 6.6% of the Group's turnover.

The aggregate sales attributable to the largest customer and ten largest customers accounted for 6.8% and 29.4% respectively of the Group's turnover.

### ***Cost of Sales***

Cost of sales in 2024 was approximately RMB946,294,000 representing approximately 25.0% of total turnover. Direct materials, direct labor and other production costs accounted for approximately 65.7% (2023: 66.1%), 16.2% (2023: 14.9%) and 18.1% (2023: 19.0%) of total cost of sales respectively.

### ***Gross Margin***

In 2024, average gross margins of injection products, soft capsule products, granule products and TCM formula granule products were approximately 75.4% (2023: 76.7%), 78.6% (2023: 77.5%), 77.5% (2023: 77.5%) and 72.9% (2023: 74.0%) respectively. Overall gross margin of the Group was 75.0% (2023: 75.1%).

### ***Other Income***

Other income mainly included government subsidies of RMB174,094,000 (2023: RMB143,257,000). The government subsidies mainly represented incentives received from government for research and development and investments in relevant regions in PRC by the Group.

### ***Investment Income***

Investment income mainly included interest income from bank deposits and structured deposits totaling RMB176,718,000 (2023: RMB95,207,000) and income from investments in financial products of RMB12,636,000 (2023: RMB10,306,000) respectively.

### ***Other Gains and Losses***

In 2024, other gains and losses mainly comprised net exchange losses arose from the change in exchange rate between Renminbi and Hong Kong dollars/Australian dollars of approximately RMB55,440,000 (2023: net exchange gains of RMB6,605,000).

### ***Impairment Losses on Financial Assets***

In 2024, respective impairment of RMB7,506,000 (2023: RMB3,954,000) and reversal of impairment of RMB894,000 (2023: impairment of RMB1,486,000) for trade receivables and trade receivables backed by bank bills were accounted for after the expected credit risk of financial assets assessment by the Group's management.

### ***Selling and Distribution Costs***

Selling and distribution costs comprised advertising expenses, distribution and promotion expenses, wages of salespersons and other market promotion and development expenses. The overall distribution costs decreased by approximately 19.4% in 2024, the selling and distribution costs to turnover ratio decreased by approximately 1.6 percentage points as compared with that of last year and accounted for approximately 42.3% of the Group's turnover in 2024 (2023: 43.9%). The decrease was mainly due to the fact that the Group strengthened its cost control policy, resulting in (i) a decrease in market development expenses, sale management expenses and market promotion expenses; and (ii) reduced headcount and payroll of sales persons as compared with that of last year.

### ***Administrative Expenses and Research and Development Costs***

In 2024, administrative expenses decreased by approximately 10.8% as compared to last year, representing approximately 7.7% (2023: 7.2%) of the Group's turnover. The decrease in administrative expenses was mainly attributable to the absence of distribution of performance related bonuses and the Group strengthened its cost control policy in current year. Administrative expenses mainly comprised (i) salaries of administrative staff and (ii) depreciation expenses of non-productive fixed assets and amortization expenses of intangible assets which accounted for approximately 2.2% and 1.3% of the Group's total turnover in 2024 respectively. Research and development expenses decreased by approximately 9.0% from last year, accounted for approximately 2.7% (2023: 2.4%) of the Group's turnover in 2024.

### ***Income Tax Rates***

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%.

Certain subsidiaries which are operating in Western China have been granted tax concession by the local tax bureau and enjoyed a PRC EIT concessionary rate of 15.0% (2023: 15.0%). Certain subsidiaries which were recognised as High and New-tech Enterprises have been granted tax concessions by the local tax bureau and enjoyed a PRC EIT concessionary rate of 15.0% for 2023 and 2024. In addition, a subsidiary which is operating in agricultural products business has been granted tax exemption by the local tax bureau.

In 2024, the effective tax rate of the Group was 26.7% (2023: 21.8%). The increase in effective tax rate was mainly due to the increased profit distribution of the PRC subsidiaries which in turn increased the withholding tax thereof.

### ***Profit for the Year***

The Group's profit attributable to shareholders of the Company for 2024 was RMB840,052,000, down approximately 13.4% from 2023. The decrease in profit was mainly attributable to the decreased turnover and operating profit and the increased withholding tax related to dividend distribution in the year.

### ***Liquidity and Financial Resources***

As at 31 December 2024, bank balances and cash of the Group amounted to approximately RMB6,140,153,000 (2023: RMB5,888,776,000), of which approximately RMB4,221,869,000 (2023: RMB5,048,088,000) were denominated in RMB, others being equivalent to approximately RMB366,858,000, RMB1,548,327,000 and RMB3,099,000 (2023: RMB23,191,000, RMB813,868,000 and RMB3,629,000) were denominated in Hong Kong dollars, Australian dollars and United States dollars respectively.

In regard to financial assets at fair value through profit or loss, the Group redeemed structured deposits of approximately RMB20,000,000 in full upon maturity in January 2024. On the other hand, the Group subscribed two financial products with banks during the year. There is no specific maturity for those products. At the request of the Group, the Group can redeem the financial products at buying price quoted by the banks. As at 31 December 2024, the fair value of the financial products is RMB350,020,000.

The directors of the Company (the "Directors") believe that the financial position of the Group is healthy, with sufficient financial resources to meet the requirement of its future development.

### ***Property, Plant and Equipment***

As at 31 December 2024, property, plant and equipment amounted to approximately RMB1,219,402,000, increased by approximately 1.2% as compared to last year. During 2024, the Group commenced various warehouse and logistics center projects and workshop modification projects in Shijiazhuang, which amounted to approximately RMB95,551,000 in total. The Group also had new additions to leasehold land, leased/owned properties, leased motor vehicles, leased/owned plant and machineries and office equipment of approximately RMB67,905,000 in total during the year. Besides, following the adoption of IFRS 16, property, plant and equipment had included the leasehold land, leased properties, leased motor vehicles and leased machineries, which had respective net book values of RMB165,751,000, RMB2,256,000, RMB2,430,000 and RMB5,615,000 as at 31 December 2024.

The depreciation expense of property, plant and equipment expenses for the year amounted to RMB144,722,000 (2023: RMB162,544,000).

### ***Intangible Assets***

Intangible assets represented patents and production licenses with finite useful lives. During the year, the amortisation expense of intangible assets was approximately RMB9,467,000.

### ***Goodwill***

Goodwill comprises of the Group's acquisition of the remaining 20% equity interests of Shineway Pharmaceutical Sales Company Limited in 2005, the acquisition of 100% equity interests of Shineway Pharmaceutical (Zhangjiakou) Co., Ltd and Shineway Pharmaceutical (Sichuan) Company Limited in 2010, the acquisition of 100% equity interest of Shineway Pharmaceutical Group (Shandong) Company Limited in 2014, the acquisition of 100% equity interest of Yunnan Shineway Spirin Pharmaceutical Company Limited in 2015 and the acquisition of 100% equity interest of Shineway Pharmaceutical (Kunming) Company Limited (formerly known as Yunnan Liangfang Pharmaceutical Co., Ltd.) in 2021.

### **DIVIDENDS**

The Board did not recommend the payment of any final dividend for the year ended 31 December 2024 and resolved to declare the first interim dividend of RMB36 cents per share amounting to RMB271,944,000 in respect of the year ending 31 December 2025 which is calculated on the basis of 827,000,000 shares issued less 71,600,000 shares held for share award scheme as at 31 December 2024, which will be paid on 20 May 2025 to the shareholders whose names appear on the Company's register of members on 7 May 2025.

The above interim dividend will be payable in cash in Hong Kong dollars and will be converted from Renminbi at the telegraphic transfer exchange rates quoted by bank at 10:00 a.m. on 28 March 2025 (RMB1=HK\$1.070). Accordingly, the amount payable on 20 May 2025 will be HK\$0.385 per share.



## RESULTS

The Company is pleased to present the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2024 with comparative figures as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
	NOTES	RMB'000	RMB'000
Revenue	3	3,778,043	4,516,538
Cost of sales		<u>(946,294)</u>	<u>(1,122,419)</u>
Gross profit		2,831,749	3,394,119
Other income		182,426	163,122
Investment income	4	189,354	105,513
Other gains and losses		(55,920)	4,260
Impairment losses on financial assets under expected credit loss model, net of reversal		(6,612)	(5,440)
Selling and distribution costs		(1,597,305)	(1,981,623)
Administrative expenses		(291,320)	(326,499)
Research and development costs		(100,522)	(110,462)
Finance costs		<u>(6,129)</u>	<u>(2,737)</u>
Profit before taxation	5	1,145,721	1,240,253
Taxation	6	<u>(305,669)</u>	<u>(270,743)</u>
Profit and total comprehensive income for the year		<u>840,052</u>	<u>969,510</u>
Earnings per share	8		
– Basic (RMB)		<u>111 cents</u>	<u>128 cents</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*AT 31 DECEMBER 2024*

		<b>2024</b>	<b>2023</b>
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		<b>1,219,402</b>	1,205,287
Intangible assets		<b>23,323</b>	32,790
Goodwill		<b>165,956</b>	165,956
Deferred tax assets		<b>34,326</b>	15,230
		<b>1,443,007</b>	1,419,263
Current assets			
Inventories		<b>813,190</b>	897,709
Trade receivables	9	<b>908,115</b>	758,205
Trade receivables backed by bank bills	9	<b>293,762</b>	502,162
Prepayments, deposits and other receivables		<b>93,283</b>	87,878
Financial assets at fair value through profit or loss		<b>350,020</b>	20,000
Bank balances and cash		<b>6,140,153</b>	5,888,776
		<b>8,598,523</b>	8,154,730
Current liabilities			
Trade payables	10	<b>367,046</b>	484,791
Trade payables backed by bank bills	10	<b>35,918</b>	–
Other payables and accrued expenses		<b>1,508,955</b>	1,400,857
Contract liabilities		<b>26,437</b>	51,560
Bank borrowings		<b>330,000</b>	300,000
Lease liabilities		<b>8,271</b>	971
Amounts due to related companies		<b>13,784</b>	13,784
Deferred income		<b>75,315</b>	75,842
Tax payable		<b>84,270</b>	105,913
		<b>2,449,996</b>	2,433,718
Net current assets		<b>6,148,527</b>	5,721,012
Total assets less current liabilities		<b>7,591,534</b>	7,140,275

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Non-current liabilities		
Lease liabilities	8,256	355
Deferred tax liabilities	34,521	16,264
Deferred income	<u>81,853</u>	<u>88,888</u>
	<u>124,630</u>	<u>105,507</u>
Net assets	<u><u>7,466,904</u></u>	<u><u>7,034,768</u></u>
Capital and reserves		
Share capital	87,662	87,662
Reserves	<u>7,379,242</u>	<u>6,947,106</u>
Total equity	<u><u>7,466,904</u></u>	<u><u>7,034,768</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2024

### 1. GENERAL INFORMATION

The Company is a listed company registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 14 August 2002 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The immediate holding and its ultimate holding company is Forway Investment Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability. Its ultimate controlling party is Mr. Li Zhenjiang, who is also the Chairman of the Group.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are engaged in research and development, manufacturing and trading of Chinese pharmaceutical products.

### 2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

#### **New and amendments to IFRS Accounting Standards that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

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

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to IFRS 9 and IFRS 7	Contracts Referring Nature-dependent Electricity <sup>3</sup>
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture <sup>1</sup>
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 <sup>3</sup>
Amendments to IAS 21	Lack of Exchangeability <sup>2</sup>
IFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027.

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

### **IFRS 18 *Presentation and Disclosure in Financial Statements***

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

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

### 3. REVENUE AND SEGMENT INFORMATION

#### Operating segments

The Group is engaged in a single segment in research and development, manufacturing and trading of Chinese pharmaceutical products. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the Chairman of the board of directors of the Group, being the chief operating decision maker (the “CODM”), for the purpose of resources allocation and performance assessment. The information reported to the CODM is further categorised into different locations within the PRC, each of which is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into a single reportable segment as they share similar economic characteristics.

#### Revenue from major products

The following is an analysis of the Group’s revenue from its major products:

	2024 <i>RMB’000</i>	2023 <i>RMB’000</i>
Injections	1,267,983	1,785,836
Soft capsules	495,307	582,143
Granules	673,651	693,589
Traditional Chinese medicine formula granules	1,090,116	1,201,664
Others	250,986	253,306
	<u>3,778,043</u>	<u>4,516,538</u>

The Group sells pharmaceutical products to the wholesale market and directly to customers. Revenue is recognised at a point in time when control of the products has transferred to customers, being at the point the products are delivered to the customer. The normal credit term is six months to one year upon delivery while certain customers make advanced payment before delivery. Only products with quality defects are allowed to be returned to the Group within a specified period of time upon receipt by the customers.

Contracts with customers with unsatisfied performance obligations have original expected duration of one year or less. As permitted under IFRS 15 “Revenue from Contracts with Customers”, the aggregate amount of transaction price allocated to these unsatisfied contracts is not disclosed.



## Geographical information

Sales of the Group to external customers were substantially made in the PRC including Hong Kong.

All non-current assets of the Group excluding deferred tax assets are located in the PRC including Hong Kong.

## Information about major customers

For each of the years ended 31 December 2024 and 2023, there was no customer with revenue accounted for more than 10% of the Group's total revenue.

## 4. INVESTMENT INCOME

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Interest on bank deposits	170,007	94,833
Interest on structured deposits ( <i>note</i> )	6,711	374
Investment income from financial products ( <i>note</i> )	<u>12,636</u>	<u>10,306</u>
	<u><b>189,354</b></u>	<u><b>105,513</b></u>

*Note:* The structured deposits and financial products are measured at fair value through profit or loss. The redemption amounts (including the return) of such products are linked to the performance of underlying financial products. The investment income represents the differences between initial investment amounts and redemptions amounts, inclusive of both realised and unrealised changes.

## 5. PROFIT BEFORE TAXATION

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	14,122	42,317
Other staff costs	361,943	437,477
Other staff's pension costs	<u>15,759</u>	<u>26,727</u>
	391,824	506,521
Less: Capitalised in inventories	<u>(139,526)</u>	<u>(173,775)</u>
	<u>252,298</u>	<u>332,746</u>
Depreciation of property, plant and equipment	144,722	162,544
Amortisation of intangible assets	<u>9,467</u>	<u>14,558</u>
Total depreciation and amortisation	154,189	177,102
Less: Capitalised in inventories	<u>(85,454)</u>	<u>(116,869)</u>
	<u>68,735</u>	<u>60,233</u>
Auditor's remuneration	2,396	2,400
Cost of inventories recognised as an expense (included in cost of sales)	946,294	1,122,419
(Gains) loss on disposal of property, plant and equipment (included in other gains and losses)	(91)	2,388
Gains on disposal of subsidiaries (included in other gains and losses)	(3,919)	–
Net exchange losses (gains) (included in other gains and losses)	55,440	(6,605)
Government subsidies (included in other income) ( <i>Note</i> )	<u>(174,094)</u>	<u>(143,257)</u>

*Note:* The government subsidies represent the amounts received from the local government by the subsidiaries of the Company.

During the year ended 31 December 2024, government subsidies of (a) RMB162,415,000 (2023: RMB124,468,000) represent incentives received in relation to engagement of the subsidiaries of the Company in business development, the grants of which were unconditional, approved and received during the year; and (b) RMB11,679,000 (2023: RMB18,789,000) represent recognition of deferred income upon completion of related research activities and development projects.

## 6. TAXATION

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
The charge comprises:		
PRC Enterprise Income Tax (“EIT”):		
Current tax	207,155	226,879
Underprovision (overprovision) in prior years	17,601	(4,624)
Withholding tax on distributed profits	<u>81,752</u>	<u>47,077</u>
	306,508	269,332
Deferred tax	<u>(839)</u>	<u>1,411</u>
	<u><u>305,669</u></u>	<u><u>270,743</u></u>

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Certain subsidiaries which are operating in Western China have been granted tax concession by the local tax bureau and are entitled to concessionary rate of 15% for PRC EIT for both years. Certain subsidiaries which are recognised as High and New-tech Enterprise have been granted tax concessions by the local tax bureau and are entitled to concessionary rate of 15% for PRC EIT for both years. In addition, a subsidiary which is operating in agricultural products business has been granted tax exemption by the local tax bureau.

According to the relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). In March 2023, the State Taxation Administration and the Ministry of Finance announced that the Super Deduction is available to all types of PRC enterprises from 1 January 2023 onwards. The Group made its best estimate for the Super Deduction to be claimed for the Group’s PRC subsidiaries in ascertaining their assessable profits for the years ended 31 December 2024 and 2023.

According to the relevant PRC tax regulations, PRC withholding income tax of 10% shall be levied on the dividend declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding company of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. Those immediate holding company of the Group’s PRC subsidiaries were entitled to 5% withholding tax rate during the years ended 31 December 2024 and 2023.

The taxation charge for the year can be reconciled to the profit before taxation as follows:

	<b>2024</b> <b>RMB'000</b>	2023 <i>RMB'000</i>
Profit before taxation	<b><u>1,145,721</u></b>	<u>1,240,253</u>
Tax at the applicable tax rate of 25% (2023: 25%)	<b>286,430</b>	310,063
Tax effect of expenses not deductible for tax purposes	<b>43,715</b>	65,896
Tax effect of income not taxable for tax purposes	<b>(22,144)</b>	(17,928)
Tax effect of tax losses not recognised	<b>22,679</b>	8,760
Utilisation of tax losses previously not recognised	<b>–</b>	(239)
Income tax on concessionary rates	<b>(129,649)</b>	(143,262)
Withholding tax on distributed profits of subsidiaries operating in the PRC	<b>81,752</b>	47,077
Withholding tax on undistributed profits of subsidiaries operating in the PRC	<b>5,286</b>	5,000
Underprovision (overprovision) in prior years	<b><u>17,600</u></b>	<u>(4,624)</u>
Taxation charge for the year	<b><u>305,669</u></b>	<u>270,743</u>

## 7. DIVIDENDS

	<b>2024</b> <b>RMB'000</b>	2023 <i>RMB'000</i>
Dividends recognised as distributions during the year:		
– 2023 first interim dividend of RMB31 cents per share	–	234,174
– 2023 second interim dividend of RMB11 cents per share	–	83,094
– 2024 first interim dividend of RMB43 cents per share	<b>324,822</b>	–
– 2024 second interim dividend of RMB11 cents per share	<b><u>83,094</u></b>	<u>–</u>
	<b><u>407,916</u></b>	<u>317,268</u>

	<b>2024</b> <b>RMB'000</b>	2023 <i>RMB'000</i>
Dividends declared subsequent to the reporting period:		
– 2024 first interim dividend of RMB43 cents per share	–	324,822
– 2025 first interim dividend of RMB36 cents per share	<u><b>271,944</b></u>	<u>–</u>
	<u><b>271,944</b></u>	<u>324,822</u>

The 2025 first interim dividend of RMB36 cents per share, in the amount of an aggregate of RMB271,944,000, has been declared by the directors of the Company on 28 March 2025 and will be paid out on 20 May 2025, to the shareholders of the Company whose names appear on the register of members of the Company on 7 May 2025. The aggregate amount of RMB271,944,000 (2023: RMB324,822,000) has been calculated on the basis of 827,000,000 (2023: 827,000,000) shares in issue less 71,600,000 (2023: 71,600,000) shares held for share award scheme as at 31 December 2024.

## 8. EARNINGS PER SHARE

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

	<b>2024</b> <b>RMB'000</b>	2023 <i>RMB'000</i>
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u><b>840,052</b></u>	<u>969,510</u>
	<b>Number of shares</b>	
	<b>2024</b>	2023
Weighted average number of ordinary shares in issue less shares held for share award scheme for the purpose of calculation of basic earnings per share	<u><b>755,400,000</b></u>	<u>755,400,000</u>

No diluted earnings per share for both 2024 and 2023 were presented as there were no potential ordinary shares issued for both 2024 and 2023.

## 9. TRADE RECEIVABLES AND TRADE RECEIVABLES BACKED BY BANK BILLS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	945,260	787,844
Less: Allowance for expected credit loss ("ECL")	<u>(37,145)</u>	<u>(29,639)</u>
	<u>908,115</u>	<u>758,205</u>
Trade receivables backed by bank bills	295,462	504,756
Less: Allowance for ECL	<u>(1,700)</u>	<u>(2,594)</u>
	<u>293,762</u>	<u>502,162</u>
	<u><u>1,201,877</u></u>	<u><u>1,260,367</u></u>

The trade receivables and trade receivables backed by bank bills are from contracts with customers.

As at 1 January 2023, trade receivables and trade receivables backed by bank bills net of allowance of ECL, amounted to RMB673,380,000 and RMB301,682,000, respectively.

The Group allows a credit period normally ranging from six months to one year to its trade customers. The following is an aged analysis of trade receivables and trade receivables backed by bank bills, net of allowance for ECL, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 6 months	853,487	1,041,352
Over 6 months but less than 1 year	202,754	144,207
Over 1 year but less than 2 years	119,971	65,818
More than 2 years	<u>25,665</u>	<u>8,990</u>
	<u><u>1,201,877</u></u>	<u><u>1,260,367</u></u>

# 10. TRADE PAYABLES AND TRADE PAYABLES BACKED BY BANK BILLS

	2024 RMB'000	2023 RMB'000
Trade payables	367,046	484,791
Trade payables backed by bank bills ( <i>Note</i> )	<u>35,918</u>	<u>—</u>
	<u><b>402,964</b></u>	<u><b>484,791</b></u>

*Note:* These relate to trade payables in which the Group has issued bills to the relevant suppliers for future settlement of trade payables. The Group continues to recognise these trade payables as the Group is obliged to make payments on due dates of the bills.

An aged analysis of the Group's trade payables presented based on invoice date at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
Within 6 months	367,950	422,734
Over 6 months but less than 1 year	25,369	55,716
Over 1 year but less than 2 years	7,500	1,883
Over 2 years but less than 3 years	620	1,053
Over 3 years	<u>1,525</u>	<u>3,405</u>
	<u><b>402,964</b></u>	<u><b>484,791</b></u>

The average credit period taken for trade purchase ranges from two months to six months.



## **OTHER INFORMATION**

### **ANNUAL GENERAL MEETING**

The forthcoming Annual General Meeting will be held on 29 May 2025 and the Notice of Annual General Meeting will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

### **CLOSURE OF SHARE TRANSFER REGISTRATION**

The register of members of the Company will be closed from Tuesday, 6 May 2025 to Wednesday, 7 May 2025 (both days inclusive) for the purpose of determining Shareholders’ entitlement to the 2025 first interim dividend, during which period no transfer of shares will be registered. In order to qualify for the first interim dividend for the year ending 31 December 2025, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 2 May 2025.

The register of members of the Company will be closed from Thursday, 22 May 2025 to Thursday, 29 May 2025, both days inclusive, for the purpose of determining Shareholders’ eligibility to attend, act and vote at the Annual General Meeting, during which period no transfer of shares will be registered. In order to determine the entitlement to attend, act and vote at the Annual General Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 21 May 2025.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2024, the Company and any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

The Company did not hold or sell any treasury shares during the year ended 31 December 2024.

### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Throughout the year ended 31 December 2024, the Company has applied and complied with the principles in the Corporate Governance Code (the “Code”) set out in Appendix C1 to the Listing Rules, except for code provision C.2.1 as described below.

The code provision C.2.1 stipulates that the roles of chairman of the Board (the “Chairman”) and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive should be clearly established and set out in writing. The Company does not use the title “Chief Executive Officer”. The duty of chief executive officer has been assumed by the president of the Company (the “President”).

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

## **COMPLIANCE WITH MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group’s senior management and also persons who are likely to be in possession of inside information of the Group. Having made specific enquiry with the Directors, all Directors confirmed that, in respect of the year ended 31 December 2024, they had complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the audited financial results of the Group for the year ended 31 December 2024.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 28 March 2025. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **PUBLICATION OF FURTHER INFORMATION**

The annual report of the Company inclusive of the Directors' Report and Audited Consolidated Financial Statements for the year ended 31 December 2024 and Corporate Governance Report will be published on the Company's website ([www.shineway.com.hk](http://www.shineway.com.hk)) and the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) in due course.

By Order of the Board  
**China Shineway Pharmaceutical Group Limited**  
**Li Zhenjiang**  
*Chairman*

Hong Kong, 28 March 2025

*As at the date of this announcement, the executive Directors are Mr. Li Zhenjiang, Ms. Xin Yunxia and Mr. Li Huimin; the non-executive director is Mr. Zhou Wencheng and the independent non-executive Directors are Mr. Liu Shun Fai, Mr. Yew Yat On and Ms. Wang Guihua.*