



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

LEADING
MODERN CHINESE MEDICINE
PROMOTING
HEALTH INDUSTRY



2024 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Zhenjiang (*Chairman*)

Ms. Xin Yunxia

Mr. Li Huimin

Independent non-executive Directors

Mr. Liu Shun Fai

Mr. Yew Yat On

Ms. Wang Guihua

Non-executive Director

Mr. Zhou Wencheng

BOARD COMMITTEES

Audit Committee

Mr. Liu Shun Fai (*Committee Chairman*)

Mr. Yew Yat On

Ms. Wang Guihua

Remuneration Committee

Ms. Wang Guihua (*Committee Chairman*)

Ms. Xin Yunxia

Mr. Liu Shun Fai

Nomination Committee

Mr. Li Zhenjiang (*Committee Chairman*)

Mr. Liu Shun Fai

Mr. Yew Yat On

Corporate Social Responsibility and Sustainability Committee

Mr. Liu Shun Fai (*Committee Chairman*)

Ms. Xin Yunxia

Mr. Yew Yat On

Ms. Wang Guihua

AUTHORISED REPRESENTATIVES

Mr. Li Huimin

Mr. Lee Bun Ching, Terence

COMPANY SECRETARY

Mr. Lee Bun Ching, Terence

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman,

KY1-1111, Cayman Islands

CORPORATE INFORMATION

HEAD OFFICE

Luan Cheng, Shijiazhuang
Hebei Province, The People's Republic of China ("PRC")

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3109, 31/F, Central Plaza
18 Harbour Road, Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3,
Building D, P.O. Box 1586,
Gardenia Court, Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Bank of China, Jin Zhu Xi Lu Branch Lhasa, Xizang
China Construction Bank, Luan Cheng Branch
Shijiazhuang, Hebei Province

LEGAL ADVISERS

As to Hong Kong Law
Woo Kwan Lee & Lo

As to Cayman Islands Law
Conyers Dill & Pearman, Cayman

STOCK CODE

2877 (Main Board of
The Stock Exchange of Hong Kong Limited)

WEBSITES

www.shineway.com.hk
www.shineway.com

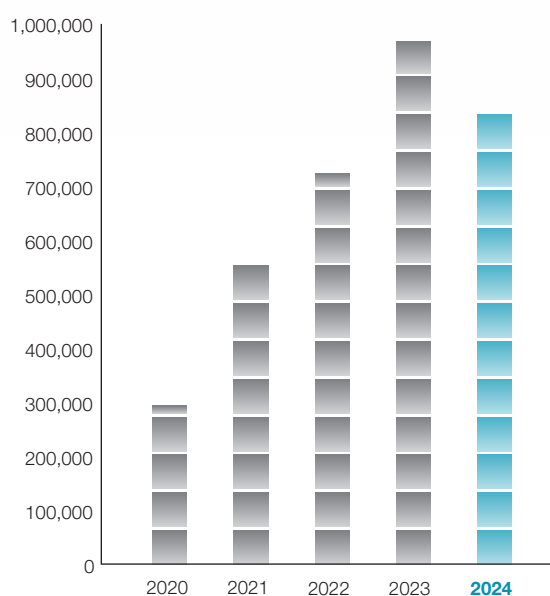
FINANCIAL HIGHLIGHTS

(in RMB'000)

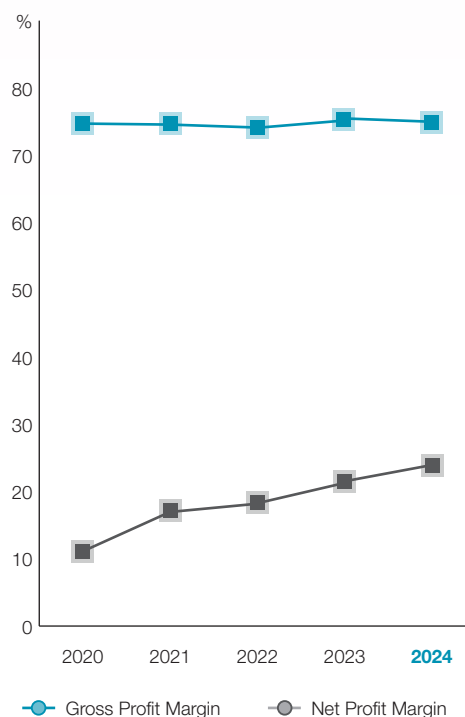
| | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------------------------------------------------|-------------|-------------|-------------|-------------|--------------------|
| RESULTS | | | | | |
| Turnover | 2,655,701 | 3,223,550 | 3,950,636 | 4,516,538 | 3,778,043 |
| Gross profit | 1,987,846 | 2,410,336 | 2,938,314 | 3,394,119 | 2,831,749 |
| Profit before taxation | 395,024 | 720,103 | 917,025 | 1,240,253 | 1,145,721 |
| Profit attributable to owners of the Company | 295,033 | 556,674 | 722,773 | 969,510 | 840,052 |
| Basic earnings per share | RMB0.39 | RMB0.74 | RMB0.96 | RMB1.28 | RMB1.11 |
| Dividends | 241,472 | 453,072 | 241,728 | 317,268 | 407,916 |
| ASSETS AND LIABILITIES | | | | | |
| Total assets | 7,213,508 | 7,203,958 | 8,231,861 | 9,573,993 | 10,041,530 |
| Total liabilities | (1,419,326) | (1,302,477) | (1,849,335) | (2,539,225) | (2,574,626) |
| Total equity attributable the owners of the Company | 5,794,182 | 5,901,481 | 6,382,526 | 7,034,768 | 7,466,904 |

Profit Attributable to Owners of the Company

(in RMB'000)



Gross and Net Profit Margins



Chairman's Statement





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.

CHAIRMAN'S STATEMENT

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.



CHAIRMAN'S STATEMENT

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 striving 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

The background is a vibrant blue gradient. It features several glowing white light streaks that curve across the frame. Scattered throughout are various geometric shapes, including cubes and rectangular prisms, some of which appear to be floating or moving. In the lower foreground, there is a pattern of overlapping, semi-transparent blue ovals that create a sense of depth and texture. The overall aesthetic is modern, clean, and futuristic.

Management Discussion and Analysis

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

| | Year-on-year rates of change in 2024 | | Full year | RMB'000 Full year sales | Percentage of sales |
|----------------------------------------------|-----------------------------------------|----------------|---------------|-------------------------------|------------------------|
| | First half | Second half | | | |
| Injections | -18.6% | -41.0% | -29.0% | 1,267,983 | 33.6% |
| 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 (including pills and tablets etc.) | -8.2% | 6.7% | -0.9% | 250,986 | 6.6% |
| Oral products | -9.3% | -6.7% | -8.1% | 2,510,060 | 66.4% |
| Total | -13.0% | -20.1% | -16.4% | 3,778,043 | 100.0% |

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

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

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 gross-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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 (including pills and tablets etc.) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Dividends

Details of dividends are set out in the directors' report on page 29 of this annual report.

Capital Structure

For the year ended 31 December 2024, there was no change in the capital structure of the Group and issued share capital of the Company.

Trade Receivables backed by Bank Bills, Trade Receivables and Discounted bills

As at 31 December 2024, trade receivables backed by bank bills and trade receivables decreased by 41.5% and increased by 19.8% respectively as compared to the balance as at 31 December 2023. Turnover days of trade receivables backed by bank bills and trade receivables were 38.4 days and 80.5 days (2023: 32.5 days and 57.8 days) respectively.

Inventories

As at 31 December 2024, inventories in the amount of RMB813,190,000, decreased by approximately 9.4%, as compared to the balance as at 31 December 2023. As at 31 December 2024, raw materials, work in progress and finished goods accounted for 14.6%, 47.9% and 37.5% (2023: 18.9%, 49.4% and 31.7%) of inventories respectively. Turnover of finished goods inventories in 2024 was 113.7 days as compared to 80.1 days in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Trade Payables

As at 31 December 2024, turnover days of trade payables was 164.3 days (2023: 129.0 days).

Bank Borrowings

As at 31 December 2024, the Group had bank borrowings of RMB330,000,000 (2023: RMB300,000,000) with interest rate of 1.45% per annum and is repayable within one year. The proceed was used to finance the Group's daily operations. As at 31 December 2024, the Group's gearing ratio based on interest bearing debt for the year was 4.4% (2023: 4.3%).

Employees

As at 31 December 2024, the Group had 3,220 (2023: 3,436) employees. Remuneration was determined and reviewed based on fair principles with reference to market conditions and individual performance. The Group also provided other benefits to its employees, including medical insurance and retirement benefits. The Group's employees in Hong Kong were also enrolled in the Mandatory Provident Fund Scheme.



MANAGEMENT DISCUSSION AND ANALYSIS

Exposure to Fluctuations in Exchange Rates

A majority of the business transactions and liabilities of the Group are denominated in Renminbi. The Group adopts a conservative financial policy and a majority of its bank deposits are in Renminbi, Hong Kong dollars and Australian dollars. The Group's exchange loss for the year arose from the change in exchange rate between Renminbi, Hong Kong dollars and Australian dollars. As at 31 December 2024, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2024 (2023: Nil).

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors (“ED”)

LI Zhenjiang (李振江), aged 69, is an executive Director and one of the founders of the Group. Mr. Li obtained an EMBA degree from the Yangtze Commercial Institute. Mr. Li joined the predecessor of the Group in 1974 and has been the Chairman and President of the Group and its predecessor since 1984 with responsibility for business development and strategy. He has more than 30 years’ experience in the operation and management of modern Chinese medicine enterprises. Mr. Li takes charge of the overall management of the Group and is also specifically responsible for the Group’s research and development activities. Mr. Li is a Representative to the 10th, 11th and 12th National People’s Congress. He was named as an Outstanding Entrepreneur in the PRC Pharmaceutical Industry in 1994 and has received a National Wu Yi Labour Award and special subsidies of the State Council. Mr. Li is the vice-chairman of the PRC Chinese Medicine Association. Mr. Li is also directors of several members of the Group.

XIN Yunxia (信蘊霞), formerly known as XIN Yunxia (信雲霞), aged 61, is an executive Director and one of the founders of the Group. Ms. Xin graduated from the Yangtze Commercial Institute with an EMBA degree. Ms. Xin is primarily responsible for the Group’s human resources management and operation. Ms. Xin joined the predecessor of the Group in 1981, focused on administration. She was the Deputy General Manager (human resources management) of Shineway Medical Science & Technology Co., Ltd. (“Shineway Medical”) immediately prior to the corporate reorganisation in preparation of the listing of the Company in 2004. Ms. Xin has more than 30 years’ experience in business management in the industry with the Group.

LI Huimin (李惠民), aged 57, is an executive Director. He obtained an EMBA degree from Chinese University of Hong Kong in 2016. He is primarily responsible for the marketing and sales of the Group’s products and, since joining the predecessor of the Group in 1992, focused on sales and marketing. Immediately prior to the corporate reorganisation in preparation of the listing of the Company in 2004, Mr. Li was the sales and marketing manager of Shineway Medical. He has developed a deep understanding of sales management in the PRC Chinese medicine industry with more than 25 years’ experience. Mr. Li is the vice-chairman of Hong Kong Chinese Prepared Medicine Traders Association since 2010.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors (“INED”)

LIU Shun Fai (廖舜輝), aged 53, was appointed as an INED on 1 November 2021. He is currently an executive director, the company secretary and the chief financial officer of AMVIG Holdings Limited (together with its subsidiaries, the “AMVIG Group”). He is responsible for the accounting, finance and treasury function of the AMVIG Group. He graduated from the Chinese University of Hong Kong with a bachelor’s degree and a master’s degree in Business Administration in 1992 and 1999 respectively and is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Liu has more than 30 years of auditing and accounting experience. Before joining the AMVIG Group in August 2007, Mr. Liu had been the financial controller and the qualified accountant of two other companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for 9 years and had also worked in an international accounting firm for 8 years.

YEW Yat On (姚逸安), aged 53, was appointed as an INED on 1 October 2022. He has near 30 years of experience in investment banking and finance. He held various senior positions in several international, Hong Kong and China investment banks and handled a number of initial public offering and merger and acquisition deals. He is the founder and managing director of Alliance Capital Partners Limited, a leading boutique corporate finance house carrying Type 1 and Type 6 regulated activities under the Securities and Futures Ordinance. Mr. Yew holds an Executive Diploma in Organization Leadership from Saïd Business School, University of Oxford, and obtained a Master of Science degree in Investment Management from The Hong Kong University of Science and Technology, and a Bachelor of Arts degree from The University of Hong Kong. Mr. Yew is a chartered financial analyst. Mr. Yew was appointed as a non-executive director of Ajisen (China) Holdings Limited (HKEX Stock code: 538) on 7 June 2023.

WANG Guihua (王桂華), aged 64, was appointed as an independent non-executive Director on 1 April 2023. Ms. Wang is a holder of undergraduate degree and is a deputy chief pharmacist. She has more than 30 years of experience in operation and management of Chinese medicine enterprises. She served as a director of Shandong Wohua Pharmaceutical Technology Co., Ltd.* (山東沃華醫藥科技股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (“SZSE”) (stock code: 002107)) from February 2019 to February 2022; an independent director of Chongqing Huasen Pharmaceutical Co., Ltd.* (重慶華森製藥股份有限公司) (the shares of which are listed on the SZSE (stock code: 002907)) from September 2015 to September 2021; and an independent director of Guangdong Taientang Pharmaceutical Co., Ltd.* (廣東太安堂藥業股份有限公司) (the shares of which are listed on the SZSE (stock code: 002433)) (“Guangdong Taientang”) from May 2016 to January 2023, and has served as the secretary general of the China Association of Traditional Chinese Medicine/National Technical Committee of Standardization of Traditional Chinese Medicine* (中國中藥協會/全國中藥標準化技術委員會) since August 2005; an independent director of Hainan Huluwa Pharmaceutical Group Co., Ltd. (海南葫蘆娃藥業集團股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange (“SHSE”) (stock code: 605199)) since November 2018; an independent director of Beijing Tongrentang Co., Ltd.* (北京同仁堂股份有限公司) (the shares of which are listed on the SHSE (stock code: 600085)) and an independent director of Sailing Pharmaceutical Technology Group Co., Ltd.* (賽靈藥業科技集團股份有限公司) since June 2021.

Non-Executive Director (“NED”)

ZHOU Wencheng (周文成), aged 49 was appointed as a non-executive director on 1 October 2020. Mr. Zhou graduated from the Faculty of Finance and Taxation of the Hebei University of Economics and Business, is a certified tax agent of the People’s Republic of China. Mr. Zhou has more than 20 years’ experience in financial and taxation management. He has been the chief executive officer of Kexin Enterprise Consulting Group Company Limited since 2017, and has provided financial and taxation consultancy services for various large and medium-sized domestic enterprises.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

LIU Tiejun (劉鐵軍), aged 50, joined the Group in 1999 and was appointed as vice president of Shineway Pharmaceutical Group Limited (“Shineway Pharmaceutical”) (an indirect wholly-owned subsidiary of the Company) on 16 May 2013. Mr. Liu is qualified as a senior engineer and is a certified pharmacist. He graduated from Hebei Medical University in 1999 with a bachelor’s degree in pharmacy. Mr. Liu is a member of the China Association of Chinese Medicine (Chinese Medicine Branch) and a deputy director of the National and Local United Engineering Laboratory for the Development Technology of New Chinese Medicine Injection. He has received an award of “Model Worker of Hebei Province”* (“河北省勞動模範”) by the People’s Government of Hebei Province. Mr. Liu is the legal representative of Shineway Pharmaceutical, being responsible for overseeing the Group’s production technology management with more than 20 years of experience.

Mr. Zhang Teli (張特利), aged 49, a senior engineer. He graduated from Hebei Medical University with a Bachelor’s Degree in Pharmacy in 1999 and joined the Group in the same year. Mr. Zhang has more than 20 years of experience in the pharmaceutical industry. He has successively served as workshop technician, technical department, workshop director, manager of quality assurance department, manager of production department, investment and M&A director, government affairs director, group vice president, etc. He is currently the rotating president of the Group. Mr. Zhang has won second prize of the National Science and Technology Progress Award, Li Shizhen Medical Innovation Award, China Society of Traditional Chinese Medicine Science and Technology Progress Award and many other awards.

HUNG Randy King Kuen (孔敬權), aged 59, is the Director of Investor Relation of the Group. Mr. Hung has more than 20 years of experience as CFO, executive director and independent non-executive director of various listed companies in Hong Kong. He was an executive director of the Group from 2005 to 2010, and was appointed as a non-executive director of the Group in 2011 and continued to serve as an independent non-executive director of the Group from 2014 to March 2017. Currently, Mr. Hung is also serving as a council member and the Chairman of Training Committee of the Hong Kong Institute of Directors, and the Vice Chairman of Hong Kong Investor Relations Association.

Mr. Hung is a fellow CPA of Hong Kong and a licensed CPA of the State of California, USA. He holds an MBA degree from University of London and a bachelor’s degree in Accounting and a Certificate of Programming and Data Processing from the University of Southern California. Mr. Hung also obtained a certificate in China Accounting, Finance, Taxation and Law from the Chinese University of Hong Kong, a Specialist Certificate in Corporate Finance from the Hong Kong Securities and Investment Institute, and a Certificate in Investor Relations from the UK Investor Relations Society. He has extensive experience in IPO, corporate finance and investor relation.

COMPANY SECRETARY

LEE Bun Ching, Terence (李品正), aged 52, is the Financial Controller and Company Secretary of the Group. He joined the company in 2011 as the Financial Controller and was appointed as the Company Secretary and an Authorised Representative with effect from 1 July 2017. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. He holds a bachelor’s degree in Accounting and Financial Analysis and a master’s degree in Economics and Finance from the University of Warwick in the United Kingdom. Mr. Lee has extensive work experience in the field of auditing, accounting, finance and taxation. Prior to joining the Group, he served as the Group Accounting Controller of a listed company in Hong Kong for over 3 years. Between 1996 and 2007, Mr. Lee worked in a reputable international accounting firm and was a Senior Manager when he left in 2007.



DIRECTORS' REPORT

The Board is pleased to present to the shareholders the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of its subsidiaries are research and development, manufacturing and trading of modern Chinese medicines.

A fair review of business of the Group during the year under review, discussion on the key financial performance indicators of the Group and future development of the Group's business are provided in "Management Discussion and Analysis" set out on pages 9 to 24 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year under review, if any, can be found in the abovementioned section and the notes to the consolidated financial statements.

Environmental Policies and Performance

The Group is committed to creating a successful business that is not achieved at the expense of the environment. The Group is dedicated to creating an environmentally friendly and sustainable operation. The Group has enforced the "Environmental Protection Law of the PRC", "Law of the PRC on the Prevention and Control of Water Pollution" and other laws and regulations.

Compliance with the Applicable Laws and Regulations

In 2024, the Group has complied with the relevant laws and regulations which have significant impacts on the operations of the Group.

Relationships with Employees, Customers and Suppliers

The Group's management policies, working environment, career prospects and employees' benefits have contributed to building good employee relations and employee retention of the Group. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses, a share option scheme and a share award scheme. The management regularly reviews its employee's remuneration packages to ensure they are up to prevailing market standard.

The Group has established long term business relationships with its major suppliers and customers. The Group will endeavor to maintain its established relationship with these existing suppliers and customers.

Principal Risks and Uncertainties

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

Product Liability

As the insurance is not mandatorily required, the Group has no effective product liability insurance policy in respect of the manufacture and distribution of pharmaceutical products in the PRC. In the event of any product liability claim or proceedings pertaining to the products of the Group, it may attract negative publicity to the Group and its products, which may adversely affect our reputation, business, financial condition and operations. We have set up a dedicated department to strictly implement the relevant technical and quality standards to ensure that the products meet the requirement in all aspects, to avoid product liability, and to properly handle relevant issues expeditiously.

DIRECTORS' REPORT

Healthcare Reform in China

The healthcare system in the PRC is undergoing a crucial reform period, where laws, regulations and policies governing the medical, healthcare and pharmaceutical industry are developing and constantly evolving. Moreover, regulatory bodies in the PRC may regularly or unexpectedly amend its implementation practices. Accordingly, past enforcement actions taken may not be reflective of future actions. Any enforcement action taken by the government against the Group may affect the Group adversely and result in negative publicity and reputational damage. Hence, the Group will pay close attention to the updates and timely implement the measures required by the relevant laws and regulations so as to limit any adverse effect on its business and operation.

Tender and Price Control

The Group has to participate in a government-led tender process every year or every few years. In the event that the Group fails to win the tender in a provincial tender process, the sale of products in such province will be affected and the Group will lose market share in such province. The market share, revenue and profitability of the Group may be adversely affected. We have a team of staff monitoring and handling the drug tenders of our products with the objective of winning the tenders for our products at a desirable price level. The Group is also committed to investing in research and development of new drugs in order to expand and diversify our product portfolio.

RESULTS

The results of the Group for the year ended 31 December 2024, prepared in accordance with the International Financial Reporting Standards, are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of this annual report.

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.

DIVIDEND POLICY

Any distribution of dividends shall be in accordance with the applicable laws and the relevant provisions of Articles of Association effective from time to time. The Company may declare and distribute final dividends, interim dividends or special dividends as may be determined by the Board from time to time. The distribution of dividends by the Company is subject to: (i) the financial performance of the Company; (ii) the reasonable return on investment of the investors and the shareholders in order to provide them with incentives in furtherance of their support in the Company's long-term development; (iii) the future development needs of the Company; (iv) the general market conditions; and (v) other factors deemed appropriate by the Board.



DIRECTORS' REPORT

FINANCIAL HIGHLIGHTS

A summary of the results and assets and liabilities for the last five years, as extracted from the relevant audited financial statements, is set out on page 4 of this annual report. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND RESERVES

Details of the movement in share capital and reserves of the Company during the year are set out in notes 27 and 35 to the consolidated financial statements respectively. As at 31 December 2024, the Company's reserves available for distribution to shareholders amounted to RMB2,693,102,000 (2023: RMB1,534,881,000).

DEBENTURES

The Company has not issued any debentures during the year.

DIRECTORS

The Directors during the year and up to the date of publication of this annual report were:

Executive Directors:

Mr. Li Zhenjiang (*Chairman*)

Ms. Xin Yunxia

Mr. Li Huimin

Independent Non-Executive Directors:

Mr. Liu Shun Fai

Mr. Yew Yat On

Ms. Wang Guihua

Non-Executive Director:

Mr. Zhou Wencheng

The biographical details of the Directors are set out on pages 25 to 26 of this annual report.

Each of Mr. Li Zhenjiang, Ms. Xin Yunxia and Mr. Li Huimin has entered into a service contract with the Company for a term of two years commencing from 1 October 2024. Each service contract will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

DIRECTORS' REPORT

INEDs, Mr. Yew Yat On and Ms. Wang Guihua have been appointed for a term of two years. Their service contract will continue thereafter until terminated by not less than one month's notice in writing served by either party on the other. INEDs, Mr. Liu Shun Fai and NED, Mr. Zhou Wencheng, do not have a service contract with the Company. According to the articles of association of the Company (the "Articles of Association"), one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to and not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

None of the Directors proposed for re-election at the forthcoming annual general meeting (the "AGM") has entered into or has proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

The Company had received confirmation from each of the INEDs of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and considered all INEDs to be independent.

Pursuant to Article 87(1) of the Articles of Association, Mr. Li Zhenjiang, Mr. Zhou Wencheng and Ms. Wang Guihua will retire from the Board at the forthcoming AGM.

Details of Directors' emoluments on a named basis are set out in note 11 to the consolidated financial statements of this annual report.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may incur or sustain in the execution of the duties of his office or otherwise in relation thereto, provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty on the part of any of the Directors.

The Company had arranged for appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

MANAGEMENT CONTRACTS

No contracts other than employment contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

Save as disclosed in note 34 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, any of its holding companies, fellow subsidiaries or any of its subsidiaries was a party and in which a Director or an entity connected with the Director had a material interest, either directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2024, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register referred therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

| Name of Director | Name of relevant company | Capacity | Name of shares | Approximate percentage of shareholding in the Company |
|------------------|--------------------------|----------------------------------------------|----------------|-------------------------------------------------------|
| Li Zhenjiang | Company | Founder of discretionary trust <i>(Note)</i> | 546,802,990 | 66.12% |
| Li Huimin | Company | Beneficial owner | 1,020,000 | 0.12% |
| Xin Yunxia | Company | Beneficial owner | 540,000 | 0.07% |

Note: These 546,802,990 shares of the Company ("Shares") are held by Forway Investment Limited ("Forway"). Forway is owned as to 100% by BH Corporate Services Ltd, a trust company, in its capacity as the trustee of The Li Family 2004 Trust. The Li Family 2004 Trust is a discretionary trust, the founder (as defined in the SFO) of which is Mr. Li Zhenjiang and the discretionary objects of which are family members of Mr. Li Zhenjiang (excluding Mr. Li Zhenjiang himself). Accordingly, Mr. Li Zhenjiang is deemed to be interested in the 546,802,990 Shares under the SFO.

Save as disclosed above, as at 31 December 2024, none of the Directors or chief executives of the Company or their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share Option Scheme" below, at no time during the year was the Company, its holding companies, fellow subsidiaries or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

Interest in the Company

As at 31 December 2024, interest of every person (not being a Director or chief executive of the Company) in the shares and underlying shares in the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name of shareholder | Capacity | Number of shares | Approximate percentage of shareholding in the Company |
|-------------------------------------------|--------------------------------|------------------|-------------------------------------------------------|
| Forway | Beneficial owner | 546,802,990 | 66.12% |
| BH Corporate Services Ltd (Notes 1 and 2) | Trustee of discretionary trust | 546,802,990 | 66.12% |

Notes:

- (1) Interests of Forway and BH Corporate Services Ltd in the Shares were duplicated.
- (2) The entire issued share capital of Forway is owned by BH Corporate Services Ltd in its capacity as the trustee of The Li Family 2004 Trust, a discretionary trust, the founder (as defined in the SFO) of which is Li Zhenjiang and the discretionary objects of which are family members of Li Zhenjiang (excluding Li Zhenjiang himself).

Save as disclosed above, as at 31 December 2024, the Company had not been notified by any persons who (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme at an extraordinary general meeting of the Company held on 29 May 2015 (the "2015 Scheme"). The purpose of the 2015 Scheme is to provide the Company with a flexible means of incentivizing, rewarding, remunerating, compensating and/or providing benefits to the following participants, and for such other purposes as the Board may approve from time to time:

- (i) any executive or non-executive director including any independent non-executive director or any employee (whether full-time or part-time) of any member of the Group;
- (ii) any discretionary object of a discretionary trust established by any substantial shareholder of the Company or any employee, executive or non-executive director of any member of the Group;
- (iii) any consultant, professional and other advisers to any member of the Group;

DIRECTORS' REPORT

- (iv) any chief executive or substantial shareholder of any member of the Group;
- (v) any associate of any director, chief executive or substantial shareholder of any member of the Group; and
- (vi) any employee (whether full-time or part-time) of substantial shareholder of any member of the Group to take up options.

The maximum number of shares in respect of which options may be granted under the 2015 Scheme and any other share option schemes of the Company shall not in aggregate exceed 82,700,000 representing 10% of the shares of the Company in issue as at 29 May 2015 (being the date of the extraordinary general meeting approving the 2015 Scheme) and as at the date of this annual report. The number of options available for grant under the scheme mandate at the beginning and the end of the year ended 31 December 2024 is 82,700,000.

The maximum number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised and unexercised options) under the 2015 Scheme and any other share option scheme (if any) adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue unless otherwise approved by the Company's shareholders. Where any grant of options to a substantial shareholder, an independent non-executive director, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder or an independent non-executive director or a company beneficially owned by any substantial shareholder or independent non-executive director of the Company) would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted to such person in any 12-month period up to and including the date of the grant:

- (i) representing in aggregate over 0.1% of the total number of shares of the Company in issue; and
- (ii) having an aggregate value, based on the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million,

Such grant of option shall be subject to prior approval of the shareholders of the Company who are not the grantee, his associates or core connected persons of the Company as defined in the Listing Rules.

Option granted must be taken up within 14 days from the date of offer, upon payment of HK\$1 per grant. Subject to terms and conditions upon which the option was granted, options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The 2015 Scheme has a life of 10 years and will expire on 28 May 2025.

There were no options granted, exercised, cancelled/lapsed or outstanding under the 2015 Scheme during the year.

For details of the nature and terms of the 2015 Scheme, please refer to the circular of the Company dated 8 May 2015.

DIRECTORS' REPORT

SHARE AWARD SCHEME

On 26 March 2018, the Company adopted the share award scheme (the “Scheme”) with objectives to recognise the contributions by certain employees and give incentives thereto in order to motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group.

Eligible participants include any employee (including without limitation any Director) of the Company and its subsidiaries (but excluding any employee who is resident in a place where (i) the award of shares and/or vesting or transfer of shares pursuant to the terms of the Scheme is not permitted under the laws and regulations of such place or (ii) where in the view of the Board compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such employee, in each case as determined by the Board in its absolute discretion.

The Scheme shall be valid and effective for a period of 10 years commencing on its adoption date.

Unless otherwise determined or revoked by the Board at its discretion, the awarded shares shall vest in the selected employees at such time and upon such conditions as the Board may determine at its discretion, provided that the selected employee remains at all time on or before relevant vesting date an employee of the Company or its subsidiary.

The Board shall not make any further share award under the Scheme which will result in the number of Shares awarded by the Board under the Scheme in excess of 10 per cent of the issued share capital of the Company as at its adoption date (being 827,000,000 shares) (which is also equal to the issued share capital of the Company as at the date of this annual report).

The maximum aggregate number of the shares which may be awarded to a selected employee under the Scheme shall not exceed 1 per cent of the issued share capital of the Company as at the adoption date (which is also equal to the issued share capital of the Company as at the date of this annual report).

Subject to the Scheme, the Board may impose any conditions, restrictions or limitations or wavier or amend any such conditions, restrictions or limitations from time to time in relation to the share award as it may at its absolute discretion think fit.

No share awards have been granted under the Scheme since its adoption.

During the year ended 31 December 2024 and 31 December 2023, there were no disposal or purchase of shares by the trustee.

At the beginning and the end of the reporting period, there are 71,600,000 shares held by the trustee available for grant under the Scheme mandate.

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.

DIRECTORS' REPORT

EQUITY-LINKED AGREEMENT

Save for share option schemes disclosed in this annual report, no equity-linked agreement was entered into during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders of the Company by reason of their holding of such shares.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the largest customer and five largest customers combined of the Group were 6.8% and 20.1% respectively of the Group's turnover for the year.

The aggregate purchases attributable to the largest supplier and five largest suppliers combined of the Group were 1.9% and 8.2% respectively of the Group's purchases for the year.

None of the Directors, their close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) has any interests in the five largest customers or suppliers of the Group.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected transaction:

Technical Services Agreement between Shineway Pharmaceutical and Shineway Medical

On 5 November 2019, Shineway Pharmaceutical Group Limited ("Shineway Pharmaceutical"), a wholly-owned subsidiary of the Company, and Shineway Medical entered into a technical services agreement, in relation to the provision of technical services by Shineway Medical to Shineway Pharmaceutical in relation to clinical trial, for a term commencing from 5 November 2019 to 4 November 2024 at a consideration of RMB14,000,000. The spouse of Mr. Li Zhenjiang, an executive Director, indirectly holds 100% equity interest in Shineway Medical. Accordingly, Shineway Medical is a connected person of the Company within the meaning of the Listing Rules. Through agreement between the two parties, the contract was extended for one year to 4 November 2025 primarily to allow more time for completion of certain regulatory procedures.

Land Lease Agreement with Shineway Medical

On 19 December 2023, a land lease agreement (the "Land Lease Agreement I") was entered into between Shineway Pharmaceutical and Shineway Medical. Pursuant to the Land Lease Agreement I, Shineway Medical has leased to Shineway Pharmaceutical a land with an area of approximately 49,276 square meters owned by Shineway Medical for a period of three years from 1 January 2024 to 31 December 2026. The leased land is restricted to the operation of a building complex, plaza and animal centre. The annual rental payable to Shineway Medical by Shineway Pharmaceutical amounts to RMB1,600,000. Pursuant to IFRS 16, the entering into of the Land Lease Agreement I require the Group to recognize the rental payments as right-of-use assets of the Group, which constitute a one-off connected transaction of the Group.

DIRECTORS' REPORT

Land Lease Agreement with Shineway (Sanhe) Property development Limited (“Shineway Sanhe”)

On 19 December 2023, a land lease agreement (the “Land Lease Agreement II”) was entered into between Hebei Shineway and Shineway Sanhe. The spouse of Mr Li Zhenjiang, an executive Director, holds 30% of equity interest of Shineway Sanhe. Accordingly, Shineway Shanhe is a connected person of the Company within the meaning of the Listing Rules. Pursuant to the Land Lease Agreement II, Shineway Sanhe has leased to Hebei Shineway a land with an area of approximately 20,986 square meters owned by Shineway Sanhe for a period of three years from 1 January 2024 to 31 December 2026. The leased land is restricted to the entrance and injection workshop. The annual rental payable to Shineway Sanhe by Hebei Shineway amounts to RMB1,200,000. Pursuant to IFRS 16, the entering into of the Land Lease Agreement II require the Group to recognize the rental payments as right- of-use assets of the Group, which constitute a one-off connected transaction of the Group.

Hotel Services Agreement with Shineway Medical

On 19 December 2023, a hotel services agreement (the “Hotel Services Agreement”) was entered into between Shineway Pharmaceutical and Shineway Medical. Pursuant to the Hotel Services Agreement, Shineway Medical has agreed to provide Shineway Pharmaceutical with room rental and hotel services for a period of three years from 1 January 2024 to 31 December 2026.

The payment to be made by the Group under the Hotel Services Agreement contains different components and therefore different accounting treatments should be applied. The Hotel Services Agreement contains two components which are room rentals and hotel services. Pursuant to IFRS 16, the entering into of the Hotel Services Agreement in respect of the room rentals require the Group to recognize the rental as right-of-use assets of the Group, which constitute a one-off connected transaction of the Group. In respect of the room rental of the hotel rooms, the annual rental payable to Shineway Medical by Shineway Pharmaceutical amounts to RMB1,368,000.

Equipment Lease Agreement with Shineway Medical

On 19 December 2023, Shineway Pharmaceutical, a wholly-owned subsidiary of the Company, and Shineway Medical entered into an equipment lease agreement (the “Equipment Lease Agreement”), in relation to the provision of the lease of a number of automatic liquid impurities inspection machine by Shineway Medical to Shineway Pharmaceutical, for a period of three years from 1 January 2024 to 31 December 2026 at an annual rent of RMB3,012,000. Pursuant to IFRS 16, the entering into of the Equipment Lease Agreement requires the Group to recognize the rental payments as right-of-use assets of the Group, which constitute a one-off connected transaction of the Group.

Car Lease Agreement with Shineway Medical

On 19 December 2023, Shineway Pharmaceutical, a wholly-owned subsidiary of the Company, and Shineway Medical entered into a car lease agreement (the “Car Lease Agreement”), in relation to the provision of the lease of a number of cars by Shineway Medical to Shineway Pharmaceutical, from 1 January 2024 to 31 December 2026 at an annual rent of RMB1,304,000. Pursuant to IFRS 16, the entering into of the Car Lease Agreement requires the Group to recognize the rental payments as right-of-use assets of the Group, which constitute a one-off connected transaction of the Group.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions:

General Services Agreement between Shineway Pharmaceutical and Shineway Medical

On 19 December 2023, Shineway Pharmaceutical, a wholly-owned subsidiary of the Company, and Shineway Medical entered into a general services agreement ("General Services Agreement I"). Pursuant to the General Services Agreement I, Shineway Medical has agreed to provide Shineway Pharmaceutical with property management services, catering services for a term commencing from 1 January 2024 until 31 December 2026. The transaction amount and cap amount of such transaction for the year ended 31 December 2024 are RMB11,832,000 and RMB12,500,000 respectively.

The proposed annual caps for General Service Agreement I for the two years ending 31 December 2026 are RMB12,500,000.

General Services Agreement between Hebei Shineway and Shineway Sanhe

On 19 December 2023, Hebei Shineway, a wholly-owned subsidiary of the Company, and Shineway Sanhe entered into a general services agreement ("General Services Agreement II"). Pursuant to the General Services Agreement II, Shineway Sanhe has agreed to provide Hebei Shineway with property management services, catering services for a term commencing from 1 January 2024 until 31 December 2026. The transaction amount and cap amount of such transaction for the year ended 31 December 2024 are RMB2,707,000 and RMB3,500,000 respectively.

The proposed annual caps for General Service Agreement II for the two years ending 31 December 2026 are RMB3,500,000.

Hotel Services Agreement with Shineway Medical

On 19 December 2023, a Hotel Services Agreement was entered into between Shineway Pharmaceutical and Shineway Medical. Pursuant to the Hotel Services Agreement, Shineway Medical has agreed to provide Shineway Pharmaceutical with room rental and hotel services for a period from 1 January 2024 to 31 December 2026. The payment to be made by the Group under the Hotel Services Agreement contains different components and therefore different accounting treatments should be applied. The Hotel Services Agreement contains two components which are room rentals and hotel services. The entering into of the Hotel Services Agreement in respect of the hotel services of the Hotel constitutes a continuing connected transaction of the Company. The transaction amount and cap amount of hotel services for the year ended 31 December 2024 are nil and RMB3,000,000 respectively.

The proposed annual caps for Hotel Services Agreement in respect of the hotel services for the two years ending 31 December 2026 are RMB3,000,000.

Training Agreement with Shijiazhuang Municipal Luancheng County Shineway Training School ("Shineway Training School")

On 19 December 2023, a training agreement (the "Training Agreement") was entered into between Shineway Pharmaceutical and Shineway Training School, a connected person of the Company by virtue of being indirectly owned 100% by the spouse of Mr. Li Zhenjiang, an executive Director. Pursuant to the Training Agreement, Shineway Training School has agreed to provide Shineway Pharmaceutical with training services and training venue for a period of three years from 1 January 2024 to 31 December 2026. The transaction amount and cap amount of such transaction for the year ended 31 December 2024 are RMB1,146,000 and RMB5,000,000 respectively.

The proposed annual caps for Training Agreement for the two years ending 31 December 2026 are RMB5,000,000.

DIRECTORS' REPORT

As the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the transactions contemplated under each of (1) the General Services Agreement I and (2) the Training Agreement exceeds 0.1% but are less than 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from circular and shareholders' approval requirements. As all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the transactions contemplated under (1) the General Services Agreement II and (2) the Hotel Services Agreement in respect of the hotel services of the hotel are less than 0.1%, the transactions contemplated thereunder are fully exempted from the reporting, announcement, circular, and shareholders' approval requirements.

As the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the value of the right-of-use assets under the Equipment Lease Agreement exceeds 0.1% but are less than 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from circular and shareholders' approval requirements. As all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the value of the right-of-use assets under each of (1) Land Lease Agreement I, (2) the Land Lease Agreement II, (3) the Hotel Services Agreement in respect of the room rentals of the hotel rooms (whether on a standalone basis or when aggregated with the hotel services agreement dated 31 December 2022 entered into between Shineway Pharmaceutical and Shineway Medical in relation to the provision of hotel rooms rental services by Shineway Medical to the Group) and (4) the Car Lease Agreement are less than 0.1%, the transactions contemplated thereunder are fully exempted from the reporting, announcement, circular, and shareholders' approval requirements.

The INEDs have reviewed the continuing connected transactions disclosed above and confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The management has monitored and ensured that (a) the connected transactions have been conducted in accordance with the pricing policies or mechanisms (if applicable) under the agreements, including the pricing range, the process for estimating the prices for the goods or services, and the procedures for obtaining quotations or tenders, as appropriate; and (b) the Company's internal control procedures are adequate and effective to ensure that connected transactions are so conducted.

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



DIRECTORS' REPORT

The related party transactions in note 34 to the consolidated financial statements of this annual report fall under the definition of “continuing connected transactions” in Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosures requirements in accordance with Chapter 14A of the Listing Rules.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualification and competence. Details of the share option scheme and share award scheme adopted by the Company are set out in the sections “Share Option Scheme” and “Share Award Scheme” above.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Directors' fees, basic salaries, housing allowances, other allowances and benefits in kind are disclosed in note 11 to the consolidated financial statements.

The contributions to pension schemes for Directors for the financial year are disclosed in note 11 to the consolidated financial statements.

Pursuant to the Directors' service contracts with the Company, all executive Directors may be entitled to a discretionary bonus to be determined by the Board (or its duly appointed remuneration committee) at its absolute discretion having regard to the performance of the Group, provided that the aggregate amount of the bonus payable to those Directors in respect of any financial year shall not exceed 5% of the audited consolidated net profit after taxation but before extraordinary items of the Company for the relevant financial year.

There was no compensation paid during the financial year ended 31 December 2024 or receivable by Directors or past Directors for the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group distinguishing between contractual and other payments.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high level of corporate governance. The Company's governance report is set out page 42 to 58 which contains the details of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Social Responsibility and Sustainability Committee.

PENSION SCHEMES

The pension schemes of the Group are primarily in the form of contributions to the Hong Kong Mandatory Provident Fund and China's statutory public welfare fund. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries and such contributions will be fully and immediately vested in the employees' accounts as their accrued benefits in the schemes. The retirement benefit scheme cost charged to profit or loss and other comprehensive income represents contributions payable by the Group to the funds.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float throughout the year of 2024 as required under the Listing Rules.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the controlling shareholders of the Company and any of their respective close associates has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group during the year under review which are required to be disclosed under the Listing Rules.

CHARITABLE DONATIONS

During the year, the Group has devoted 2,058 hours and donated RMB0.59 million to charitable activities which will be disclosed in “Community Contribution” in the Environmental, Social and Governance Report to be published.

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.

AUDITOR

A resolution will be proposed at the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Li Zhenjiang

Director

Hong Kong, 28 March 2025

CORPORATE GOVERNANCE REPORT

Dear Shareholders,

CORPORATE GOVERNANCE PRACTICES

The Group is firmly committed to statutory and regulatory corporate governance standards and adhere to the principles of corporate governance emphasising transparency, independence, accountability, responsibility and fairness. The Board believes that good corporate governance practices are essential elements in guiding the growth and management of the business of the Group. Therefore the Board reviews its corporate governance practices from time to time to ensure that they protect the shareholders' interest, comply with legal and professional standards and reflect the latest local and international circumstances and development. The Board will continue to commit itself to achieving a high quality of corporate governance.

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

CORPORATE CULTURE, PURPOSE, VALUES, AND STRATEGY

The Board has set out the following values to provide guidance on employees' behaviors and business activities, and to ensure they are embedded throughout the Company's vision, mission, policies and business strategies:

- (a) Focus on stringent management and detailed works – the work is meticulous, emphasizing quality and safety;
- (b) Social Responsibility – Increase wealth for the society, promote the country's health care through public welfare activities;
- (c) Promote Innovation – Strengthen innovation incentives and increase investment in innovation;
- (d) Respect for life – provide consumers with efficient, safe and cost efficient drugs to protect their health and enhance their quality of life; and
- (e) Sustainability – We are committed to a sustainable future.

The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

As at 31 December 2024, the Board comprises three executive Directors, three INEDs and one NED. The names of the Directors and their respective biographies are set out on pages 25 to 26 of this annual report.

The Company had arranged for appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

The Board oversees the Group's strategic development, and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance in pursuit of the Group's strategic objectives. All Board members have access to appropriate business documents and information about the Group on a timely basis. All Directors and board committees have access to external legal counsel and other professionals for independent advice at the Group's expense if they require it. The Board represents shareholders in overseeing the Group's business. The Directors recognise their responsibilities to enhance shareholders' value and to conduct themselves in accordance with their duty of care and loyalty.

INDEPENDENCE OF THE BOARD

The Group has established mechanisms to ensure independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board. The Board has reviewed the implementation and effectiveness of the following mechanisms at the Board meeting in 2024 and considered that such mechanisms are effective:

- (a) Three out of the seven Directors are INEDs, which comply with the requirement of the Listing Rules that at least one-third of the Board are independent non-executive directors and with at least one of whom having appropriate professional qualifications, or accounting or related financial management expertise.
- (b) The Nomination Committee will assess the independence of a candidate who is nominated to be a new INED before appointment and the continued independence of the current long-serving INEDs on an annual basis. All INEDs are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules.
- (c) All Directors are entitled to retain independent professional advisors as and when it is required.
- (d) All Directors are encouraged to express their views in an open manner during the Board/Board Committees meetings.
- (e) The Chairman of the Board will meet with the INEDs at least annually without the presence of the EDs.
- (f) A Director (including INED) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.



CORPORATE GOVERNANCE REPORT

Four board committees, namely, the audit committee (the “Audit Committee”), the remuneration committee (the “Remuneration Committee”), the nomination committee (the “Nomination Committee”) and the corporate social responsibility and sustainability committee (the “CSR and Sustainability Committee”), have been established to oversee particular aspects of the Group’s affairs. The Board has delegated the day-to-day management and operations of the Group’s businesses to the management of the Company and its subsidiaries respectively. Major corporate matters that are specifically delegated by the Board to the management include the preparation of financial statements for board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

The Board had met six times during the year to review the financial performance of the Group, major issues (whether or not required by the Listing Rules) and also on other occasions when Board decisions were required. The views of INEDs were actively solicited by the Group if they were unable to attend meetings of the Board.

All Directors are entitled to retain independent professional advisors at the Company’s cost when necessary. The implementation and effectiveness of such mechanism to ensure independent views and input are available to the Board is reviewed on an annual basis.

The major issues which were brought before the Board for their decisions during the year include:

1. formulation of operational strategies and review of its financial performance and results and the internal control system;
2. discussion and review of the board composition, board diversity;
3. review of the implementation and effectiveness of the Company’s policy on board diversity;
4. the declaration of interim dividend.

From April 2012 onwards, all Directors have been provided, on a monthly basis, with the Group’s management information updates to ensure that they are aware of the Group’s affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2024, the Board held six Board meetings and one AGM. Details of the attendance of the Board are as follows:

| | Attended/Held Board Meeting | AGM |
|--------------------------------------------|--------------------------------|-----|
| Executive Directors | | |
| Mr. Li Zhenjiang (<i>Chairman</i>) | 6/6 | 1/1 |
| Ms. Xin Yunxia | 6/6 | 1/1 |
| Mr. Li Huimin | 6/6 | 1/1 |
| Independent Non-executive Directors | | |
| Ms. Wang Guihua | 6/6 | 1/1 |
| Mr. Liu Shun Fai | 6/6 | 1/1 |
| Mr. Yew Yat On | 6/6 | 1/1 |
| Non-executive Director | | |
| Mr. Zhou Wencheng | 6/6 | 1/1 |

The Directors acknowledged that they are responsible for the preparation of the accounts which give a true and fair view of the affairs of the Group. The auditor is responsible to form an independent opinion, based on their audits, on the Group's financial statements and express their opinions.

The Board has the overall responsibility to ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investments and the Company's assets. The internal audit department has been conducting regular review of the system's effectiveness and reports to the Directors and the Audit Committee on its material findings.

Every newly appointed Director will be given an induction so as to ensure that he/she has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The Directors may request the Company to provide independent professional advice at the Company's expense to discharge his/her duties to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

CORPORATE GOVERNANCE REPORT

The code provision C.2.1 stipulates that the roles of chairman (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.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors’ training is an ongoing process. During the year, the Company had provided to the Directors regular updates and presentations on changes and developments to the Group’s business and to the legislative regulatory environments in which the Group operates. All Directors are also encouraged to attend relevant training courses at the Company’s expense. All Directors are required to provide the Company with their record of training they received during the year ended 31 December 2024. During the year ended 31 December 2024, the Board has reviewed and monitored the training and continuous professional development of Directors and senior management.

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2024, all Directors have participated in continuous professional development by attending training courses and/or referring materials on the topics related to corporate governance and regulations:

| | Attending training course | Self-study of relevant materials and/or regulatory updates |
|--------------------------------------------|------------------------------|---------------------------------------------------------------------|
| Executive Directors | | |
| Mr. Li Zhenjiang (Chairman) | ✓ | ✓ |
| Ms. Xin Yunxia | ✓ | ✓ |
| Mr. Li Huimin | ✓ | ✓ |
| Independent Non-executive Directors | | |
| Ms. Wang Guihua | ✓ | ✓ |
| Mr. Liu Shun Fai | ✓ | ✓ |
| Mr. Yew Yat On | ✓ | ✓ |
| Non-executive Director | | |
| Mr. Zhou Wencheng | ✓ | ✓ |

CORPORATE GOVERNANCE REPORT

TERM OF OFFICE AND RE-ELECTION

INEDs, Mr. Yew Yat On and Ms. Wang Guihua have been appointed for a term of two years. INEDs, Mr. Liu Shun Fai and NED, Mr. Zhou Wencheng does not enter into a service contract with the Company.

Pursuant to Article 87(1) of the Articles of Association, at each AGM, one third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to and not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

WHISTLEBLOWING POLICY

In compliance with code provision D.2.6 of the CG Code, the Board revised the Whistleblowing Policy on 30 November 2022. It provides employees and the relevant third parties who deal with the Group (e.g., customers, suppliers) with guidance and reporting channels for reporting any suspected improprieties in any matters related to the Group directly to the designated Executive Director. All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and its identity will be kept confidential. The Board and the Audit Committee will regularly review the Whistleblowing Policy and mechanism to improve its effectiveness.

ANTI-FRAUD AND ANTI-CORRUPTION POLICY

In compliance with code provision D.2.7 of the CG Code, the Board adopted an Anti-Fraud and Anti-Corruption Policy on 30 November 2022. It outlines guidelines and the minimum standards of conduct, all applicable laws and regulations in relation to the anti-corruption and anti-bribery, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof, to the management or through an appropriate reporting channel. The Group would not tolerate all forms of fraud and corruption among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties. The Board and the Audit Committee will review the Anti-Fraud and Anti-Corruption Policy and mechanism periodically to ensure its effectiveness and enforce the commitment of the Group to prevent all forms of fraud and corruption.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference as disclosed on the Company's websites and the website of the Stock Exchange. The primary duties of the Remuneration Committee include the following:

1. to make recommendation to the Board on (a) the Company's policy and structure for all remuneration of Directors and senior management, and (b) the Company's establishment of a formal and transparent procedure for developing policy on such remuneration;
2. to determine the specific remuneration packages of all executive Directors, and senior management, including benefits in kind, pension rights, and compensation payments (including any compensation for loss or termination of office or appointment);

CORPORATE GOVERNANCE REPORT

3. to make recommendation to the Board on the remuneration of the INEDs and NED;
4. to have due consideration of all relevant factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
5. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
6. to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
7. to review and approve the compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
8. to ensure that no Director or any of his associates is involved in deciding his own remuneration.

As at the date of this annual report, the Remuneration Committee comprises two INEDs, Ms. Wang Guihua, Mr. Liu Shun Fai and one executive Director Ms. Xin Yunxia. Ms. Wang Guihua is the chairman of the Remuneration Committee. The Remuneration Committee met three times during the year to assess the performance of executive Directors and to discuss renewal of service contracts of Directors and has duly discharged the above duties.

Individual attendance of each Remuneration Committee member was as follows:

| | Attendance |
|-------------------------------------|------------|
| Ms. Wang Guihua (<i>Chairman</i>) | 2/2 |
| Ms. Xin Yunxia | 2/2 |
| Mr. Liu Shun Fai | 2/2 |

The emolument policy of the employees of the Group was set up by the Remuneration Committee on the basis of their merit, qualification and competence.

CORPORATE GOVERNANCE REPORT

The emolument policy and basis of determining the emolument payable to the Director are set out in the Directors' Remuneration Policy which is reproduced as follows:

Directors' Remuneration Policy

Purpose

1. The policy aims to provide a fair market level of remuneration to attract, retain and motivate high quality Executive Directors, non-executive directors and independent non-executive directors. At the same time, awards must be aligned with shareholders' interests.

Key elements for Executive Director's Remuneration

2. Remuneration packages and structure shall reflect a fair reward system for all participants with an emphasis on performance.
3. Fixed compensation include basic salary and allowances depends on market trends, market benchmarks, company performance and individual performance and contribution.
4. Performance bonus is determined by company performance and individual performance and contribution.

Key elements for Non-executive Directors and independent non-executive directors' remuneration

5. Remuneration shall be set at an appropriate level to attract and retain first-class non-executive talent.
6. Remuneration of Non-Executive Directors (subject to shareholders' approval) shall be set by the Board and should be proportional to their commitment and contribution to the Company.

The Group's share option scheme and share award scheme as described on pages 33 to 35 of this annual report are adopted as the Group's long term incentive scheme.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee was established with written terms of reference in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprise one executive Director, Mr. Li Zhenjiang, and two Independent Non-executive Directors, Mr. Liu Shun Fai and Mr. Yew Yat On.

Individual attendance of each Nomination Committee member during the year ended 31 December 2024 was as follows:

| | Attendance |
|--------------------------------------|------------|
| Mr. Li Zhenjiang (<i>Chairman</i>) | 1/1 |
| Mr. Liu Shun Fai | 1/1 |
| Mr. Yew Yat On | 1/1 |

Mr. Li Zhenjiang is the chairman of the Nomination Committee. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships, appointment, reappointment of Directors and Board succession and assessing the independence of the INEDs.

During the year, the Nomination Committee has reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business. The Nomination Committee will discuss and agree on annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption and monitor the implementation of the Board Diversity Policy.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. The Company shall comply with the requirements on board composition under the Listing Rules from time to time.
2. The number of INEDs should be at least three and not less than three and one-third of the Board.
3. At least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise.
4. At least one Director should be the professional or have extensive experience of the industry in which the Group operates.
5. At least one Director of a different gender.

The Board achieved the above measurable objectives of the Board Diversity Policy during the year ended 31 December 2024. The current Board composition reflects a diverse mix of gender, educational background, professional knowledge and industry experience. As of the date of this report, the Board comprises 5 male Directors and 2 female Directors.

The independence of the INEDs was also assessed according to the relevant rules and requirements under the Listing Rules. The Nomination Committee has reviewed the Nomination Policy, as appropriate, to ensure its continued effectiveness during the Year.

CORPORATE GOVERNANCE REPORT

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board Diversity Policy, which is reproduced as follows:

Board Diversity Policy

INTRODUCTION

The Company is committed to equality of opportunity in its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor. The Company also recognizes and embraces the benefits of having a diverse board of directors (the “Board”) to enhance the quality of its performance.

THE POLICY

This Policy is intended to assist the Company in the attainment of its strategic objectives and sustainable development, by increasing diversity at the Board level. In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

MEASURABLE OBJECTIVES

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board’s composition (including gender, age, length of service) will be disclosed in the Corporate Governance Report annually.

MONITORING AND REPORTING

The Nomination Committee will report annually, in the Corporate Governance Report, on the Board’s composition under diversified perspectives, and monitor the implementation of this Policy.

REVIEW OF THIS POLICY

The Nomination Committee will review this Policy annually and as appropriate to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Board Diversity Policy was last reviewed by the Board on 11 October 2024 and was considered suitable and effective.

The Company currently has two female Directors, and the Board will endeavour to at least maintain female representation on the Board and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. As at 31 December 2024, among the 3,220 employees (including senior management) of the Group, the percentages of male employees and female employees are 48% and 52%, respectively. With a male-to-female ratio of approximately 1:1, the Board considers that the Group’s workforce (including senior management) are diverse in terms of gender.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

A nomination policy has been adopted. The nomination policy sets out the selection process on the selection of individual nominated for directorship. The Nomination Committee may search extensively for candidate as director of the Company from the Group or the human resources market and should take into consideration the structure, size and composition of the Board and from the perspective of board diversity.

The Nomination Committee shall gather information about the occupation, academic qualifications, position served, detailed work experience and all the concurrent posts of the candidate and seek the candidate's consent for nomination. After reviewing the qualifications of the candidate on the criteria for director of the Company, the Nomination Committee then makes recommendation to the Board regarding the candidate as director of the Company and submits the relevant information to the Board prior to the appointment of new director.

All Directors are appointed for a fixed term. The Articles of Association required that one-third of the Directors (including executive Directors and INEDs) shall retire each year. The Directors to retire each year shall be those appointed by the Board during the year and those who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

AUDIT COMMITTEE

As at the date of this annual report, the Audit Committee comprises Mr. Liu Shun Fai, Mr. Yew Yat On and Ms. Wang Guihua.

All of the members of the Audit Committee are INED. Mr. Liu Shun Fai, who has appropriate professional qualifications or accounting or related financial management expertise, is the chairman of the Audit Committee. No member of this committee is a member of the former or external auditor of the Company. The committee members possess diversified industry experience.

The Audit Committee's primary responsibilities include overseeing the relationship with the Company's external auditor, review of financial information of the Group, and oversight of the Group's financial reporting system, internal control procedures and risk management. The Audit Committee is also responsible for performing the corporate governance functions and for overseeing the Company's risk management and internal control systems and arrangements under the Company's Whistleblowing Policy. While recognising corporate governance is the collective responsibility of all of its members, the Board has delegated the corporate governance functions to the members of the Audit Committee who are considered to be better positioned to provide an objective and independent guidance on governance-related matters. During the year, the Audit Committee has reviewed and adopted certain corporate governance policies including the Anti-Fraud and Anti-Corruption Policy, Shareholder's Communication Policy and revised Whistleblowing Policy. The Company has adopted terms of reference of the Audit Committee which complies with the provisions of the CG Code. The terms of reference of the Audit Committee is available on the Company's websites and the website of the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Individual attendance of each Audit Committee member during the year ended 31 December 2024 was as follows:

| | Attendance |
|--------------------------------------|------------|
| Mr. Liu Shun Fai (<i>Chairman</i>) | 4/4 |
| Mr. Yew Yat On | 4/4 |
| Ms. Wang Guihua | 4/4 |

The Audit Committee met on four occasions during the year and the report on the work performed by the Audit Committee can be found on page 59 of this annual report.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY COMMITTEE

The Company has established a Corporate Social Responsibility and Sustainability Committee on 4 March 2019.

Mr. Liu Shun Fai is the chairman of the Corporate Social Responsibility and Sustainability Committee. As at the date of this annual report, the members of the Corporate Social Responsibility and Sustainability Committee comprise one executive Director, Ms. Xin Yunxia and two INEDs Mr. Yew Yat On and Ms. Wang Guihua.

The Corporate Social Responsibility and Sustainability Committee's primary responsibilities include formulating and reviewing the Group's responsibilities, visions, strategies, frameworks, principles and policies of corporate social responsibility and sustainable development (including but not limited to environmental, social and governance issues) and implementing relevant policies approved by the Board. The Company has adopted terms of reference of the Corporate Social Responsibility and Sustainability Committee. The terms of reference of the Corporate Social Responsibility and Sustainability Committee is available on the Company's website and the website of the Stock Exchange.

The Corporate Social Responsibility and Sustainability Committee met two times during the year to formulate and review the Group's corporate social responsibility and sustainable development policies.

Individual attendance of each Corporate Social Responsibility and Sustainability Committee member during the year ended 31 December 2024 was as follows:

| | Attendance |
|--------------------------------------|------------|
| Mr. Liu Shun Fai (<i>Chairman</i>) | 1/1 |
| Ms. Xin Yunxia | 1/1 |
| Mr. Yew Yat On | 1/1 |
| Ms. Wang Guihua | 1/1 |

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;
and
6. to review and adopt certain corporate governance policy including the Anti-Fraud and Anti-Corruption Policy, Shareholder's Communication Policy and revised Whistleblowing Policy.

During 2024, members of the Board have reviewed and discussed, among other things, the Company's policies and practices on corporate governance at regular board meetings. They have also reviewed and monitored the training and continuous professional development of directors, and the Company's policies and practices on compliance with legal and regulatory requirements as well as its disclosure in the Corporate Governance Report. The Board has reviewed the code of conduct applicable to employees and directors setting out the standards of behaviour that the Company expects from them and the guidelines on how they should handle different situations in business dealings with the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ensuring that appropriate and effective risk management and internal control systems are established and maintained within the Group. The main features of the Group's risk management and internal control systems include the setting up of a management structure with limits of authority, which is designed to help the Group achieve its business objectives, to protect its assets against unauthorised use or disposition, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The process used by the Group to identify, evaluate and manage significant risks is summarised as follows:

- (1) Risk identification: identify risks that may pose a potential impact on the Group's business and operations through the management and the internal control department;
- (2) Risk evaluation: evaluate the identified risks based on the likelihood of the occurrence and impact level of the risk;
and

CORPORATE GOVERNANCE REPORT

- (3) Response to risk: according to the evaluation results on the magnitude of the risk, risk management strategies are determined by the internal control department, and through appropriate mechanisms of the Company to ensure the effective implementation of internal control procedures to prevent and reduce the risks.

In relation to the handling and dissemination of inside information in accordance with the Listing Rules and the SFO, the Group has adopted measures including raising awareness of confidentiality in the Group, issuing notices regarding “black-out” period and restrictions on dealings to directors and employees on a regular basis to ensure compliance when handling and disclosing inside information.

The Board and the Audit Committee have delegated to the Group’s internal audit department to conduct quarterly review of the effectiveness and adequacy of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls as well as risk management functions. The internal control department of the Group plays a major role in monitoring the risk management and internal controls of the Group and reports directly to the Audit Committee. It has full access to all aspects of the Group’s activities, risk management and internal controls.

Based on the assessments made during the year by the Group’s internal audit department, the Board considered that the risk management and internal control systems of the Group are effective and adequate and the Audit Committee has found no material deficiencies on the risk management and internal controls based on the assessments made by the Group’s internal audit department.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration paid to the members of senior management by bands during the year is set out below:

| Remuneration Bands (RMB) | Number of individuals |
|--------------------------|-----------------------|
| 0 – 1,000,000 | 0 |
| 1,000,001 – 2,000,000 | 4 |
| 2,000,001 – 3,000,000 | 0 |
| 3,000,001 – 4,000,000 | 0 |
| 4,000,001 – 5,000,000 | 0 |
| Total | 4 |

AUDITOR’S REMUNERATION

Since 2004, Deloitte Touche Tohmatsu has been appointed as the Group’s external auditor by shareholders annually. During the year, the fees charged to the accounts of the Company and its subsidiaries for Deloitte Touche Tohmatsu’s statutory audit services amounted to HK\$2,150,000 (2023: HK\$2,250,000), and in addition to a total of HK\$520,000 (2023: HK\$648,000) for other non-audit services, including the review of interim financial statements and tax services.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports. They are not aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 60 to 64.

In preparing the consolidated financial statements for the year ended 31 December 2024, the Directors have adopted appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The Group has announced its annual and interim results in a timely manner within the limits of three months and two months respectively after the end of the relevant financial periods, as laid down in the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Group attaches great priority to communication with shareholders and investors. Since our listing on the Main Board of the Stock Exchange in December 2004, the Group has regularly met with investors to increase corporate transparency. During the year ended 31 December 2024, the Group met and/or held telephone conferences with a number of investors and participated in institutional investor conferences. We held a number of site visits for investors.

To foster effective communication, the Company provides extensive information in its annual report, interim report, press releases and also disseminates information relating to the Group and its business electronically through its websites and the website of the Stock Exchange.

Since October 2005, to enable the shareholders to better evaluate the operations and performance of the Group, the Group has been announcing quarterly financial information on turnover in due course after the relevant period ended.

The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communication between the Board and shareholders. Directors and senior management will make an effort to attend the annual general meeting. The chairman of the Board, as well as the respective chairmen of the Audit Committee and the Remuneration Committee and external auditor will usually be available during the annual general meeting to address shareholders' queries. All shareholders are given at least 20 clear business days' notice of the annual general meeting and they are encouraged to attend the annual general meeting and other shareholders' meetings. Questions from the shareholders at such meetings are encouraged and welcomed.

Shareholders' Communication Policy

A Shareholders' Communication Policy ("SC Policy") was first adopted by the Board on 30 November 2022. Such policy aims at providing the Shareholders and potential investors with ready, equal and timely access to balanced and understandable information of the Company. The Board will review the SC Policy annually to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

CORPORATE GOVERNANCE REPORT

A summary of the SC Policy is as follows:

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

- (a) Shareholders can choose the means of receiving corporate communications such as annual reports, interim reports and circulars by assessing the corporate communications published on the HKEX's website at www.hkexnews.hk and the Company's website at www.shineway.com.hk;
- (b) financial highlights, monthly newflash and results roadshows presentations are also posted on the Company's website;
- (c) periodic announcements are made through the Stock Exchange and published on the respective websites of the HKEX and the Company;
- (d) corporate information is made available on the Company's website and the Articles of Association have been posted on the websites of both the HKEX and the Company;
- (e) participate in roadshows and investors' conferences to meet Shareholders/investors, media and financial analysts;
- (f) AGMs and EGMs provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management;
- (g) the Registrar serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters; and
- (h) Shareholders and the investment community shall be provided with designated contacts, email addresses and enquiry lines in order to enable them to make any query in respect of the Company.

Having considered the multiple channels of communication and engagement in place, the Board is satisfied that the SC policy has been properly implemented during the year and is effective.

SHAREHOLDERS' RIGHTS

(i) Procedures for members to convene an extraordinary general meeting ("EGM")

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Board or the Company Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the Shareholder(s) concerned himself (themselves) may do so in the same manner.

CORPORATE GOVERNANCE REPORT

If the requisition is in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the requisition is invalid, the Shareholders concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.

The notice period to be given to all the registered members for consideration of the proposal raised by the shareholders concerned at an EGM varies according to the nature of the proposal, as follows:

- not less than twenty-one clear days' notice in writing if the proposal constitutes a special resolution of the Company; and
- not less than fourteen clear days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

(ii) Procedures for putting enquiries to the Board

Shareholder(s) may at any time put forward their enquiries to the Board by sending letter to: Company Secretary
China Shineway Pharmaceutical Group Limited
Suite 3109, 31/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

(iii) Procedures for putting forward proposals at shareholders' meetings

According to the Articles of Association, where any shareholder(s) duly qualified to attend and vote at general meetings of the Company wish(es) to propose a person (other than himself) for election as a director (the "Candidate") at a general meeting of the Company, the following documents must be lodged at the head office or registered office of the Company: (i) a written notice of such proposal duly signed by the shareholder(s) concerned; and (ii) a written consent duly signed by the candidate indicating his/her willingness to be elected. The period for lodgment of the above documents (being a period of at least seven days) shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

INVESTOR RELATIONS

During the year, there is no significant change in the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the website of the Company and that of the Stock Exchange.

CODE OF CONDUCT

Employees of the Group have maintained high levels of ethical standards. The Group published an employee handbook, setting out standards of professional and ethical conduct for all employees of the Group. Trainings on the contents of the employee handbook have been held regularly. The employees at all levels are expected to act in an honest, diligent and responsible manner.

AUDIT COMMITTEE REPORT

Dear Shareholders,

The Audit Committee formally met four times during the year and other informal meetings were conducted as and when necessary. These meetings were held together with senior management and external auditor as and when necessary, to consider the external auditor's proposed audit fees, their independence and scope of the audit; review the internal control and risk management systems; review the interim and annual financial statements, particularly judgmental areas, accounting principles and practice adopted by the Group; review the external auditor's management letter and management's response; and review the Group's adherence to the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

The Audit Committee recommended the Board to re-appoint Deloitte Touche Tohmatsu as external auditor for the fiscal year 2024 and recommended to approve the interim and annual reports.

MEMBERS OF THE AUDIT COMMITTEE

Mr. Liu Shun Fai (*Chairman*)

Mr. Yew Yat On

Ms. Wang Guihua

28 March 2025

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
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)

OPINION

We have audited the consolidated financial statements of China Shineway Pharmaceutical Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 65 to 124, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER *(Continued)*

Key audit matter

Impairment assessment on goodwill

We identified the impairment assessment on goodwill as a key audit matter due to the involvement of significant judgements and assumptions in estimating the recoverable amount of the cash-generating unit to which goodwill has been allocated.

At 31 December 2024, the Group has goodwill with carrying amount of RMB165,956,000 relating to cash-generating unit of manufacturing and trading of pharmaceutical products. Based on the assessment made by management of the Group, no impairment was recognised during the year ended 31 December 2024. Details are disclosed in note 16 to the consolidated financial statements.

The recoverable amount of the cash-generating unit was determined based on the value in use calculations which require the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

How our audit addressed the key audit matter

Our procedures in relation to the impairment assessment on goodwill included:

- Obtaining an understanding of the management's process and basis adopted in preparing the cash flow forecasts, including significant assumptions for the cash-generating unit;
- Challenging the reasonableness of the key assumptions and inputs made by the management, including the growth rates and gross profit margin based on the historical financial performance and the industry trend;
- Engaging our internal valuation expert to evaluate the appropriateness of the valuation technique, i.e. discounted cash flows method, and the reasonableness of discount rates used in the value in use calculations; and
- Evaluating the sensitivity analysis performed by the management in respect of the growth rates and discount rates to assess the extent of impact on the value in use.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

The engagement partner on the audit resulting in this independent auditor's report is Li Fung Tun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

| | NOTES | 2024 RMB'000 | 2023 RMB'000 |
|-----------------------------------------------------------------------------------------|-------|--------------------|-----------------|
| Revenue | 5 | 3,778,043 | 4,516,538 |
| Cost of sales | | (946,294) | (1,122,419) |
| Gross profit | | 2,831,749 | 3,394,119 |
| Other income | | 182,426 | 163,122 |
| Investment income | 6 | 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 | 7 | (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 | 8 | (6,129) | (2,737) |
| Profit before taxation | 9 | 1,145,721 | 1,240,253 |
| Taxation | 10 | (305,669) | (270,743) |
| Profit and total comprehensive income for the year | | 840,052 | 969,510 |
| Earnings per share | 13 | | |
| – Basic (RMB) | | 111 cents | 128 cents |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

| | NOTES | 2024 RMB'000 | 2023 RMB'000 |
|-------------------------------------------------------|-------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | 14 | 1,219,402 | 1,205,287 |
| Intangible assets | 15 | 23,323 | 32,790 |
| Goodwill | 16 | 165,956 | 165,956 |
| Deferred tax assets | 17 | 34,326 | 15,230 |
| | | 1,443,007 | 1,419,263 |
| Current assets | | | |
| Inventories | 18 | 813,190 | 897,709 |
| Trade receivables | 19 | 908,115 | 758,205 |
| Trade receivables backed by bank bills | 19 | 293,762 | 502,162 |
| Prepayments, deposits and other receivables | 19 | 93,283 | 87,878 |
| Financial assets at fair value through profit or loss | 20 | 350,020 | 20,000 |
| Bank balances and cash | 21 | 6,140,153 | 5,888,776 |
| | | 8,598,523 | 8,154,730 |
| Current liabilities | | | |
| Trade payables | 22 | 367,046 | 484,791 |
| Trade payables backed by bank bills | 22 | 35,918 | – |
| Other payables and accrued expenses | 22 | 1,508,955 | 1,400,857 |
| Contract liabilities | 22 | 26,437 | 51,560 |
| Bank borrowings | 23 | 330,000 | 300,000 |
| Lease liabilities | 24 | 8,271 | 971 |
| Amounts due to related companies | 25 | 13,784 | 13,784 |
| Deferred income | 26 | 75,315 | 75,842 |
| Tax payable | | 84,270 | 105,913 |
| | | 2,449,996 | 2,433,718 |
| Net current assets | | 6,148,527 | 5,721,012 |
| Total assets less current liabilities | | 7,591,534 | 7,140,275 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

| | NOTES | 2024 RMB'000 | 2023 RMB'000 |
|--------------------------|-------|-----------------|-----------------|
| Non-current liabilities | | | |
| Lease liabilities | 24 | 8,256 | 355 |
| Deferred tax liabilities | 17 | 34,521 | 16,264 |
| Deferred income | 26 | 81,853 | 88,888 |
| | | 124,630 | 105,507 |
| Net assets | | 7,466,904 | 7,034,768 |
| Capital and reserves | | | |
| Share capital | 27 | 87,662 | 87,662 |
| Reserves | | 7,379,242 | 6,947,106 |
| Total equity | | 7,466,904 | 7,034,768 |

The consolidated financial statements on pages 65 to 124 were approved and authorised for issue by the board of directors on 28 March 2025 and are signed on its behalf by:

LI ZHENJIANG
DIRECTOR

LI HUIMIN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

| | Share capital RMB'000 | Share premium RMB'000 | Merger reserve RMB'000 (Note a) | Statutory surplus reserve fund RMB'000 (Note b) | Discretionary surplus reserve fund RMB'000 (Note b) | Share held for share award scheme RMB'000 | Accumulated profits RMB'000 | Total equity RMB'000 |
|----------------------------------------------------|--------------------------|--------------------------|---------------------------------------|-------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------|--------------------------------|-------------------------|
| At 1 January 2023 | 87,662 | 422,140 | 83,758 | 495,614 | 154,760 | (578,649) | 5,717,241 | 6,382,526 |
| Profit and total comprehensive income for the year | - | - | - | - | - | - | 969,510 | 969,510 |
| Transfers | - | - | - | 43,201 | - | - | (43,201) | - |
| Dividends paid (note 12) | - | - | - | - | - | - | (317,268) | (317,268) |
| At 31 December 2023 | 87,662 | 422,140 | 83,758 | 538,815 | 154,760 | (578,649) | 6,326,282 | 7,034,768 |
| Profit and total comprehensive income for the year | - | - | - | - | - | - | 840,052 | 840,052 |
| Transfers | - | - | - | 31,982 | - | - | (31,982) | - |
| Dividends paid (note 12) | - | - | - | - | - | - | (407,916) | (407,916) |
| At 31 December 2024 | 87,662 | 422,140 | 83,758 | 570,797 | 154,760 | (578,649) | 6,726,436 | 7,466,904 |

Notes:

- (a) Merger reserve of China Shineway Pharmaceutical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") represents the difference between the net asset value of the subsidiaries and the nominal amount of the Company's shares which were issued as consideration for the subsidiaries at the time of the group reorganisation in preparation for the listing of the Company's shares.
- (b) Statutory surplus reserve fund and discretionary surplus reserve fund are appropriated each year by certain subsidiaries in the People's Republic of China (the "PRC") on the basis of 10% of the profit after taxation as determined by the board of directors of the relevant subsidiaries and at the rate decided by the shareholders annually in accordance with the Articles of Associations ("Articles") of the relevant subsidiaries. According to the provision of the Articles, in normal circumstances, this reserve should only be used for making up losses, capitalisation into capital and expansion of production and operation.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

| | 2024 RMB'000 | 2023 RMB'000 |
|-----------------------------------------------------------------------------------------|------------------|-----------------|
| Operating activities | | |
| Profit before taxation | 1,145,721 | 1,240,253 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 59,268 | 45,675 |
| Amortisation of intangible assets | 9,467 | 14,558 |
| Impairment losses on financial assets under expected credit loss model, net of reversal | 6,612 | 5,440 |
| (Gain) Loss on disposal of property, plant and equipment | (91) | 2,388 |
| Gains on disposal of subsidiaries | (3,919) | – |
| Net unrealised exchange loss (gain) | 47,173 | (6,154) |
| Interest income | (176,718) | (95,207) |
| Investment income from financial products | (12,636) | (10,306) |
| Government grants recognised as other income | (11,679) | (18,789) |
| Finance costs | 6,129 | 2,737 |
| Operating cash flows before movements in working capital | 1,069,327 | 1,180,595 |
| Decrease (increase) in inventories | 169,973 | (123,181) |
| Decrease (increase) in trade receivables | 51,760 | (290,745) |
| (Increase) decrease in prepayments, deposits and other receivables | (2,911) | 46,588 |
| (Decrease) increase in trade payables | (80,124) | 176,046 |
| Increase in other payables and accrued expenses | 108,384 | 316,103 |
| Decrease in contract liabilities | (25,123) | (101,558) |
| Cash generated from operations | 1,291,286 | 1,203,848 |
| PRC Enterprise Income Tax paid | (246,399) | (224,136) |
| Withholding tax paid | (81,752) | (47,077) |
| Net cash from operating activities | 963,135 | 932,635 |

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

| | 2024 RMB'000 | 2023 RMB'000 |
|-----------------------------------------------------------------------------------------|-----------------|-----------------|
| Investing activities | | |
| Placement of financial products | (844,997) | (500,000) |
| Purchase of property, plant and equipment | (140,112) | (144,325) |
| Placement of structured deposits | – | (20,000) |
| Government grants received | 4,117 | 7,430 |
| Proceeds from disposal of property, plant and equipment | 4,710 | 12,895 |
| Proceeds from redemption of structured deposits | 20,000 | 20,230 |
| Interest received | 174,224 | 63,924 |
| Proceeds from redemption of financial products | 507,613 | 510,306 |
| Net cash inflow on disposal of subsidiaries | 2,335 | – |
| Net cash used in investing activities | (272,110) | (49,540) |
| Financing activities | | |
| Dividends paid | (407,916) | (317,268) |
| Repayment of lease liabilities | (8,288) | (6,875) |
| Repayment of bank borrowing | (300,000) | – |
| Interest paid | (6,271) | (2,595) |
| New borrowing raised | 330,000 | 300,000 |
| Net cash used in financing activities | (392,475) | (26,738) |
| Net increase in cash and cash equivalents | 298,550 | 856,357 |
| Cash and cash equivalents at beginning of the year | 5,888,776 | 5,026,265 |
| Effect of exchange rate changes of cash and cash equivalents | (47,173) | 6,154 |
| Cash and cash equivalents at end of the year, Representing by bank balances and cash | 6,140,153 | 5,888,776 |

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 addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

(Continued)

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

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

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

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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

3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3.2 Material accounting policies

Goodwill

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

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

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

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained, unless the Group can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policies *(Continued)*

Revenue from contracts with customers

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

The Group recognises revenue on sale of pharmaceutical products at a point in time when control of the goods has transferred, being when the goods are delivered to the customer. Transportation and other related activities that occur before customers obtain control of the related goods are considered as fulfilment activities.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Taxation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policies *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policies *(Continued)*

Taxation *(Continued)*

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

Buildings and plant and machineries in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policies *(Continued)*

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

Impairment on property, plant and equipment (including right-of-use assets) and intangible assets (other than goodwill)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policies *(Continued)*

Impairment on property, plant and equipment (including right-of-use assets) and intangible assets (other than goodwill) *(Continued)*

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

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

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

Cash and cash equivalents

Bank balances and cash presented on the consolidated statement of financial position include:

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

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policies *(Continued)*

Inventories

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value through profit and loss ("FVTPL"), except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income or designated as fair value through other comprehensive income are measured at FVTPL.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 “Financial Instruments” (“IFRS 9”)

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, trade receivables backed by bank bills, deposits and other receivables, and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and trade receivables backed by bank bills.

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities including trade payables, trade payables backed by bank bills, other payables, bank borrowings and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units (or group of cash-generating units) and a suitable discount rate in order to calculate the present value. The estimated uncertainty mainly includes gross profit margin, discount rate and growth rate. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or a further impairment loss may arise.

As at 31 December 2024, the carrying amount of goodwill is RMB165,956,000 (2023: RMB165,956,000) (net of accumulated impairment loss of RMB56,794,000 (2023: RMB56,794,000)). Details of the recoverable amount calculation are disclosed in note 16.

5. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from major products

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

| | 2024 | 2023 |
|-----------------------------------------------|------------------|-----------|
| | RMB'000 | RMB'000 |
| 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 (including pills and tablets etc.) | 250,986 | 253,306 |
| | 3,778,043 | 4,516,538 |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

6. INVESTMENT INCOME

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

Note: The structured deposits and financial products are measured at FVTPL. 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.

7. IMPAIRMENT LOSSES ON FINANCIAL ASSETS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | 2024 RMB'000 | 2023 RMB'000 |
|-----------------------------------------------------------------------------------|-----------------|-----------------|
| Impairment losses recognised on trade receivables | 7,506 | 3,954 |
| Impairment (reversed) losses recognised on trade receivables backed by bank bills | (894) | 1,486 |
| | 6,612 | 5,440 |

Details of impairment assessment are set out in note 33.

8. FINANCE COSTS

| | 2024 RMB'000 | 2023 RMB'000 |
|-------------------------------|-----------------|-----------------|
| Interest on bank borrowings | 5,165 | 2,441 |
| Interest on lease liabilities | 964 | 296 |
| | 6,129 | 2,737 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

9. PROFIT BEFORE TAXATION

| | 2024 RMB'000 | 2023 RMB'000 |
|-----------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Profit before taxation has been arrived at after charging (crediting): | | |
| Directors' emoluments (see note 11) | 14,122 | 42,317 |
| Other staff costs | 361,943 | 437,477 |
| Other staff's pension costs | 15,759 | 26,727 |
| | 391,824 | 506,521 |
| Less: Capitalised in inventories | (139,526) | (173,775) |
| | 252,298 | 332,746 |
| Depreciation of property, plant and equipment | 144,722 | 162,544 |
| Amortisation of intangible assets | 9,467 | 14,558 |
| Total depreciation and amortisation | 154,189 | 177,102 |
| Less: Capitalised in inventories | (85,454) | (116,869) |
| | 68,735 | 60,233 |
| Auditor's remuneration | 2,349 | 2,400 |
| Cost of inventories recognised as an expense (included in cost of sales) | 946,294 | 1,122,419 |
| (Gains) losses 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) (note) | (174,094) | (143,257) |

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 (note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

10. TAXATION

| | 2024 RMB'000 | 2023 RMB'000 |
|-----------------------------------------------|-----------------|-----------------|
| 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 | 81,752 | 47,077 |
| | 306,508 | 269,332 |
| Deferred tax (note 17) | (839) | 1,411 |
| | 305,669 | 270,743 |

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 a joint circular of the State Taxation Administration, Cai Shui 2011 No. 1, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

10. TAXATION (Continued)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the CO, is as follows:

| | Fees RMB'000 | Salaries, and allowance RMB'000 | Performance related incentive payments RMB'000 | Pension costs RMB'000 | Total remuneration RMB'000 |
|--------------------------------------|-----------------|------------------------------------------|------------------------------------------------------------|-----------------------------|----------------------------------|
| Year ended 31 December 2024 | | | | | |
| Executive directors: | | | | | |
| Li Zhenjiang | 515 | 7,504 | - | - | 8,019 |
| Xin Yunxia | 1,132 | 2,171 | - | 16 | 3,319 |
| Li Huimin | 75 | 2,105 | - | 16 | 2,196 |
| Non-executive director: | | | | | |
| Zhou Wencheng | 147 | - | - | - | 147 |
| Independent non-executive directors: | | | | | |
| Liu Shun Fai | 147 | - | - | - | 147 |
| Yew Andric Yat On | 147 | - | - | - | 147 |
| Wang Guihua | 147 | - | - | - | 147 |
| | 2,310 | 11,780 | - | 32 | 14,122 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

| | Fees RMB'000 | Salaries, and allowance RMB'000 | Performance related incentive payments RMB'000 | Pension costs RMB'000 | Total remuneration RMB'000 |
|---------------------------------------------|-----------------|------------------------------------------|------------------------------------------------------------|-----------------------------|----------------------------------|
| Year ended 31 December 2023 | | | | | |
| Executive directors: | | | | | |
| Li Zhenjiang | 369 | 5,267 | 20,000 | – | 25,636 |
| Xin Yunxia | 1,091 | 2,091 | 10,000 | 16 | 13,198 |
| Li Huimin | 73 | 2,027 | – | 16 | 2,116 |
| Liu Tiejun (resigned on 1 November 2023) | 776 | – | – | 24 | 800 |
| Non-executive director: | | | | | |
| Zhou Wencheng | 142 | – | – | – | 142 |
| Independent non-executive directors: | | | | | |
| Liu Shun Fai | 142 | – | – | – | 142 |
| Yew Andric Yat On | 142 | – | – | – | 142 |
| Wang Guihua (appointed on 1 April 2023) | 106 | – | – | – | 106 |
| Cheng Li (resigned on 1 April 2023) | 35 | – | – | – | 35 |
| | 2,876 | 9,385 | 30,000 | 56 | 42,317 |

Note: The performance related incentive payments were determined with reference to the Group's results and the individual's performance for the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Of the five individuals with the highest emoluments in the Group, three (2023: three) were directors, including Mr. Li Zhenjiang as the chief executive of the Company, whose emoluments are included in the disclosures above. Details of the remuneration for the year of the remaining two (2023: two) highest paid individuals in the capacity as an employee are as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|-----------------------------|-------------------------------|-----------------|
| Salaries and other benefits | 3,319 | 3,190 |
| Pension costs | 32 | 32 |
| | 3,351 | 3,222 |

The emoluments were within the following band:

| | Number of employees | |
|------------------------------|----------------------------|------|
| | 2024 | 2023 |
| HKD1,500,001 to HKD2,000,000 | 2 | 2 |

During both years, no remuneration was paid by the Group to the directors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during both years.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the Group's operating results, individual performance and market statistics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

12. DIVIDENDS

| | 2024 RMB'000 | 2023 RMB'000 |
|---------------------------------------------------------|-----------------|-----------------|
| 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 | 324,822 | – |
| – 2024 second interim dividend of RMB11 cents per share | 83,094 | – |
| | 407,916 | 317,268 |
| 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 | 271,944 | – |
| | 271,944 | 324,822 |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

13. EARNINGS PER SHARE

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

| | 2024 RMB'000 | 2023 RMB'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------|
| Profit for the year attributable to owners of the Company for the purpose of basic earnings per share | 840,052 | 969,510 |
| | Number of shares | |
| | 2024 | 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 | 755,400,000 | 755,400,000 |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

14. PROPERTY, PLANT AND EQUIPMENT

| | Right-of-use assets | | | | | Owned properties | Plant and machineries | Office equipment | Motor vehicles | Construction in progress | Total |
|-----------------------------|---------------------|-------------------|-----------------------|--------------------|-----------|------------------|-----------------------|------------------|----------------|--------------------------|-----------|
| | Leasehold land | Leased properties | Leased motor vehicles | Leased machineries | Sub-total | | | | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| COST | | | | | | | | | | | |
| At 1 January 2023 | 122,256 | 6,218 | 3,559 | 5,821 | 137,854 | 1,254,378 | 1,332,078 | 105,579 | 743 | 193,061 | 3,023,693 |
| Additions | 66,301 | 759 | - | - | 67,060 | 399 | 48,564 | 2,513 | 1,673 | 45,968 | 166,177 |
| Disposals | (5,559) | - | - | - | (5,559) | (2,899) | (69,201) | (2,625) | (916) | - | (81,200) |
| Reclassifications | - | - | - | - | - | 50,380 | 70,130 | 837 | - | (121,347) | - |
| At 31 December 2023 | 182,998 | 6,977 | 3,559 | 5,821 | 199,355 | 1,302,258 | 1,381,571 | 106,304 | 1,500 | 117,682 | 3,108,670 |
| Additions | 7,829 | 2,955 | 3,646 | 8,422 | 22,852 | - | 41,930 | 3,123 | - | 95,551 | 163,456 |
| Disposals | - | - | - | - | - | (1,207) | (53,248) | (1,921) | (490) | - | (56,866) |
| Reclassifications | - | - | - | - | - | 2,104 | 15,618 | - | - | (17,722) | - |
| At 31 December 2024 | 190,827 | 9,932 | 7,205 | 14,243 | 222,207 | 1,303,155 | 1,385,871 | 107,506 | 1,010 | 195,511 | 3,215,260 |
| DEPRECIATION AND IMPAIRMENT | | | | | | | | | | | |
| At 1 January 2023 | 12,849 | 4,790 | 2,372 | 3,880 | 23,891 | 648,991 | 1,050,080 | 83,328 | 466 | - | 1,806,756 |
| Charge for the year | 7,180 | 908 | 1,187 | 1,941 | 11,216 | 60,433 | 80,786 | 8,352 | 1,757 | - | 162,544 |
| Eliminated on disposals | (2,238) | - | - | - | (2,238) | (2,284) | (58,671) | (1,865) | (859) | - | (65,917) |
| At 31 December 2023 | 17,791 | 5,698 | 3,559 | 5,821 | 32,869 | 707,140 | 1,072,195 | 89,815 | 1,364 | - | 1,903,383 |
| Charge for the year | 7,285 | 1,978 | 1,216 | 2,807 | 13,286 | 62,340 | 63,272 | 5,756 | 68 | - | 144,722 |
| Eliminated on disposals | - | - | - | - | - | (1,087) | (49,373) | (1,313) | (474) | - | (52,247) |
| At 31 December 2024 | 25,076 | 7,676 | 4,775 | 8,628 | 46,155 | 768,393 | 1,086,094 | 94,258 | 958 | - | 1,995,858 |
| CARRYING VALUES | | | | | | | | | | | |
| At 31 December 2024 | 165,751 | 2,256 | 2,430 | 5,615 | 176,052 | 534,762 | 299,777 | 13,248 | 52 | 195,511 | 1,219,402 |
| At 31 December 2023 | 165,207 | 1,279 | - | - | 166,486 | 595,118 | 309,376 | 16,489 | 136 | 117,682 | 1,205,287 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives after taking into account their estimated residual values using the straight-line method as follows:

| | |
|----------------------------------------------------------------------------------|------------------------------------------------------------------|
| Leasehold land/leased properties/ leased motor vehicles/leased machineries | Over the shorter of the term of the lease or 3 to 50 years |
| Owned properties | 20 years or over the unexpired lease terms, whichever is shorter |
| Plant and machineries | 3 to 10 years |
| Office equipment | 5 years |
| Motor vehicles | 3 years |

The Group as lessee

Right-of-use assets (included in the property, plant and equipment)

| | 2024 RMB'000 | 2023 RMB'000 |
|---------------------------------------|-----------------|-----------------|
| Expense relating to short-term leases | — | 3,726 |
| Total cash outflow for leases | 9,252 | 9,529 |

For both years, the Group leases various offices, hotel rooms, staff quarter, motor vehicles, machineries and lands for its operations. Lease contracts are entered into for fixed term of 1 to 3 years (2023: 1 to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for warehouses and offices. As at 31 December 2023, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold land. Lum sum payments were made upfront to acquire these property interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

15. INTANGIBLE ASSETS

| | RMB'000 |
|----------------------------------------------------------|---------|
| COST | |
| At 1 January 2023, 31 December 2023 and 31 December 2024 | 474,840 |
| AMORTISATION AND IMPAIRMENT | |
| At 1 January 2023 | 427,492 |
| Charge for the year | 14,558 |
| At 31 December 2023 | 442,050 |
| Charge for the year | 9,467 |
| At 31 December 2024 | 451,517 |
| CARRYING VALUES | |
| At 31 December 2024 | 23,323 |
| At 31 December 2023 | 32,790 |

The intangible assets represent patents with finite useful lives which were acquired from third parties or purchased as a part of a business combination in prior years. Such intangible assets are amortised on a straight-line basis over the periods ranging from 5 to 20 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

16. GOODWILL

| | RMB'000 |
|----------------------------------------------------------|---------|
| COST | |
| At 1 January 2023, 31 December 2023 and 31 December 2024 | 222,750 |
| IMPAIRMENT | |
| At 1 January 2023, 31 December 2023 and 31 December 2024 | 56,794 |
| CARRYING VALUES | |
| At 31 December 2023 and December 2024 | 165,956 |

At 31 December 2024 and 2023, the Group has goodwill with carrying amount of RMB165,956,000 being allocated to one cash-generating unit comprising of subsidiaries with principal activities of research and development, manufacturing and trading of pharmaceutical products.

In addition to goodwill, property, plant and equipment and intangible assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the cash-generating unit for the purpose of impairment assessment.

The recoverable amount has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2023: 5-year), and discount rate of 10% (2023: 11%). The cash flows beyond the 5-year period (2023: 5-year) are extrapolated using the estimated constant growth rate of 1% (2023: 1%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

During the years ended 31 December 2024 and 2023, management of the Group determines that there is no impairment on the cash-generating unit. The recoverable amount is significantly above the carrying amount of the cash-generating unit. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

17. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2024 RMB'000 | 2023 RMB'000 |
|--------------------------|-----------------|-----------------|
| Deferred tax assets | 34,326 | 15,230 |
| Deferred tax liabilities | (34,521) | (16,264) |
| | (195) | (1,034) |

The followings are the major deferred tax assets (liabilities) recognised and movement thereon during the current and prior years:

| | Decelerated tax depreciation RMB'000 | Deferred income RMB'000 | Fair value adjustment arising from acquisition of subsidiaries RMB'000 | Withholding tax on undistributed profits RMB'000 | Others RMB'000 | Total RMB'000 |
|-----------------------------------|-----------------------------------------------|-------------------------------|---------------------------------------------------------------------------------------|--------------------------------------------------------------|-------------------|------------------|
| At 1 January 2023 | 3,842 | 12,022 | (8,071) | (10,000) | 2,584 | 377 |
| (Charge) credit to profit or loss | (138) | (332) | 2,336 | (5,000) | 1,723 | (1,411) |
| At 31 December 2023 | 3,704 | 11,690 | (5,735) | (15,000) | 4,307 | (1,034) |
| (Charge) credit to profit or loss | (138) | 1,318 | 1,875 | (5,286) | 3,070 | 839 |
| At 31 December 2024 | 3,566 | 13,008 | (3,860) | (20,286) | 7,377 | (195) |

At the end of the reporting period, the Group has unused tax losses of RMB356,996,000 (2023: RMB332,074,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of RMB147,327,000 (2023: RMB193,733,000) that will expire in 5 years (2023: 5 years). Other losses may be carried forward indefinitely.

Under the EIT Law, withholding tax of 5% is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB4,065,697,000 (2023: RMB4,854,115,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

18. INVENTORIES

| | 2024 RMB'000 | 2023 RMB'000 |
|------------------|-----------------|-----------------|
| Raw materials | 118,706 | 169,830 |
| Work in progress | 389,492 | 443,576 |
| Finished goods | 304,992 | 284,303 |
| | 813,190 | 897,709 |

19. TRADE AND OTHER RECEIVABLES

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

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 from contracts with customers amounted to RMB673,380,000 and RMB301,682,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

19. TRADE AND OTHER RECEIVABLES (Continued)

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 RMB'000 | 2023 RMB'000 |
|------------------------------------|------------------|-----------------|
| 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 | 25,665 | 8,990 |
| | 1,201,877 | 1,260,367 |

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB315,189,000 (2023: RMB201,647,000) which are past due as at the reporting date. Out of the past due balances, RMB194,576,000 (2023: RMB115,942,000) has been past due 90 days or more and is not considered as in default based on repayment records of those customers and continuous business with the Group.

As at 31 December 2024, total bills received with carrying amount amounting to RMB293,762,000 (2023: RMB502,162,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

Prepayments, deposits and other receivables of the Group mainly represent interest income receivables of RMB63,217,000 (2023: RMB60,575,000), prepayments of RMB21,995,000 (2023: RMB19,935,000), value added tax recoverable of RMB3,592,000 (2023: RMB3,347,000).

Details of impairment assessment of trade and other receivables are set out in note 33.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year ended 31 December 2024, the Group entered into two financial products with banks, there is no specific maturity for those products. The fair values of the financial products are determined by the bank's buying prices quoted in the bank's trading platform multiplied by the quantity held. At the request of the Group, the Group can redeem the financial products at the buying prices quoted by the banks. As at 31 December 2024, the fair value of the financial products is RMB350,020,000. The Group determines the fair values of the financial products at the fair value hierarchy of Level 2.

As at 31 December 2023, the Group held principal guaranteed structured deposits of approximately RMB20,000,000 with maturity date of January 2024 carrying at interest rate linked to the performance of exchange rate between United States Dollar and Euro. Such deposits were classified as financial assets at FVTPL. The related fair values are made reference to the market values provided by financial institutions with fair value hierarchy of Level 2. No material fair value change is recognised in profit or loss during the years ended 31 December 2024 and 2023. During the year ended 31 December 2024, the Group has redeemed such deposits in full upon maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

21. BANK BALANCES AND CASH

Bank balances and cash are cash and cash equivalents, which include bank deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.01% to 5.11% (2023: 0.01% to 5.10%).

At the end of the reporting period, bank balances and cash of RMB4,221,830,000 (2023: RMB5,047,990,000) were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is regulated by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Details of impairment assessment of bank balances are set out in note 33.

22. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

| | 2024 RMB'000 | 2023 RMB'000 |
|--------------------------------------------|-----------------|-----------------|
| Trade payables | 367,046 | 484,791 |
| Trade payables backed by bank bills (Note) | 35,918 | – |
| | 402,964 | 484,791 |

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 | 1,525 | 3,405 |
| | 402,964 | 484,791 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

22. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES *(Continued)*

Other payables and accrued expenses of the Group mainly represent payables for acquisition of property, plant and equipment of RMB93,625,000 (2023: RMB93,770,000), accrued expenses of RMB1,166,387,000 (2023: RMB1,070,475,000), deposits received of RMB198,407,000 (2023: RMB169,352,000) and value added tax payable of RMB18,894,000 (2023: RMB36,256,000).

The Group has recognised the following revenue-related contract liabilities:

| | 2024 RMB'000 | 2023 RMB'000 |
|----------------------|-----------------|-----------------|
| Contract liabilities | 26,437 | 51,560 |

The Group receives certain amount of the contract values as receipt in advance upon receiving the purchase orders from customers. The receipt in advance results in contract liabilities being recognised until the customer obtains control of the goods.

As at 1 January 2023, contract liabilities amounted to RMB153,118,000. The contract liabilities as at 1 January 2023 and 1 January 2024 were fully recognised as revenue during the years ended 31 December 2023 and 31 December 2024, respectively.

23. BANK BORROWINGS

As at 31 December 2024, bank borrowings amounted to RMB330,000,000 (2023: RMB300,000,000). The effective interest rate (which is also equal to contracted interest rate) on the Group's borrowings is 1.45% (2023: 1.45%) and the borrowings are repayable within 1 year. The proceeds were used to finance the Group's daily operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

24. LEASE LIABILITIES

| | 2024 RMB'000 | 2023 RMB'000 |
|--------------------------------------------------------------------------------|-----------------|-----------------|
| Lease liabilities payable: | | |
| Within one year | 8,271 | 971 |
| Within a period of more than one year but not more than two years | 8,256 | 355 |
| | 16,527 | 1,326 |
| Less: Amount due for settlement with 12 months shown under current liabilities | (8,271) | (971) |
| Amount due for settlement after 12 months shown under non-current liabilities | 8,256 | 355 |

The weighted average incremental borrowing rates applied to lease liabilities is at range from 4.44% to 6.13% (2023: from 5.88% to 6.13%).

| | 2024 RMB'000 | 2023 RMB'000 |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Lease obligations that are denominated in currency other than the functional currency of the relevant group entity are set out below: | | |
| HK\$ | 367 | 936 |
| Australian Dollars ("AUD") | — | 390 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

25. AMOUNTS DUE TO RELATED COMPANIES

| | 2024 RMB'000 | 2023 RMB'000 |
|-------------------------------------------------------------------------|-----------------|-----------------|
| Shineway (Sanhe) Property Development Limited ("Shineway Sanhe") | 9,008 | 9,008 |
| Shineway Medical Science & Technology Co., Ltd. ("Shineway Medical") | 4,776 | 4,776 |
| | 13,784 | 13,784 |

Shineway Sanhe and Shineway Medical are ultimately controlled by the controlling shareholder of the Company.

The amounts due to related companies are non-trade, unsecured, interest-free and repayable on demand.

26. DEFERRED INCOME

| | 2024 RMB'000 | 2023 RMB'000 |
|-----------------------------------|-----------------|-----------------|
| At 1 January | 164,730 | 176,089 |
| Addition during the year | 4,117 | 7,430 |
| Recognised as other income | (11,679) | (18,789) |
| At 31 December | 157,168 | 164,730 |
| Analysed for reporting purpose as | | |
| Current liabilities | 75,315 | 75,842 |
| Non-current liabilities | 81,853 | 88,888 |
| | 157,168 | 164,730 |

Included in the deferred income at 31 December 2024 are government subsidies amounting to RMB93,806,000 (2023: RMB96,058,000) in relation to research and development expenses on certain new products which are not yet recognised. The subsidies are recognised as deferred income until the conditions attaching to the subsidies have been fulfilled. During the year, the Group received RMB4,117,000 (2023: RMB7,430,000) government subsidies in relation to research and development expenses and recognised RMB6,369,000 (2023: RMB13,479,000) in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

26. DEFERRED INCOME *(Continued)*

Included in the deferred income at 31 December 2024 is a government subsidy amounting to RMB23,258,000 (2023: RMB25,818,000) received in 2011 in relation to a development project, including the construction of production premises and acquisition of plant and machineries, in 邛崃醫藥產業園 (Qionglai Pharmaceutical Area) in Sichuan Province in the PRC. The grant is recognised as deferred income and to be credited to profit or loss on a systematic basis over the useful lives of the related assets when the assets are ready for the management's intended use. The development project was completed in 2014 and the deferred income has been amortised and recognised as other income in profit or loss over the useful lives of the related assets. Deferred income amounting to RMB2,560,000 (2023: RMB2,560,000) is transferred to profit or loss during the year.

Included in the deferred income at 31 December 2024 is a government subsidy amounting to RMB40,104,000 (2023: RMB42,854,000) received in 2018 and 2019 in relation to a development project, including the construction of production facilities, in 楚雄州 (Chuxiong Prefecture) in Yunnan Province in the PRC. The grant is recognised as deferred income and to be credited to profit or loss on a systematic basis over the useful lives of the related assets when the assets are ready for the management's intended use. The development project was completed in 2021 and the deferred income has been amortised and recognised as other income in profit or loss over the useful lives of the related assets. Deferred income amounting to RMB2,750,000 (2023: RMB2,750,000) is transferred to profit or loss during the year.

27. SHARE CAPITAL

| | Number of shares '000 | Amount '000 |
|----------------------------------------------------------|-----------------------------|----------------|
| Ordinary shares of HK\$0.10 each | | |
| Authorised: | | |
| At 1 January 2023, 31 December 2023 and 31 December 2024 | 5,000,000 | HK\$500,000 |
| Issued and fully paid: | | |
| At 1 January 2023, 31 December 2023 and 31 December 2024 | 827,000 | HK\$82,700 |
| Shown in the financial statement as | | RMB87,662 |

There were no changes in the Company's authorised, issued and fully paid share capital during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

28. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

The Company has a share option scheme (the “2015 Scheme”) which was adopted at the extraordinary general meeting of the Company held on 29 May 2015 for a period of 10 years. The primary purpose of the 2015 Scheme is to provide incentives to:

- (a) director or employee of any members of the Group;
- (b) any discretionary object of a discretionary trust established by any substantial shareholder of the Company or employee of any member of the Group;
- (c) any consultant, professional and other advisers to any member of the Group;
- (d) any chief executive or substantial shareholder of any member of the Group;
- (e) any associate of any director, chief executive or substantial shareholder of any member of the Group; and
- (f) any employee (whether full-time or part-time) of substantial shareholder of any member of the Group to take up options.

The 2015 Scheme will expire on 28 May 2025.

The total number of shares in respect of which options may be granted under the 2015 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder or an independent non-executive director or a company beneficially owned by any substantial shareholder or independent non-executive director of the Company) in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

28. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option scheme *(Continued)*

Options granted must be taken up within 14 days from the date of offer, upon payment of HK\$1 per grant. The exercise period of option granted shall not be more than ten years from the date of grant. The exercise price was determined by the directors of the Company, and would not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

As at 31 December 2024 and 2023, there are no outstanding options under the 2015 Scheme. During the years ended 31 December 2024 and 2023, no share options were granted under the 2015 Scheme.

Share award scheme

On 26 March 2018, the Company adopted the share award scheme (the "Scheme") with objectives to recognise the contributions by certain employees and give incentives thereto in order to motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group. Unless terminated earlier by the board of directors pursuant to the Scheme, the Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

Pursuant to the Scheme, the board of directors may, from time to time, at its absolute discretion cause to be paid to the trustee sums of money from the Company's resources for the purchase of shares to be held on trust in accordance with the Scheme and the trust deed. Such sums of money shall be applied towards the purchase of the specific number of shares from the open market according to the written instructions of the board of directors. The board of directors shall not make any further award which will result in the number of shares awarded by the board of directors under the Scheme exceeding 10% of the issued share capital of the Company as at the adoption date. The maximum aggregate number of the awarded shares which may be awarded to a selected employee under the Scheme shall not exceed 1% of the issued share capital of the Company as at the adoption date.

There were no disposal or purchase of shares by the trustee during the years ended 31 December 2024 and 2023.

At the end of the reporting period, there are 71,600,000 (2023: 71,600,000) shares held by the trustee.

29. RETIREMENT BENEFITS PLANS

The employees of the Group's the PRC subsidiaries participate in retirement and medicare insurances in accordance with the PRC laws and related regulations. When an employee joins the Group, he is enrolled with the local retirement plan. Contributions to the retirement insurance, borne by the Group and the employee jointly at the proportions stipulated by the local Municipal Government, are paid to the social insurance institutions monthly. When the employee retires, he receives his retirement funds from the insurance company directly and is also entitled to enjoy medical benefits after retirement provided by the insurance company. Other than the contributions, the Group has no forfeited contribution nor obligation for any related retirement benefits.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualified employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, with maximum of HK\$1,500 per employee per month, to the MPF Scheme, which contribution is matched by employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

29. RETIREMENT BENEFITS PLANS *(Continued)*

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of RMB15,706,000 (2023: RMB26,783,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

30. CAPITAL COMMITMENTS

| | 2024 RMB'000 | 2023 RMB'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements | 217,818 | 134,420 |

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows used in financing activities.

| | Bank Borrowings RMB'000 | Lease liabilities RMB'000 | Accrued interest expenses RMB'000 | Dividends payable RMB'000 | Total RMB'000 |
|----------------------|-------------------------------|---------------------------------|--------------------------------------------|---------------------------------|------------------|
| At 1 January 2023 | – | 7,442 | – | – | 7,442 |
| Financing cash flows | 300,000 | (7,171) | (2,299) | (317,268) | (26,738) |
| Dividends declared | – | – | – | 317,268 | 317,268 |
| New leases entered | – | 759 | – | – | 759 |
| Interest expenses | – | 296 | 2,441 | – | 2,737 |
| At 31 December 2023 | 300,000 | 1,326 | 142 | – | 301,468 |
| Financing cash flows | 30,000 | (9,252) | (5,307) | (407,916) | (392,475) |
| Dividends declared | – | – | – | 407,916 | 407,916 |
| New leases entered | – | 23,489 | – | – | 23,489 |
| Interest expenses | – | 964 | 5,165 | – | 6,129 |
| At 31 December 2024 | 330,000 | 16,527 | – | – | 346,527 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank borrowings, lease liabilities and amount due to related companies, disclosed in notes 23, 24 and 25, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to it in light of the changes in the Group's business and economic conditions.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

| | 2024 RMB'000 | 2023 RMB'000 |
|------------------------------|-----------------|-----------------|
| Financial assets | | |
| Amortised cost | 7,405,247 | 7,209,899 |
| FVTPL | 350,020 | 20,000 |
| Financial liabilities | | |
| Amortised cost | 1,038,780 | 1,061,697 |

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade receivables backed by bank bills, other receivables, financial assets at fair value through profit or loss, bank balances and cash, trade and other payables, trade payables backed by bank bills, bank borrowings, amounts due to related companies and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Foreign currency risk

The Company and certain subsidiaries have foreign currency bank balances, which expose the Group to foreign currency risk.

Included in bank balances of the Group are the following amounts denominated in currencies other than the functional currency of the Group (i.e. RMB) to which they relate.

| | 2024 RMB'000 | 2023 RMB'000 |
|-------------------------------|-----------------|-----------------|
| HK\$ | 366,858 | 23,191 |
| United States Dollars ("USD") | 3,099 | 3,629 |
| AUD | 1,548,327 | 813,868 |

Sensitivity analysis

The Group is mainly exposed to HK\$, USD and AUD as disclosed above with the functional currencies of those entities in RMB.

The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in RMB against HK\$, USD and AUD 5% (2023: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in relevant foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2023: 5%) change in HK\$, USD and AUD. A negative number below indicates a decrease in profit for the year where RMB strengthens 5% (2023: 5%) against HK\$, USD and AUD. For a 5% (2023: 5%) weakening of RMB against HK\$, USD and AUD, there would be an equal and opposite impact on the profit for the year.

| | 2024 RMB'000 | 2023 RMB'000 |
|---------------------------------|-----------------|-----------------|
| Decrease in profit for the year | (75,057) | (31,904) |

In management's opinion, the sensitivity analysis is unrepresentative of the foreign currency risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Other price risk

The Group is exposed to price risk through its financial assets at fair value through profit or loss. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. No sensitivity analysis is presented, as the management considered that the fluctuation of price on structured deposits is not significant and majority of these investments are redeemed at the end of the reporting period.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to price risk of the financial products at the reporting date. The price risk arises from the financial products of RMB350,020,000 (2023: nil). As at 31 December 2024, if the quoted bank buying price of the financial products at respective banks had been 5% (2023: 5%) higher or lower with all other variables held constant, the net assets attributable to unitholders from operations would have been approximately RMB14,875,000 (2023: nil) higher or lower, for the year ended 31 December 2024.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances, bank borrowings and lease liabilities (see notes 21, 23 and 24 for details). The Group is also exposed to cash flow interest rate risk which relates to variable-rate bank balances. The Group currently does not have an interest rate hedging policy. The directors of the Company continuously monitor interest rate exposure and will consider entering into interest rate hedging should the need arise. The directors considered the Group's exposure of the variable-rate bank balances to interest rate risk is not significant and therefore no sensitivity analysis is presented.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that settlement of certain trade receivables are backed by bills issued by reputable financial institutions.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management and the related impairment assessment, if applicable, are summarised as below:

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FOR THE YEAR ENDED 31 DECEMBER 2024

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Limits and credit quality of customers are reviewed on a timely basis. The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 100% (2023: 100%) of the total trade receivables as at 31 December 2024.

In addition, the Group performs impairment assessment under ECL model. The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for trade receivables and trade receivables backed by bank bills.

Management assessed the expected loss on trade receivables and trade receivables backed by bank bills individually or collectively by estimation based on internal credit rating, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the end of reporting period.

Trade receivables with significant outstanding balances or credit-impaired balances with gross carrying amounts of RMB399,120,000 and RMB85,000 (2023: RMB87,748,000 and RMB384,000) respectively as at 31 December 2024 are assessed individually and the remaining balances with gross carrying amount of RMB546,055,000 (2023: RMB699,712,000) are assessed collectively based on internal credit rating as at 31 December 2024 within lifetime ECL (not credit-impaired). Impairment allowance of RMB7,506,000 (2023: RMB3,954,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables arising from contracts with customers (Continued)

The Group's internal credit rating comprises the following categories:

| Internal credit rating | Description | Trade receivables | Other financial assets |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
| Low | The customers have a low risk of default and do not have any material past-due amounts | Lifetime ECL – not credit-impaired | 12m ECL |
| Normal | The customers have a normal risk of default based on historical settlement record | Lifetime ECL – not credit-impaired | 12m ECL |
| High | The customers frequently repay but usually settle after due date | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired |
| Loss | There is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables arising from contracts with customers (Continued)

The table below details the credit risk exposures of the Group's trade receivables, which are subject to collective ECL assessment:

| | 2024 | | 2023 | |
|------------------------|-------------------|----------------------------------|-------------------|----------------------------------|
| | Average loss rate | Gross carrying amount RMB'000 | Average loss rate | Gross carrying amount RMB'000 |
| Internal credit rating | | | | |
| Low | 0.45% | 39,551 | 0.46% | 232,570 |
| Normal | 4.59% | 342,048 | 4.78% | 394,263 |
| High | 12.28% | 164,456 | 12.77% | 72,879 |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated. During the year ended 31 December 2024, the Group provided RMB7,421,000 (2023: RMB5,889,000) impairment allowance for trade receivables under lifetime ECL (not credit-impaired).

As at 31 December 2024, the Group assessed the ECL of trade receivables backed by bank bills with a gross carrying amount of RMB177,687,000 (2023: RMB322,041,000) backed by banks with external credit rating ranged from A1 to Ba1 (2023: Aaa to Ba1) at the loss rates ranged from 0.08% to 0.12% (2023: 0.05% to 0.12%) and the remaining balances with a gross carrying amount of RMB117,775,000 (2023: RMB182,715,000) backed by banks that do not have external crediting rating at the loss rate of 1.18% (2023: 1.1%). During the year ended 31 December 2024, the Group reversed RMB894,000 (2023: provided RMB1,486,000) impairment allowance for trade receivables backed by bank bills under lifetime ECL (not credit-impaired).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables arising from contracts with customers (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and trade receivables backed by bank bills under simplified approach:

| | Lifetime ECL (not credit- impaired) RMB'000 | Lifetime ECL (credit- impaired) RMB'000 | Total RMB'000 |
|--------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------|------------------|
| As at 1 January 2023 | 24,457 | 2,336 | 26,793 |
| Changes due to financial instruments recognised as at 1 January 2023: | | | |
| – Impairment loss reversed | (20,297) | (2,215) | (22,512) |
| New financial assets originated or purchased | 27,689 | 263 | 27,952 |
| As at 31 December 2023 | 31,849 | 384 | 32,233 |
| Changes due to financial instruments recognised as at 1 January 2024: | | | |
| – Transfer to credit-impaired | (85) | 85 | – |
| – Impairment loss reversed | (16,930) | (384) | (17,314) |
| New financial assets originated or purchased | 23,926 | – | 23,926 |
| As at 31 December 2024 | 38,760 | 85 | 38,845 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables arising from contracts with customers *(Continued)*

Changes in the loss allowance for trade receivables are mainly due to:

| | 2024 (Decrease) increase in lifetime ECL | | 2023 (Decrease) increase in lifetime ECL | |
|------------------------------------------------------------------------------------------------------------------|------------------------------------------------|--------------------------------|------------------------------------------------|--------------------------------|
| | Not credit- impaired RMB'000 | Credit- impaired RMB'000 | Not credit- impaired RMB'000 | Credit- impaired RMB'000 |
| Trade receivables with gross carrying amount of RMB85,000 (2023: nil) default and transferred to credit-impaired | (85) | 85 | – | – |
| Settlement in full of trade receivables with a gross carrying amount of RMB1,131,176,000 (2023: RMB920,099,000) | (16,930) | (384) | (20,297) | (2,215) |
| New trade receivables with gross carrying amount of RMB1,079,383,000 (2023: RMB1,210,845,000) | 23,926 | – | 27,689 | 263 |

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier.

Other receivables

For other receivables with gross carrying amount of RMB63,217,000 (2023: RMB60,756,000), the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2024 and 2023, the Group assessed the ECL for other receivables were insignificant and thus no loss allowance was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Bank balances

As at 31 December 2024, the Group assessed the ECL of bank balances with a gross carrying amount of RMB6,140,502,000 (2023: RMB5,893,340,000) placed in banks with external credit rating ranged from Aa1 to Baa3 (2023: Aa3 to Baa3) at the loss rates ranged from 0.05% to 0.12% (2023: 0.04% to 0.10%) and bank balances with a gross carrying amount of RMB4,211,000 (2023: nil) placed in banks that do not have external crediting rating at the loss rate of 1.18% (2023: 0.90%). For the years ended 31 December 2024 and 2023, the Group assessed the ECL for bank balances were insignificant based on 12m ECL and thus no further loss allowance was recognised.

The following table shows the movement in 12m ECL that has been recognised for bank balances:

| | 12m ECL RMB'000 |
|-------------------------------------------------------------|--------------------|
| As at 1 January 2023, 31 December 2023 and 31 December 2024 | 4,618 |

Liquidity risk

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

| | Weighted average interest rate | Repayable on demand RMB'000 | Less than 1 year RMB'000 | More than 1 year but less than 2 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|-------------------------------------|--------------------------------------|-----------------------------------|--------------------------------|------------------------------------------------------------|------------------------------------------------|-------------------------------|
| 2024 | | | | | | |
| Trade payables | - | - | 357,402 | 9,644 | 367,046 | 367,046 |
| Trade payables backed by bank bills | - | - | 35,918 | - | 35,918 | 35,918 |
| Other payables | - | - | 292,032 | - | 292,032 | 292,032 |
| Amounts due to related companies | - | 13,784 | - | - | 13,784 | 13,784 |
| Lease liabilities | 4.43% | - | 8,859 | 8,484 | 17,343 | 16,527 |
| Bank borrowings | 1.63% | - | 332,693 | - | 332,693 | 330,000 |
| Total | | 13,784 | 1,026,904 | 18,128 | 1,058,816 | 1,055,307 |

| | Weighted average interest rate | Repayable on demand RMB'000 | Less than 1 year RMB'000 | More than 1 year but less than 2 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|----------------------------------|--------------------------------------|-----------------------------------|--------------------------------|------------------------------------------------------------|------------------------------------------------|-------------------------------|
| 2023 | | | | | | |
| Trade payables | - | - | 484,791 | - | 484,791 | 484,791 |
| Other payables | - | - | 263,122 | - | 263,122 | 263,122 |
| Amounts due to related companies | - | 13,784 | - | - | 13,784 | 13,784 |
| Lease liabilities | 5.95% | - | 1,025 | 362 | 1,387 | 1,326 |
| Bank borrowing | 1.55% | - | 302,402 | - | 302,402 | 300,000 |
| Total | | 13,784 | 1,051,340 | 362 | 1,065,486 | 1,063,023 |

Fair value measurement of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Financial assets at FVTPL are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34. RELATED PARTY DISCLOSURES

Other than as disclosed elsewhere in the consolidated financial statements, the Group has following transactions and balances with related parties:

| Name of related parties | Nature of balances/transactions | As at/ For the year ended 31 December 2024 RMB'000 | As at/ For the year ended 31 December 2023 RMB'000 |
|------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|
| Shineway Medical | Interest expenses on lease liabilities | 790 | 150 |
| | Service fee | 11,832 | 11,050 |
| | Lease liabilities | 13,871 | – |
| | Hotel service fee | – | 215 |
| | Expense relating to short-term leases | – | 1,368 |
| | Technical service | 4,200 | – |
| Shineway Sanhe | Interest expenses on lease liabilities | 130 | 36 |
| | Service fee | 2,707 | 2,709 |
| | Lease liabilities | 2,285 | – |
| Shijiazhuang Municipal Luancheng Country Shineway Training School (“Shineway Training School”) | Service fee | 1,146 | 531 |

Shineway Training School are ultimately controlled by the controlling shareholder of the Company.

Compensation of key management personnel

Key management personnel is deemed to be the members of the board of directors of the Company which has responsibility for planning, directing and controlling the activities of the Group. Remuneration paid for key management personnel is disclosed in note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2024 RMB'000 | 2023 RMB'000 |
|--------------------------------|-----------------|-----------------|
| Non-current asset | | |
| Investments in subsidiaries | 63,599 | 63,599 |
| Current assets | | |
| Other receivables | 26 | 21 |
| Amounts due from subsidiaries* | 1,479,444 | 1,012,730 |
| Bank balances and cash | 664,574 | 4,126 |
| | 2,144,044 | 1,016,877 |
| Current liabilities | | |
| Other payables | 3,783 | 34,900 |
| Amounts due to subsidiaries | 1,745 | 1,682 |
| | 5,528 | 36,582 |
| Net current assets | 2,138,516 | 980,295 |
| Net assets | 2,202,115 | 1,043,894 |
| Capital and reserves | | |
| Share capital | 87,662 | 87,662 |
| Reserves (note) | 2,114,453 | 956,232 |
| Total equity | 2,202,115 | 1,043,894 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

| | Reserves RMB'000 |
|----------------------------------------------------|---------------------|
| At 1 January 2023 | 450,597 |
| Profit and total comprehensive income for the year | 822,903 |
| Dividends paid | (317,268) |
| At 31 December 2023 | 956,232 |
| Profit and total comprehensive income for the year | 1,566,137 |
| Dividends paid | (407,916) |
| At 31 December 2024 | 2,114,453 |

* The management of the Company considered that the expected loss on amounts due from subsidiaries is insignificant after assessing the financial position of these subsidiaries.

36. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2024 and 2023 are as follows:

| Name of companies | Place and date of incorporation/ establishment/ operations | Issued share fully paid/ registered capital | Percentage of equity interest held by the Company | | Principal activities |
|----------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------|---------------------------------------------------|------|----------------------------------------------------------------------------------------|
| | | | 2024 | 2023 | |
| Yuan Da Investment Limited | Hong Kong 10 November 2009 | Ordinary share – HK\$1 | 100% | 100% | Investment holding |
| Yuan Da International Limited 遠大國際有限公司 | BVI 20 November 2002 | Share – US\$10,000 | 100% | 100% | Investment holding |
| Hong Zhan International Limited 宏展國際有限公司 | BVI 20 November 2002 | Share – US\$10,000 | 100% | 100% | Investment holding |
| Shineway Pharmaceutical Group Limited (note a) 神威藥業集團有限公司 | PRC 30 December 2003 | Registered capital – US\$136,000,000 | 100% | 100% | Research and development, manufacturing and trading of Chinese pharmaceutical products |
| Hebei Shineway Pharmaceutical Company Limited (note a) 河北神威藥業有限公司 | PRC 30 December 2003 | Registered capital – US\$12,000,000 | 100% | 100% | Manufacturing and trading of Chinese pharmaceutical products |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

36. PRINCIPAL SUBSIDIARIES (Continued)

| Name of companies | Place and date of incorporation/ establishment/ operations | Issued share fully paid/ registered capital | Percentage of equity interest held by the Company | | Principal activities |
|-----------------------------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------|---------------------------------------------------|------|----------------------------------------------------------------------|
| | | | 2024 | 2023 | |
| China Shineway Pharmaceutical (Hong Kong) Limited 中國神威藥業（香港）有限公司 | Hong Kong 21 April 2004 | Ordinary share – HK\$1 | 100% | 100% | Trading of Chinese pharmaceutical products |
| Xizang Shineway Pharmaceutical Company Limited (note a) 西藏神威藥業有限公司 | PRC 7 November 2006 | Registered capital – US\$1,250,000 | 100% | 100% | Trading of Chinese pharmaceutical products |
| Shineway Pharmaceutical (Zhangjiakou) Company Limited (note b) 神威藥業（張家口）有限公司 | PRC 18 November 2002 | Registered capital – RMB22,000,000 | 100% | 100% | Manufacturing and trading of Chinese products |
| Shineway Pharmaceutical (Sichuan) Limited (note b) 神威藥業（四川）有限公司 | PRC 15 September 2003 | Registered capital – RMB400,500,000 | 100% | 100% | Manufacturing and trading of Chinese pharmaceutical products |
| Shineway (Shijiazhuang) Chinese Medicine Prepared Herbs Limited (note b) 神威藥業（石家莊）中藥飲片有限公司 | PRC 19 November 2010 | Registered capital – RMB3,000,000 | 100% | 100% | Trading of Chinese pharmaceutical products and agricultural products |
| Shineway Pharmaceutical (Minle) Modern Agricultural Limited (note b) 神威藥業（民樂）現代農業有限公司 | PRC 17 June 2012 | Registered capital – RMB2,000,000 | 100% | 100% | Trading of Chinese pharmaceutical products |
| Hebei Tongshun Bioenergy Technology Limited (note b) 河北通順生物質能源科技有限公司 | PRC 20 September 2013 | Registered capital – RMB10,000,000 | 100% | 100% | Manufacturing and trading of Chinese pharmaceutical products |
| Australia Shineway Technology Pty Ltd. | Australia 29 August 2012 | Registered capital – AUD1,000 | 100% | 100% | Research and development of Chinese pharmaceutical products |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

36. PRINCIPAL SUBSIDIARIES (Continued)

| Name of companies | Place and date of incorporation/ establishment/ operations | Issued share fully paid/ registered capital | Percentage of equity interest held by the Company | | Principal activities |
|-------------------------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------|---------------------------------------------------|------|--------------------------------------------------------------------------------|
| | | | 2024 | 2023 | |
| Shineway Pharmaceutical Group (Shandong) Company Limited (note b) 神威藥業集團（山東）有限公司 | PRC 27 April 1993 | Registered capital – RMB28,000,000 | 100% | 100% | Manufacturing and trading of Chinese pharmaceutical products |
| Yunnan Shineway Spirin Pharmaceutical Company Limited (note b) 雲南神威施普瑞藥業有限公司 | PRC 20 November 2014 | Registered capital – RMB50,000,000 | 100% | 100% | Manufacturing and trading of Chinese pharmaceutical products |
| Beijing Wanter Bio-Pharmaceutical Co., Ltd. (note b) 北京萬特爾生物製藥有限公司 | PRC 25 August 2002 | Registered capital – RMB8,000,000 | 100% | 100% | Research and development, manufacturing and trading of pharmaceutical products |
| Jing Jin Ji Lian Chuang Medicine Research (Beijing) Limited (note b) 京津冀聯創藥物研究（北京）有限公司 | PRC 19 January 2017 | Registered capital – RMB10,000,000 | 100% | 100% | Research and development of Chinese pharmaceutical products |
| Kunming Shineway (note b) 神威藥業（昆明）有限公司 | PRC 4 June 1997 | Registered capital – RMB1,000,000 | 100% | 100% | Manufacturing and trading of Chinese pharmaceutical products |
| Chuxiong Shineway Spirin Medicine Research Limited (note b) 楚雄神威施普瑞藥物研究有限公司 | PRC 1 June 2018 | Registered capital – RMB5,000,000 | 100% | 100% | Research and development of Chinese pharmaceutical products |
| Shi Jia Zhuang Ji Zhong Feed Technology Limited (note b) 石家莊市冀中飼料技術開發有限公司 | PRC 4 March 2014 | Registered capital – RMB500,000 | 100% | 100% | Inactive |

Notes:

(a) Being foreign wholly-owned enterprises.

(b) Being PRC domestic enterprises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

36. PRINCIPAL SUBSIDIARIES *(Continued)*

Except for Yuan Da Investment Limited, Yuan Da International Limited and Hong Zhan International Limited, all other subsidiaries are indirectly held by the Company.

The above table lists subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.