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SHENGUAN HOLDINGS (GROUP) LIMITED

神冠控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00829)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL AND OPERATING SUMMARY FOR THE YEAR ENDED 31 DECEMBER

<i>(RMB million, except where otherwise stated)</i>	2024	2023	Change
Revenue	1,016.8	1,110.4	-8.4%
Profit attributable to owners of the parent	26.7	31.2	-14.7%
Basic earnings per share <i>(RMB cents)</i>	0.8	1.0	-20.0%
Dividend per share <i>(HK cents)</i>			
– Final	2.0	2.0	–
– Special (Final)	2.0	2.0	–
Net cash (used in)/from operating activities	(143.3)	176.4	N/A
Total assets	2,829.2	2,957.3	-4.3%
Inventory turnover day – Raw materials <i>(days)*</i>	61.1	37.7	+23.4 days
Inventory turnover day – Finished goods & Work in progress <i>(days)*</i>	223.4	156.7	+66.7 days
Trade receivables turnover day <i>(days)*</i>	61.3	64.0	-2.7 days
Trade payables turnover day <i>(days)*</i>	67.0	72.1	-5.1 days

* Calculated based on the average value between the beginning of the year and the end of the year

The board (the “Board”) of directors (the “Directors”) of Shenguan Holdings (Group) Limited (the “Company”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, “Shenguan” or the “Group”) for the year ended 31 December 2024 (the “Year” or the “Period”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The consolidated annual results of the Group for the Year have been reviewed by the audit committee of the Company (the “Audit Committee”) and approved by the Board on 24 March 2025. The Board is pleased to propose a final dividend of HK2.0 cents per share and a special final dividend of HK2.0 cents per share.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

		2024	2023
	Notes	RMB'000	RMB'000
REVENUE	4	1,016,812	1,110,412
Cost of sales		(845,729)	(939,556)
Gross profit		171,083	170,856
Other income and gains, net	4	57,700	104,111
Selling and distribution expenses		(33,518)	(34,963)
Administrative expenses		(131,085)	(150,773)
Finance costs	6	(7,295)	(9,111)
Share of loss of an associate		(3,128)	(2,318)
Impairment of trade and bills receivables		(5,362)	(8,677)
Impairment of financial assets included in prepayments, other receivables and other assets		(4,248)	(1,203)
PROFIT BEFORE TAX	5	44,147	67,922
Income tax expense	7	(15,247)	(38,379)
PROFIT FOR THE YEAR		28,900	29,543
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		5,025	5,937
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		5,025	5,937
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		33,925	35,480

	<i>Note</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Profit attributable to:			
Owners of the parent		26,664	31,242
Non-controlling interests		2,236	(1,699)
		28,900	29,543
Total comprehensive income attributable to:			
Owners of the parent		31,689	37,179
Non-controlling interests		2,236	(1,699)
		33,925	35,480
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	9		
Basic (<i>RMB cents per share</i>)		0.8	1.0
Diluted (<i>RMB cents per share</i>)		0.8	1.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		977,416	1,003,516
Investment properties		30,828	14,231
Net investments in sublease		372	–
Right-of-use assets		104,532	107,316
Investment in an associate		–	3,128
Deferred tax assets		15,340	13,903
Prepayments, other receivables and other assets		47,154	50,921
Time deposits		114,000	134,000
		<hr/>	<hr/>
Total non-current assets		1,289,642	1,327,015
CURRENT ASSETS			
Inventories		813,976	504,482
Trade and bills receivables	10	158,838	182,665
Prepayments, other receivables and other assets		34,098	53,155
Net investments in sublease		274	–
Tax recoverable		70	18
Pledged deposits		28,478	65,955
Cash and cash equivalents		503,804	824,006
		<hr/>	<hr/>
Total current assets		1,539,538	1,630,281
CURRENT LIABILITIES			
Trade and bills payables	11	111,160	101,658
Other payables and accruals		140,532	149,084
Interest-bearing bank borrowings		240,285	272,842
Lease liabilities		3,605	3,271
Tax payable		12,774	27,082
		<hr/>	<hr/>
Total current liabilities		508,356	553,937
		<hr/>	<hr/>
NET CURRENT ASSETS		1,031,182	1,076,344
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		2,320,824	2,403,359

		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		4,085	1,254
Deferred income		16,402	19,504
Deferred tax liabilities		7,646	6,385
		<u> </u>	<u> </u>
Total non-current liabilities		28,133	27,143
		<u> </u>	<u> </u>
Net assets		2,292,691	2,376,216
		<u> </u>	<u> </u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	12	27,807	27,807
Reserves		2,269,078	2,354,839
		<u> </u>	<u> </u>
		2,296,885	2,382,646
Non-controlling interests		(4,194)	(6,430)
		<u> </u>	<u> </u>
Total equity		2,292,691	2,376,216
		<u> </u>	<u> </u>

NOTES TO FINANCIAL INFORMATION

31 December 2024

1. CORPORATE AND GROUP INFORMATION

Shenguan Holdings (Group) Limited (the “Company”) was incorporated in the Cayman Islands on 24 February 2009 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture and sale of edible collagen sausage casing products, collagen food products, collagen skin care products and polymer collagen medical biomaterials.

2.1 BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. This financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> <i>(the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is engaged in the principal business of the manufacture and sale of edible collagen sausage casing products. The Group is also involved in the manufacture and sale of collagen food products, collagen skin care products and polymer collagen medical biomaterials.

Since over 90% of the Group's revenue is generated from its edible collagen sausage casing products, no operating segments have been aggregated to form the reportable operating segment.

Geographical information

(a) Revenue from external customers

	2024 RMB'000	2023 RMB'000
Mainland China	883,365	961,553
Asia (excluding Mainland China)	85,919	99,064
Other countries/regions	47,528	49,795
	<u>1,016,812</u>	<u>1,110,412</u>

(b) Non-current assets

The non-current asset geographical information is not presented since over 90% of the Group's non-current assets are located in Mainland China.

Information about major customers

Revenue from major customers of the Group, excluding value added tax, which individually accounted for 10% or more of the Group's revenue is set out below:

	2023 RMB'000
Customer 1	206,220
Customer 2	122,897
	<u>329,117</u>

There is no individual customer accounted for 10% or more of the Group's revenue for the year ended 31 December 2024.

4. REVENUE, OTHER INCOME AND GAINS, NET

Set out below is the disaggregation of the Group's revenue:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers		
Goods transferred at a point in time	1,016,713	1,110,315
Services transferred over time	99	97
	<u>1,016,812</u>	<u>1,110,412</u>
Other income		
Bank interest income	27,394	39,693
Government grants	16,695	10,574
Rental income	3,910	2,174
Finance income on net investments in sublease	31	–
Sale of auxiliary materials	5,675	2,325
Others	–	930
	<u>53,705</u>	<u>55,696</u>
Gains		
Gain on early termination of a lease contract	–	21
Fair value gain on derivative financial instrument	–	3,467
Fair value gain on investment properties	394	–
Gain on disposal of intangible assets	–	39,726
Gain on disposal of items of property, plant and equipment, net	2,663	5,201
Gain on disposal of right-of-use assets	938	–
	<u>3,995</u>	<u>48,415</u>
Total other income and gains, net	<u>57,700</u>	<u>104,111</u>

5. PROFIT BEFORE TAX

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	189,317	178,607
Retirement benefit contributions	46,770	40,882
	<hr/>	<hr/>
Total	236,087	219,489
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Auditor's remuneration	2,931	2,836
Cost of inventories sold	735,181	841,693
Depreciation of property, plant and equipment	77,459	93,575
Depreciation of right-of-use assets	6,969	7,396
Deficit on revaluation of property, plant and equipment	2,239	–
Changes in fair value of investment properties	(394)	1,639
Fair value gain on derivative financial instruments		
– transactions not qualifying as hedges	–	(3,467)
Lease payments not included in the measurement of lease liabilities	354	377
Gain on disposal of items of property, plant and equipment, net	(2,663)	(5,201)
Gain on disposal of right-of-use assets	(938)	–
Gain on disposal of intangible assets	–	(39,726)
Impairment of financial assets included in prepayments, other receivables and other assets	4,248	1,203
Impairment of property, plant and equipment	4,775	2,558
Impairment of trade and bills receivables, net	5,362	8,677
Impairment of an investment in an associate	–	12,054
Write-off of inventories	5,128	5,731
Provision/(reversal of provision) against obsolete and slow-moving inventories	15,826	(3,696)
Foreign exchange differences, net	1,200	4,584
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	76	272
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6. FINANCE COSTS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Interest on bank loans	7,034	8,853
Interest on lease liabilities	261	258
	<hr/>	<hr/>
Total	7,295	9,111
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7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

A subsidiary located in Wuzhou, Guangxi in the Western Region of China is entitled to the region's preferential corporate income tax ("CIT") rate of 15% as set out in the Announcement of the State Taxation Administration and the National Development and Reform Commission on the continuation of preferential enterprise income tax policies in the western region (Announcement No.23 [2020]).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current – PRC	14,093	24,476
Current – Hong Kong	1,329	1,790
Deferred tax	(175)	12,113
	<hr/>	<hr/>
Total tax charge for the year	15,247	38,379
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDENDS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Final dividend proposed subsequent to the reporting period – HK2.0 cents (2023: HK2.0 cents) per ordinary share	59,665	58,605
Final special dividend proposed subsequent to the reporting period – HK2.0 cents (2023: HK2.0 cents) per ordinary share	59,665	58,605
	<hr/>	<hr/>
	119,330	117,210
	<hr/> <hr/>	<hr/> <hr/>

The final dividend and special dividend for the year ended 31 December 2024 proposed subsequent to the reporting period have not been recognised as liabilities at the end of the reporting period and are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of RMB26,664,000 (2023: RMB31,242,000) and the weighted average number of 3,230,480,000 (2023: 3,230,480,000) ordinary shares outstanding during the year.

The Group had no potentially dilutive ordinary shares outstanding during the years ended 31 December 2024 and 2023.

10. TRADE AND BILLS RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	120,091	130,370
Due from related companies	<u>1,170</u>	<u>1,323</u>
	121,261	131,693
Bills receivable	<u>79,658</u>	<u>89,896</u>
	200,919	221,589
Impairment	<u>(42,081)</u>	<u>(38,924)</u>
	<u>158,838</u>	<u>182,665</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for certain customers.

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 1 month	72,326	59,444
1 month to 3 months	43,777	61,944
3 months to 6 months	33,653	46,709
6 months to 1 year	3,618	9,083
Over 1 year	<u>5,464</u>	<u>5,485</u>
	<u>158,838</u>	<u>182,665</u>

11. TRADE AND BILLS PAYABLES

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

	2024 RMB'000	2023 RMB'000
Within 1 month	38,257	32,088
1 to 2 months	12,168	14,190
2 to 3 months	9,753	18,630
3 to 6 months	41,396	18,954
Over 6 months	9,586	17,796
	<u>111,160</u>	<u>101,658</u>

The trade payables are non-interest-bearing. The trade and bills payables are normally settled on terms ranging from 60 days to 180 days.

12. SHARE CAPITAL

	2024 HK\$'000	2023 HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
3,230,480,000 (2023: 3,230,480,000) ordinary shares of HK\$0.01 each	<u>32,305</u>	<u>32,305</u>
Equivalent to RMB'000	<u>27,807</u>	<u>27,807</u>

A summary of movements in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000	Equivalent total RMB'000
At 1 January 2023,						
31 December 2023,						
1 January 2024 and						
31 December 2024	<u>3,230,480,000</u>	<u>32,305</u>	<u>10,233</u>	<u>27,807</u>	<u>98,081</u>	<u>125,888</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2024 (the “Year”), China navigated a complex and severe landscape marked by intensifying external pressures and increasing domestic challenges with confidence in development, proactively addressed problems and challenges. A series of existing and incremental policies were implemented in a concerted manner and continued to be effective, driving the economy to continue its overall stability while making progress, showing the characteristics of “starting high, falling low in the middle, and rebounding at the end”, with high-quality development gaining solid momentum and industrial transformation accelerating.

According to preliminary data calculations from the National Bureau of Statistics of China, the gross domestic product (GDP) increased by 5.0% year-on-year during the Year, consolidating China’s position as the world’s second-largest economy. The contribution rate of final consumption expenditure to China’s economic growth for the whole year was 76.2%, indicating resurgent consumer demand as the primary economic growth driver. As China endeavours its efforts to boost consumption, residents’ expectations were gradually stabilised, the proportion of residents’ disposable income in GDP increased significantly. The supply-side structural reforms and various measures boosting consumption were expected to further revitalize China’s collagen sausage casings market.

BUSINESS REVIEW

During the Year, Shenguan Holdings (Group) Limited (the “Company”) and its subsidiaries (collectively the “Group”) welcomed its 45th anniversary of corporate development and its 15th anniversary of listing in Hong Kong. From producing the first collagen sausage casings in China to possessing three world-first core technologies, the Group has become a world-class enterprise in collagen sausage casings. The Group is accelerating the development of the grand health industry under the “Three Developments and One Core” strategy. Relying on the collagen core technology with a complete triple-helix structure, the Group has successfully launched six series of new products of collagen sausage casings to further consolidate its leading position in the collagen sausage casings market. At the same time, the Group intensifies its expansion in three major industries, namely collagen food products, collagen skincare products and polymer collagen medical biomaterials.

Collagen Sausage Casings

During the Year, the Group successfully developed and launched six new products of the collagen sausage casings series, namely “fried”, “crispy”, “fresh”, “tender”, “bright” and “colorful”, and held new product promotional seminars and global investment promotion seminars to initiate industry exchanges. The new products earned unanimous customer praise, laying a solid foundation for promoting the comprehensive upgrade of collagen sausage casings products and covering market needs. To cope with the launch of new products, the Group also constantly strengthened and improved its production capacity. The plan of production capacity expansion formulated by the Group has basically been achieved, with the production capacity of collagen sausage casings reaching 7 billion metres. Meanwhile, the Group has also upgraded and renovated its facilities related to raw material warehousing, storage, pre-processing, collagen extraction, sausage casings production and environmental protection.

In addition to the standardised management of equipment for collagen casings, which the Group commenced in 2023 (the “Prior Year”), we continued to promote the standardisation of equipment and spare parts, including the standardised management of production lines, equipment, components and spare parts, during the Year. These efforts were aimed at reducing equipment maintenance and production costs, improving production efficiency and corporate economic benefits, and laying foundation for the realisation of information, digitalisation and intelligent construction of the enterprise.

Other Products

With the deepened implementation of the “Healthy China 2030” Planning Outline, as a sunrise industry, the grand health industry enjoys enormous development potential. It is a national emerging strategic industry with the engagement of various “new power and new energy”. By focusing on the grand health industry, it will bring a strong driving force to the development of China’s health industry. During the Year, the sales revenue of collagen food products, collagen skincare products and polymer collagen medical biomaterials increased by approximately 83.2% as compared with the Prior Year.

During the Year, the Group launched new products such as “Bo Bo Chicken (钵钵雞)” and “Beef Tripe (牛西肚)” in the research and development of collagen food products, which were well received by the market. In addition, the Group upgraded its products such as “ready-to-eat beef tendon”, “collagen brown sugar ginger drink”, “collagen oat drinks” and “collagen oat porridge”, with the packaging and taste catering to the needs of consumers.

For the research and development of collagen skincare products, the Group further increased its investment during the Year by introducing a series of collagen skincare products, which have gradually enriched the product varieties and gained a favourable reputation. The development of collagen masks, skin nourishing lotions and multi-effective gel creams under the brands of “Luxianna”, “COLL-FULL”, “Collagen Family” and “coll-shine” has been improved and launched in the market gradually.

During the Year, the Group performed particularly well in the polymer collagen medical biomaterials segment, with the endotoxin content of the Group's medical collagen raw materials extracted through its proprietary technology being only 0.01EU/ml, which is better than the FDA's standard of 0.5EU/ml in the USA. The prospects of selling medical collagen raw materials were promising, representing an increase of 542.7% as compared with the Prior Year. Application has been made to the national regulatory authorities for the registration licence of "collagen bone filling biomaterials" as Class III medical device products, which is pending review and approval. The "oral post-operative medical collagen sponge (口腔術後醫用膠原蛋白海綿)" has passed the ethical review, and will enter the clinical trial stage. The "medical collagen dressing (醫用膠原蛋白敷料)" and "small beauty needle (小美容針)" are in the process of physicochemical indicators testing and animal trial.

HONOURS OF THE GROUP

During the Year, the Group's trademark of "Shenguan" was enlisted on the China's First Batch of Key Trademark Protection Lists for Light Industry (中國第一批輕工業重點商標保護名錄) at the "2024 China Light Industry Intellectual Property Conference (2024年中國輕工業知識產權大會)" organized by China Light Industry Enterprise Management Association (中國輕工業企業管理協會). In addition, the Group's halal collagen sausage casings have also successfully obtained the "Halal Certificate (清真證書)" issued by the Halal Foundation Center and Shaanxi International Halal Certification Center (陝西國際清真認證中心). Guangxi Shenguan Collagen Biological Group Co., Ltd. (廣西神冠膠原生物集團有限公司) ("Shenguan Collagen"), a subsidiary of the Group, was also recognised as one of the "First Batch of Guangxi Model Enterprises for the Reform of Industrial Workers' Team Building (首批廣西產業工人隊伍建設改革示範企業)" and was awarded the "Guangxi Gold Medal for Labour and Personnel Dispute Resolution Organisation (廣西金牌勞動人事爭議調解組織)".

PATENTS

As of 31 December 2024, the Group had the following patents:

	Total number of patents granted	Within the validity period	Under acceptance
China National Intellectual Property Administration	107	70	21
Intellectual Property Office, Ministry of Economic Affairs, Taiwan	2	2	—
United States Patent and Trademark Office	1	1	—
Intellectual Property Office of Singapore	2	2	—
Department of Intellectual Property, Ministry of Commerce, Cambodia	1	1	—
Intellectual Property Office of Indonesia	1	1	—
Total	114	77	21

The Group has been closely collaborating with Huazhong University of Science and Technology on forward-looking scientific research in collagen technology and achieved fruitful results. In collaboration with Huazhong University of Science and Technology, the Group co-published a research article titled “Collagen nanofiber-lignin composite sponges with adjustable hierarchical pore structure for efficient low-frequency sound absorption” in Advanced Science Journal, addressing challenges in architectural acoustic materials. Inspired by collagen’s acoustic-physiological functions in the human body and lignin’s structural properties in plants, the study innovatively combined collagen nanofibers with lignin to successfully develop a collagen nanofiber-lignin composite sponge (a kind of natural building sound absorption material with superior sound absorption and noise reduction properties, light weight, high mechanical performance and biodegradability). Additionally, the Group and Huazhong University of Science and Technology have jointly developed six patents as follows:

Patent Titles

Microbial-modified lignin composite collagen film, preparation and application	Granted
Manufacturing method of collagen nanofiber-lignin composite sponges with hierarchical pore structure and its application as a sound absorption material	Under acceptance
A kind of mushroom and protein meat substitute and its manufacturing method	Under acceptance
The manufacturing method and its application of a PH responsive natural food packaging membrane	Under acceptance
An insoluble dietary fibre LCC/collagen COL edible composite membrane and its manufacturing method	Under acceptance
An soluble dietary fibre KGM/collagen COL edible composite membrane and its manufacturing method	Under acceptance

QUALITY CONTROL

The Group strictly controls every production link to ensure its products are of the highest quality and comply with all applicable food safety requirements. The Group’s production and manufacture of collagen sausage casings has passed the certification of ISO9001 Quality Management System, ISO22000 Food Safety Management System, ISO10012 Measurement Management System and ISO14000 Environmental Management System, and has obtained the Food Production Licence and the Filing of Export Food Manufacturers (出口食品生產企業備案證). The Group has also registered with the Food and Drug Administration in the United States for exporting of sausage casing products to Southeast Asia, Europe and the United States. In addition, the production of all the Group’s sausage casing products has strictly complied with the national standards (GB14967–2015) and sausage casing manufacturing industry standards (SB/T10373–2012) of the PRC. All these certifications are the recognition of the Group as a trustworthy product supplier to its customers.

Guangxi Wuzhou Zhongguan Testing Technology Services Co., Ltd. (“Wuzhou Zhongguan”), a subsidiary of the Group, is able to examine over 800 indicators, including physicochemical indicators such as heavy metals and microelements, pesticide residues, microorganisms and proteins, and continues to independently undertake third-party inspection assignments, provide various food and relevant product testing services and issue officially recognised testing reports, contribute external sales revenue. Such qualifications recognition is going to lay a solid foundation for the Group to develop into a high-end collagen raw materials base, thereby facilitating the healthy development of the Group’s collagen food products, collagen skincare products and polymer collagen medical biomaterials in the grand health industry.

CUSTOMER RELATIONSHIP

The Group is committed to developing long-term cooperation relationships based on mutual trust with its business partners and has built a stable customer base. The Group has established its closely-knit yet extensive network of leading meat products processing and sausage manufacturers, not only for cooperation with enterprises in the PRC, but also with those in various overseas markets, such as Southeast Asia, South America and the United States. During the Year, the Group continued to supply high-quality sausage casing products to a number of renowned food suppliers in the PRC. On the basis of stabilising existing customers, the Group continued to solicit new customers and achieved favourable outcome.

SUPPLY OF RAW MATERIALS

Cattle inner skin is a major raw material for collagen sausage casing production. The supply of cattle inner skin remained stable over the past few years. However, due to factors such as the economic downturn, the supply of cattle inner skin was slightly tightening in both 2022 and 2023, which was alleviated during the Year with a decrease in price compared to the Prior Year.

Guangxi Zhiguan Industrial Development Co., Limited (“Guangxi Zhiguan”), one of the Group’s major cattle inner skin providers, applied for the Food Production Licence under “the Measures for the Administration of Food Production Licensing” of the PRC and “Food Safety Law” of the PRC on a voluntary basis. The licence has been granted by Wuzhou Bureau for Administrative Examination and Approval with a valid period until October 2027.

FINANCIAL ANALYSIS

Revenue

Revenue decreased by approximately 8.4% to approximately RMB1,016.8 million for the Year from approximately RMB1,110.4 million for the Prior Year. During the Year, the operation of some lower-end products was unsatisfactory, and the Group also carried out product upgrading by launching six new product series. The focus of promotion was slowly shifted from the old products to the six new products, which required maintaining communication with customers and optimizing the products according to customers' needs at the initial stage of launching of the new products. During the period of product transition and coordination with customers, sales was inevitably affected to a certain extent.

Cost of sales

Cost of sales decreased by approximately 10.0% to approximately RMB845.7 million for the Year from approximately RMB939.6 million for the Prior Year, including the inventory write-offs and provisions of approximately RMB21.0 million mainly for certain lower-end aged inventories, as compared to net provision of approximately RMB2.0 million for the Prior Year. Excluding such items, the cost of sales for the Year decreased by approximately 12.0% as compared to the Prior Year. The costs of raw materials for the Year decreased by approximately 18.7% to approximately RMB381.7 million as compared with that of the Prior Year. In addition, the charges for energy decreased by approximately 5.3% to approximately RMB172.9 million. The direct labor costs decreased by approximately 4.1% to approximately RMB148.6 million.

Gross profit

Gross profit increased by approximately 0.1% to approximately RMB171.1 million for the Year from approximately RMB170.9 million for the Prior Year. Gross profit margin increased to approximately 16.8% for the Year from approximately 15.4% for the Prior Year. Excluding inventory write-offs and provisions or reversals, gross profit increased by approximately 11.1% and gross profit margin increased to approximately 18.9% for the Year. During the Prior Year, the Group conducted large-scale product trial production and equipment transformations due to new products research and development, as well as expansion of production capacity, while the changeover of production lines required to undergo trial production to test their quality and effectiveness, and the raw materials, auxiliary materials and energy consumed for the trial production were higher than those under normal production, which in turn increased the average unit cost of production. However, during the Year, as the Group has made greater efforts in broadening the supply channels of raw materials to ensure the supply and quality, and enhanced the overall production capacity through technological innovations and renovations in the production of sausage casings, renewal and upgrading of equipment, as well as improvement of the infrastructural facilities in the entire process, which includes upgrading and renovation of the facilities related to raw material warehousing, storage, pre-processing, collagen extraction, sausage casings production and environmental protection, the unit production cost of sausage casings and even the cost of sales have significantly decreased, which in turn improved the gross profit margin.

Other income and gains

Other income and gains decreased by approximately 44.6% to approximately RMB57.7 million for the Year from approximately RMB104.1 million for the Prior Year. Wuzhou Sanjian Pharmaceutical Co., Ltd. (廣西梧州三箭製藥有限公司) (“Wuzhou Sanjian”), a wholly-owned subsidiary of the Group, entered into an assignment agreement and contract (the “Assignment Agreement and Contract”) with Guangxi Weiwei Pharmaceutical Co., Ltd. (廣西維威製藥有限公司) (“Guangxi Weiwei”) on 26 October 2022, pursuant to which Wuzhou Sanjian agreed to assign the pharmaceutical products marketing authorisation in respect of fifty pharmaceutical products to Guangxi Weiwei for an aggregate consideration of approximately RMB42.1 million (5% VAT included). The assignment was completed during the Prior Year and resulted in a gain of approximately RMB39.7 million. Please refer to the announcement of the Group dated 26 October 2022 for details.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 4.1% to approximately RMB33.5 million for the Year from approximately RMB35.0 million for the Prior Year. Selling and distribution expenses as a percentage of revenue increased to approximately 3.3% for the Year from approximately 3.1% for the Prior Year.

Administrative expenses

Administrative expenses decreased by approximately 13.1% to approximately RMB131.1 million for the Year from approximately RMB150.8 million for the Prior Year. The Group’s investment in an associate experienced an impairment of approximately RMB12.1 million for the Prior Year due to unfavorable economic and market conditions.

Finance costs

Finance costs decreased by approximately 19.9% to approximately RMB7.3 million for the Year from approximately RMB9.1 million for the Prior Year.

Share of loss of an associate

During the Year, Ferguson (Wuhan) Biotech Company Limited, an associate of the Group, contributed a share of loss of approximately RMB3.1 million to the Group, as compared to a share of loss of approximately RMB2.3 million for the Prior Year.

Impairment of trade, bills and other receivables

The Group recorded an impairment of trade, bills and other receivables in an aggregate of approximately RMB9.6 million for the Year, as compared to an impairment in an aggregate of approximately RMB9.9 million for the Prior Year.

Income tax expenses

Income tax expenses were approximately RMB15.2 million for the Year, as compared to approximately RMB38.4 million for the Prior Year. The Company's major operating subsidiary, Shenguan Collagen enjoys a preferential tax treatment due to its location in western China and fall into the industry category encouraged by government policies. The applicable tax rate for Shenguan Collagen is 15%.

The effective tax rates applied to the Group were approximately 56.5% and approximately 34.5% of profit before tax for the Prior Year and for the Year, respectively. The higher effective tax rates for the Prior Year and for the Year than the applicable tax rates of major operating subsidiary was mainly due to the provision of dividend withholding tax, and losses recorded by some subsidiaries of the Group. During the Prior Year, there is also a gain of approximately RMB39.7 million arising from the assignment of the pharmaceutical products marketing authorisation in respect of fifty pharmaceutical products to Guangxi Weiwei by Wuzhou Sanjian, which resulted in an utilization of deferred tax assets arising from tax loss at the applicable tax rate of 25% was approximately RMB9.9 million.

Profit/(loss) attributable to non-controlling interests

The profit attributable to non-controlling interests for the Year was approximately RMB2.2 million, which mainly represented the total profit attributable to the non-controlling interests in all non-wholly owned subsidiaries.

Profit attributable to owners of the parent

In light of the above, in particular, although there was an after-tax gain of approximately RMB29.8 million in the Prior Year in respect of other gains on the assignment of marketing authorisations for pharmaceutical products while there was no similar gain in the Year and a decrease in revenue of approximately 8.4%, the profit attributable to owners of the parent decreased by only approximately 14.7% to approximately RMB26.7 million for the Year from approximately RMB31.2 million for the Prior Year as a result of the improvement in the gross profit margin, favourable sales of medical collagen raw materials and stringent control of operating expenses in the Year. However, if the above other gains on the assignment of marketing authorisations for pharmaceutical products were excluded, the profit attributable to owners of the parent for the Prior Year would be approximately RMB1.4 million, which in fact represented a significant increase for the Year.

Liquidity and Capital Resources

Cash and bank borrowings

The Group generally finances its business operations and capital expenditure with internally generated cash flows as well as the bank borrowings provided by its principal banks.

As at 31 December 2024, the cash and cash equivalents together with pledged and time deposits amounted to approximately RMB646.3 million, representing a decrease of approximately RMB377.7 million (as at 31 December 2023: approximately RMB1,024.0 million) as compared to that as at the end of 2023. Among these balances, approximately 84% was denominated in Renminbi, and the remaining was denominated in Hong Kong dollars, Singapore dollars and U.S. dollars.

As at 31 December 2024, the total bank borrowings of the Group amounted to approximately RMB240.3 million, decreased by approximately RMB32.6 million (as at 31 December 2023: approximately RMB272.8 million), and all bank borrowings were wholly repayable within one year and denominated in Renminbi.

The Group was in a net cash position (cash and cash equivalents together with the pledged and time deposits less total bank borrowings) of approximately RMB406.0 million as at 31 December 2024 (as at 31 December 2023: approximately RMB751.1 million). The debt-to-equity ratio was 10.8% as at 31 December 2024 (as at 31 December 2023: 11.7%). The debt-to-equity ratio was calculated by dividing total bank borrowings and lease liabilities by total equity.

Cash flows

During the Year, the net cash outflow of approximately RMB143.3 million were used in operating activities. The Group launched six new sausage casings products in the second quarter of the Year, and in order to cope with the launch of the new products, the Group kept sufficient inventories of raw materials and finished products, thus the total inventories increased. The net cash inflow of approximately RMB161.7 million were generated from investing activities and the net cash outflow of approximately RMB162.1 million were generated from financing activities, respectively. The net cash inflow from investing activities was mainly attributable to the cash inflow from decrease in pledged deposits and non-pledged time deposits with original maturity of over three months when acquired, partly offset by the cash outflow from the acquisition of property, plant and equipment. The net cash outflow from financing activities was mainly attributable to the combined effects of the payment of 2023 final dividend and repayment of bank borrowings and new bank borrowings.

Exposure to exchange risks

The Group mainly operates in the PRC with most of its transactions settled in Renminbi. The assets and liabilities, and transactions arising from the operations are mainly denominated in Renminbi. Although the Group may be exposed to foreign currency exchange risks, the Board believes that the future currency fluctuations will not have any material impact on the Group's operations. The Group had not adopted formal hedging policies.

Capital expenditure

The capital expenditure of the Group during the Year amounted to approximately RMB87.8 million, which was mainly used for expansion of production capacity and equipment transformations, and the capital commitments as at 31 December 2024 amounted to approximately RMB143.5 million, which were mainly related to the expansion, improvement and upgrades of production facilities.

The estimated capital expenditure of the Group for 2025 of approximately RMB100.0 million will be mainly used for the upgrade of high-quality collagen casing production lines.

Pledge of assets

As at 31 December 2024, pledged bank deposits amounted to approximately RMB28.5 million in total.

Contingent liabilities

As at 31 December 2024, the Group was not aware of any material contingent liabilities.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

Subsequent Events after the Year

There were no important events affecting the Group that have occurred since 31 December 2024.

HUMAN RESOURCES

As at 31 December 2024, the Group hired a total of approximately 3,070 contract employees (as at 31 December 2023: 2,790). During the Year, the total remuneration and employees' benefit expenses charged to profit or loss were approximately RMB236.1 million (Prior Year: approximately RMB219.5 million). In order to attract and retain high quality talents to ensure smooth business operation and to cope with the need of the Group's continuing expansion, the Group offers competitive remuneration packages with reference to the market conditions as well as individual qualifications and experience.

PROSPECTS AND STRATEGIES

The Third Plenary Session of the 20th Central Committee of the Communist Party of China decided to adhere to and implement the “Two Unswerving Principles” policy, i.e. consolidating and developing the public sector while encouraging, supporting and guiding the development of the non-public sector, ensuring that all sectors have equal access to the use of production resources under the law, participate in the market competition on an equitable basis and are equally protected by the law, with a view to promote the complementarity strengths and common development of all sectors. The Central Economic Work Conference held in December 2024 outlined the economic tasks for 2025, which include expanding domestic demand, promoting the integrated development of technological and industrial innovation, stabilizing the real estate and stock markets, preventing and mitigating risks and external shocks in key areas, and stabilizing expectations to invigorate the economy, thereby driving sustained recovery and positive development.

In recent years, while consolidating its leading position in the domestic collagen sausage casings market, the Group has been vigorously pushing forward its diversified development in the direction of “Three Developments and One Core” of collagen food products, collagen skincare products and polymer collagen medical biomaterials. Despite encountering challenges during the initial phases, through the concerted efforts of all employees, the Group has laid a solid foundation for building a “Global Shenguan, Century-old Shenguan” and is confident in achieving the goals set for 2025.

In 2025, the Group will adopt the guiding principles of “strengthening standardised management and consolidating new product quality”, with the major tasks being to ensure consistent quality across six collagen sausage casings series, particularly the “fried” and “fresh” series; to increase the proportion of high-end sausage casings; to promote technical transformation in standardised and intelligent production; to increase economic benefits through enhancing production efficiency and work efficiency. The focus will be on promoting continuous innovation, enhancing standardised management, and stabilize the quality of new products. Firstly, we will initiate a quality enhancement year campaign to ensure the stable quality of the six major series of collagen casings. Secondly, we will further increase the proportion of high-quality products and export items. Thirdly, we will continue to expand technological transformation and further optimize and enhance them. Finally, we will deepen and refine the standardized management of products, processes, equipment, and procedures, while advancing budget management to improve efficiency.

Collagen biopolymer serves as a bridge between biology and materials science. Through modern biotechnological extraction, modification, and synthesis, and driven by scientific breakthroughs and technological innovation, its widespread application has become a focal point in biomaterials research. Collagen-based medical biomaterials will progress from fundamental research to a stage of clinical translation and rapid industrialisation. Their low immunogenicity, degradability, and multifunctionality make them a core material in regenerative medicine, precision medicine, and anti-ageing sectors. In the future, collagen-based materials are expected to achieve a leap from “passive repair” to “active regeneration”, offering innovative solutions to challenges such as tissue defects and organ failure. The research and application of collagen as a medical biomaterial are embracing a revolutionary breakthrough.

For collagen food products, the Group is committed to promoting the application of collagen in the food field, and providing consumers with cost-effective health food. The Group will continue to ramp up production of products such as beef tripe, beef tendon, rice noodles, collagen oatmeal and collagen ginger tea, striving to enhance production efficiency. Alongside increasing production, the Group will further expand product promotion and marketing efforts, and broaden sales channels to achieve our sales growth objectives.

For collagen skincare products, the Group will continue to research the application of collagen in the field of skin care and cosmetics. Leveraging the existing production capabilities of Luxianna, the Group will move up the production and sales of new products such as collagen masks, nourishing toners, multi-effect creams, collagen extracts, and cleansing products to enhance the production and sales standards of our products.

For polymer collagen medical biomaterials industry, the Group is committed to applying cutting-edge collagen biotechnology to serve mankind and carry out in-depth research on medical collagen application technology. The Group will expedite the clinical trials of new products and the application for production licences, including the production approval for “collagen bone filling biomaterials (artificial bone) (膠原蛋白骨填充材料(人工骨))”, actively advance the clinical trials for “oral medical collagen sponges (口腔醫用膠原蛋白海綿)” and the preparation work for the pre-clinical stages of “traumatic dressing (創面敷料)” and “small beauty needle (小美容針)”, aiming to initiate clinical trials within 2025. The Group will enhance the sales efforts for medical collagen and its semi-finished products, expecting to achieve significant sales growth.

Finally, the team of the Company will continue to endeavour and speed up the growth of the grand health industry of Shenguan, further broaden the application of collagen technology, and develop more products in the collagen industry chain for the market, so as to generate better returns on investment for the shareholders.

OTHER INFORMATION

Dividends

The Directors recommended the payment of a final dividend of HK2.0 cents per ordinary share and a special final dividend of HK2.0 cents per ordinary share for the Year (the “Final Dividend”) to shareholders whose names appear on the register of members of the Company on 17 June 2025 (Tuesday). Subject to the approval of the shareholders at the forthcoming annual general meeting, it is expected that the Final Dividends will be paid on or around 9 July 2025 (Wednesday).

Closure of Register of Members

For the purposes of determining the shareholders’ eligibility to attend and vote at the forthcoming annual general meeting to be held on 6 June 2025 (Friday), the register of members of the Company will be closed from 3 June 2025 (Tuesday) to 6 June 2025 (Friday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 2 June 2025 (Monday). For determining entitlement to the Final Dividends (if approved at the forthcoming annual general meeting), the register of members of the Company will be closed from 12 June 2025 (Thursday) to 17 June 2025 (Tuesday), both days inclusive. The record date will be 17 June 2025 (Tuesday). The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 11 June 2025 (Wednesday). During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the forthcoming annual general meeting, and to qualify for the Final Dividends (if approved at the forthcoming annual general meeting), all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the dates and times stated above respectively.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the Year.

Model Code Set out in Appendix C3 to the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as its own code of conduct regarding Directors’ securities transactions. The Company has also adopted the Model Code for the members of senior management of the Group.

The Company has made specific enquiry with all the Directors and all the Directors have confirmed that they had complied with the Model Code during the Year. Moreover, no incident of non-compliance of the Model Code by the senior management was noted by the Company during the Year.

Corporate Governance Code

The Company's corporate governance practices for the Year are based on the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix C1 to the Listing Rules.

Save as disclosed below, the Board considered that the Company had complied with all the code provisions set out in the Code during the Year.

Under code provision C.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Ms. Zhou Yaxian, who acts as the chairman (the "Chairman") and the president of the Company, is also responsible for overseeing the general operations of the Group. The Company has not appointed any chief executive officer and the daily operations of the Group are delegated to other executive Directors, the management and various department heads. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently.

The Company understands the importance to comply with code provision C.2.1 of the Code and will continue to consider the feasibility of appointing the chief executive. The Company will make timely announcement if the chief executive has been appointed.

The Chairman takes the lead to ensure that the Board acts in the best interests of the Company, there is effective communication with the shareholders and their views are communicated to the Board as a whole. The Chairman meets at least annually with the independent non-executive Directors without the other Directors being present.

Audit Committee

The Audit Committee had reviewed the consolidated annual results of the Group for the Year and considered that the Company had complied with all applicable laws, accounting standards and requirements, and had made adequate disclosure.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the Year as set out in this announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on this preliminary announcement.

By order of the Board
Shenguan Holdings (Group) Limited
Zhou Yaxian
Chairman

Hong Kong, 24 March 2025

As at the date of this announcement, the executive Directors are Ms. Zhou Yaxian, Mr. Ru Xiquan, Mr. Mo Yunxi, Mr. Sha Junqi and Mr. Li Chenglin; the non-executive Director is Dato' Sri Low Jee Keong; and the independent non-executive Directors are Mr. Tsui Yung Kwok, Mr. Meng Qinguo and Mr. Zhou Xiaoxiong.