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国药集团
SINOPHARM

CHINA TRADITIONAL CHINESE MEDICINE HOLDINGS CO. LIMITED
中國中藥控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 570)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2024
AND APPOINTMENT OF VICE PRESIDENT

The board (the “Board”) of directors (the “Directors”) of China Traditional Chinese Medicine Holdings Co. Limited (the “Company”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2024 (the “Reporting Period” or the “Period”):

	Year ended 31 December		Change
	2024	2023	
	RMB'000	RMB'000	
Revenue			
Chinese medicinal herbs integration business	1,386,669	1,855,534	-25.3%
TCM decoction pieces	3,314,794	2,811,368	17.9%
Concentrated TCM granules	6,972,013	9,108,382	-23.5%
TCM finished drugs	4,552,955	3,994,333	14.0%
TCM great health	283,277	352,244	-19.6%
Total	16,509,708	18,121,861	-8.9%
Gross profit	7,856,308	9,274,492	-15.3%
Profit for the year	20,771	1,396,070	-98.5%
Adjusted net profit¹	635,540	1,396,070	-54.5%
Basic earnings per share (RMB cents)	1.07	25.52	-95.8%
Proposed final dividend per share (HK cents)	0.35	–	N/A
Proposed special dividend per share (HK cents)	8.30	–	N/A

Note:

- Details for the adjusted net profit please refer to section “Non-HKFRS measure — adjusted net profit” in the financial review of this announcement.

CHAIRMAN’S STATEMENT

Dear shareholders,

In 2024, the TCM industry entered a new development stage amid opportunities and challenges. On the one hand, national policies continued to release positive signals, and a series of documents such as the “Action Plan for Standardization of Traditional Chinese Medicine (2024-2026)” (《中醫藥標準化行動計劃(2024-2026年)》) and “Several Opinions on Promoting the Development of Digital Traditional Chinese Medicine” (《關於促進數字中醫藥發展的若干意見》) were intensively introduced, injecting impetus into the standardized development of the industry and technological innovation. On the other hand, due to macroeconomic fluctuations, high prices of Chinese medicinal herbs and intensified market competition, the TCM industry as a whole was facing the pressure of narrowing profit margins.

Affected by multiple factors, the Group’s performance in 2024 declined. The revenue for the year ended 31 December 2024 was RMB16.51 billion, representing a decrease of 8.9% compared with the same period of 2023; net profit was RMB0.021 billion, representing a decrease of 98.5% compared with the same period of 2023. Despite the pressure on the profitability in stages, the production and sales scale of the Group’s core business segments remained stable and its market share continued to consolidate. Based on the deep insight into the long-term development trend of the TCM industry and full confidence in the fundamentals of the enterprise, the Board and the management are optimistic about the Group’s ability to transcend short-term performance fluctuations.

During the Reporting Period, the Group actively promoted corporate transformation, upgrading and innovative development. It maintained scale advantage in the TCM industry, achieved significant results in key scientific and technological projects, steadily advanced the deepening of reforms, effectively prevented and controlled various risks, and carried out digital transformation in an orderly manner, thereby realizing phased progress in the operation of each business segment. The construction of Chinese medicinal herbs bases was steadily advanced, the deepening of regional layout of TCM decoction pieces drove the increase in volume, the market share of concentrated TCM granules remained in a leading position, the scale of TCM finished drugs segment continued to grow, and TCM great health business steadily explored incremental space.

The Group recognizes the key significance of ESG governance in the development pattern of the new era, and actively practices the integration of ESG concepts and corporate strategies to continuously create shared value for stakeholders. In 2024, the Group focused on establishing governance foundations by abiding by business ethics, strengthening compliance and risk management and safeguarding information security, so as to steadily promote the modernization of the corporate governance system; focused on innovation-driven model by establishing and improving the “penetrating” management and control system of scientific and technological innovation, and carrying out the secondary development of innovative traditional Chinese medicine and large varieties, so as to continuously explore the recycling value of the TCM industry; strengthened quality control and improved supply chain management through systematic management measures and clear quality objectives, so as to enhance product quality and drug accessibility; adhered to the people-centered principle, and formulated a sound career development system to create an equal and fair workplace atmosphere and facilitate employee development; adhered to the concept of green development, actively implemented the “dual-carbon” action, improved the resource utilization rate, so as to contribute to the sustainable development of the industry; practiced social responsibility, deeply integrated rural revitalization with the TCM industry, and carried out multi-dimensional assistance, in a bid to promote the joint development of TCM culture dissemination and community education. The relevant details are set out in our “2024 Environmental, Social and Governance Report”.

PROSPECTS

The Group will adhere to the general tone of seeking progress while maintaining stability, and take “focusing on reform, integrating resources, improving efficiency and innovative development” as the overall principle, strategic operation management and control as the starting point, optimization of industrial layout as the basis, resource integration and reform and transformation as the means, and improving quality and efficiency and collaborative innovation as the driving force to consolidate the basic foundation of corporate operations and development, comprehensively improve the quality and efficiency of corporate development, and enhance the core competitiveness and comprehensive strength of the Company in an all-round manner.

ACKNOWLEDGEMENT

Due to work adjustments, Mr. CHEN Yinglong resigned as the executive Director and Chairman of the Board on 27 September 2024, and Mr. YANG Binghua, Mr. WANG Kan, Mr. MENG Qingxin, Ms. LI Ru, Mr. YANG Wenming and Mr. CHENG Xueren resigned as the non-executive Directors on 15 January 2025. On behalf of the Board, I would like to express my sincere gratitude to them for their diligence and dedication and valuable contributions they have made to the reform, innovation and development of the Company with a high degree of professionalism and expertise during their tenures of service.

We would also like to welcome Mr. LI Hongjian, who has served an executive Director and president of the Company since 27 September 2024, and Mr. LIU Haijian, Mr. LI Xiangrong, Mr. ZU Jing, Ms. XU Jinghui and Mr. HUANG Hao, who joined the Board on 15 January 2025. They have profound experience in corporate governance, risk management and control, financial auditing, financial investment and other fields. We believe that their joining will provide solid support for the strategic decision-making of the Group and help the Group achieve higher quality development in the future.

Finally, on behalf of the Board, I would like to express my sincerest gratitude to all employees for their hard work, shareholders for their long-term trust, and partners for their strong support. In the future, I, together with the Board, management and all employees of China TCM, will work with all fellows to draw a new picture of high-quality development of China TCM with a more determined pace!

YANG Jun

Chairman

Hong Kong, 25 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Reporting Period, the Group's revenue was approximately RMB16,509,708,000, representing a decrease of 8.9% compared with approximately RMB18,121,861,000 for the same period last year. This was mainly attributed to sales decline as a result of the TCM granules industry policy and intensified market competition. To analyze by revenue of each of the operating products, revenue from Chinese medicinal herbs integration business contributed approximately RMB1,386,669,000, representing a year-on-year decrease of 25.3% and accounting for 8.4% of the total revenue; revenue from TCM decoction pieces business contributed approximately RMB3,314,794,000, representing a year-on-year increase of 17.9% and accounting for 20.1% of the total revenue; revenue from concentrated TCM granules business contributed approximately RMB6,972,013,000, representing a year-on-year decrease of 23.5% and accounting for 42.2% of the total revenue; revenue from TCM finished drugs business contributed approximately RMB4,552,955,000, representing a year-on-year increase of 14.0% and accounting for 27.6% of the total revenue; revenue from TCM great health business contributed approximately RMB283,277,000, representing a year-on-year decrease of 19.6% and accounting for 1.7% of the total revenue.

The gross profit was approximately RMB7,856,308,000, representing a decrease of 15.3% compared with approximately RMB9,274,492,000 for the same period last year; the gross profit margin was 47.6%, representing a decrease of 3.6 percentage points compared with 51.2% for the same period last year.

The Group actively practices the ESG sustainable development concept, continuously improves the ESG governance mechanism, refines ESG topics, and accurately identifies aspects that are in line with operations, so as to integrate the ESG concept into production and operations in depth. During the Reporting Period, the Group was once again selected among the "China's ESG Pioneer 100 List of Listed Companies" ("中國ESG上市公司先鋒100"榜單) and "China's ESG Pioneer 50 List of Listed Companies in the Greater Bay Area" ("中國ESG上市公司大灣區先鋒50"榜單), included in the 2024 China Enterprise ESG100 Index (2024中國企業ESG100指數), won the "ESG Public Welfare Pioneer" (ESG公益先鋒) award, and was selected as the "Typical Case of Social Responsibility of Rural Revitalization Empowering Plan" (鄉村振興賦能計劃社會責任典型案例).

The Group continued to deepen the brand strategic layout, building a multi-level brand synergy development system with "Sino-TCM" as the core brand leader. During the Reporting Period, the Group focused on strengthening the value construction of its main brand, relying on key products such as Yu Ping Feng Granules (玉屏風顆粒) and Biyankang Tablets (鼻炎康片) to create a three-dimensional communication model with deep integration of online and offline channels. Through the output of high-quality content and the penetration of precise scenarios, the Group was able to reach more consumers and end-users, systematically enhancing the professional image of the brand and its influence in the industry. Meanwhile, we simultaneously promoted the differentiated development paths of sub-brands, and explored the distinctive advantages of each brand in depth, forming a benign interactive pattern with the main brand leading the overall situation and sub-brands making deep breakthroughs. "China Traditional Chinese Medicine" and "Zhonglian" brands were recognized as "Chinese Time-honored Brands" (中華老字號), and the brand value and influence continued to increase.

BUSINESS REVIEW

In 2024, the TCM industry moved forward under policy adjustments and compliance improvements, and entered a new stage of high-quality development amid accelerated evolution of technological empowerment, TCM export, and deepening reforms. As the industry landscape is being reshaped, the Group took advantage of the situation, embraced change and sought innovation. Based on the five major business sectors of “Chinese medicinal herbs integration business, TCM decoction pieces, concentrated TCM granules, TCM finished drugs, TCM great health”, the Group continued to deepen reforms, strengthen compliance construction, and with a focus on practical work and continual breakthroughs, contributed new momentum to the construction of a modern system for the TCM industry.

I. Anchor the development goals of five major businesses and lay a solid foundation for high-quality development

(I) Chinese medicinal herbs integration business

Chinese medicinal herbs are the core production raw materials of the TCM industry, and also the cornerstone of the industry’s sustainable development. The prices of Chinese medicinal herbs are vulnerable to external factors such as climate and supply and demand relationship, and have fluctuated significantly in recent years. Between 2022 and 2024, the Composite 200 Index of Chinese Medicinal Herbs (中藥材綜合200指數) (the “Index”) rose rapidly from approximately 2,700 points at the end of 2022 to the high point of the range in August 2023. Since 2024, the market has been in a period of adjustment while the Index has retreated, but overall was at a high level of 3,000 points above, showing volatility and high instability.

In recent years, China’s drug regulatory system has continued to strengthen standardized management of the production quality of Chinese medicinal herbs, successively issued policy documents such as the “Good Agricultural Practice for Chinese Medicinal Herbs”, aiming at normalized production of Chinese medicinal herbs and source oriented quality upgrade of TCM. The recently released centralized procurement and local bidding policies for TCM are gradually increasing the weight of indicators for the construction of bases that meet the standards for Chinese medicinal herbs. Enterprises that meet relevant requirements can therefore enjoy differentiated competitive advantages and stand out.

The Group attaches great importance to the quality of Chinese medicinal herbs and long-term development of the industry. While guaranteeing the quality and stable supply of medicinal herbs, it minimizes the impact of raw material price fluctuations on production costs, continues to promote the construction of good agricultural practice for Chinese medicinal herbs (“GAP”) bases that meet policy requirements and the Group’s development needs, and implements standardized management of the entire process of planting, harvesting, processing, transportation and others. During the Reporting Period, the project of “Quality Technology Service Platform for the Whole Industry Chain of Traditional Chinese Medicine” led by the Group was basically completed, realizing high-end application functions for tracing key quality indicators of traditional Chinese medicine production, which adapted to traceability needs of multiple parties such as factory coding by pharmaceutical companies, government supervision sharing, and scanning of codes by end users.

As of 31 December 2024, the Group has jointly built a total of 165 production bases for Chinese medicinal herbs in 22 provinces (regions and municipalities) across the country, involving a total of 108 Chinese medicinal herbs varieties and with a base area of more than 470,756 mu, of which 97 varieties have been put online in the TCM quality traceability system; it has built a total of 27 seed and seedling breeding bases, with an area of 1,908.78 mu and involving 24 key Chinese medicinal herbs varieties. During the Reporting Period, 18 varieties including panax notoginseng and epimedium newly passed the GAP compliance inspection, with a total of 23 varieties passed the GAP compliance inspection. The bases of 2 varieties, cinnamon and cassia twig, have been recognized as “provincial Chinese medicinal herbs industrialization bases” simultaneously.

During the Reporting Period, the Group and the Traditional Chinese Medicine Plantation and Breeding Professional Committee of the China Association of Traditional Chinese Medicine (中國中藥協會中藥材種植養殖專業委員會) jointly organized the activity named “Chinese Medicinal Herbs Source in Action – High-quality Authentic Medicinal Herbs Base in China TCM & Chinese Medicinal Herbs Contributing to Rural Revitalization” (中藥源頭在行動 – 優質道地藥材基地走進中藥控股暨中藥材助力鄉村振興) to constantly enhance its influence in the industry, and promote high-quality development of the source of Chinese medicinal herbs industry.

(II) TCM decoction pieces

During the Reporting Period, regional layout advantages of the Group's TCM decoction pieces business continued to stand out. The core support and growth-driving role of the subsidiaries located in Beijing, Shanghai, Guangdong and other places were steadily enhanced. Also, the Group collaborated with the subsidiaries in Shandong, Guizhou and other places to leverage advantage of the specialty decoction piece varieties and drive further growth in the performance of TCM decoction pieces segment. At the same time, with an aim to expand business categories of TCM decoction pieces, the Group first launched fresh medicinal herbs pieces series, which further enriched the product matrix and met diversified needs of the TCM decoction pieces market.

As of 31 December 2024, the Group has built and put into operation 26 directly-operated "Share of TCM · Intelligent Distribution Centers" in 20 provinces (regions and municipalities). During the Reporting Period, more than 7 million prescriptions for decoction and ointments were completed, with a total production of more than 50 million doses, representing a year-on-year growth of 22% and 14% respectively. Based on this, the Group provided more stable drug supply guarantees for its medical institution customers and further improved its comprehensive pharmaceutical service capabilities.

In November 2024, Shandong Province Medical Security Bureau issued the "National Traditional Chinese Medicine Decoction Pieces Procurement Alliance Centralized Procurement Document" (《全國中藥飲片採購聯盟集中採購文件》), and carried out centralized bulk-buying of 45 varieties of TCM decoction pieces. A total of 13 subsidiaries, 45 varieties and 84 specifications of the Group were successfully selected, and the Group will provide the industry with standardized, large-scale and fully traceable TCM decoction pieces.

(III) Concentrated TCM granules

As an important carrier for the modernization of TCM, concentrated TCM granules meet the country's development requirements for innovation in TCM and are an important part of the national strategy for TCM. With the support of various departments and government policies at all levels of the PRC, the concentrated TCM granules industry has grown from scratch and has now reached a certain scale. As a pioneer in the industrialization of concentrated TCM granules, the Group has been involved in the industry for more than 30 years. Relying on the deep integration of basic research and process innovation, it has established a sound quality control system; relying on the long-term established medical institution cooperation network and professional service capabilities, the Group continues to strengthen terminal market penetration and consolidate its leading position in the industry.

Since the first publication of “Announcement on Centralized Procurement of the Procurement Alliance of Concentrated TCM Granules” (《中藥配方顆粒採購聯盟集中採購公告》) by the Shandong Province Public Resources Trading Center, as of 31 December 2024, 22 provinces (regions and municipalities) across the country have been included in the coverage of centralized procurement of concentrated TCM granules, and 20 provinces (regions and municipalities) have actually implemented centralized procurement. At present, given significant price deduction in the centralized procurement area and frequent price coordinated adjustment in the non-centralized procurement area, the concentrated TCM granules industry was left in a sustained period of “deep adjustment”, with the expected quantity effect of centralized procurement failed to appear. During the Reporting Period, affected by the price reduction of centralized procurement, rising costs and intensified market competition, the revenue and profitability of the Group’s concentrated TCM granules both retreated.

Amid fiercer market competition, the Group is aware of the importance of maintaining a solid market share. Based on the centralized procurement requirements for concentrated TCM granules and the usage habits of concentrated TCM granules variety in provinces, the Group continues to improve variety supply and service guarantee plans, and formulates differentiated product prescription strategies to meet clinical application needs. During the Reporting Period, over 1,400 graded medical institutions customers were newly introduced.

As of 31 December 2024, the National Medical Product Administration (the “NMPA”) has issued a total of 316 national drug standards for concentrated TCM granules, which is of great significance for regulating production of concentrated TCM granules, promoting unification of concentrated TCM granules standards, accelerating construction of comprehensive marketization and advancing modernization of the TCM. However, there are more than 600 varieties of Chinese medicine commonly used in clinical practice, and currently national standard varieties only account for half of the commonly used varieties in clinical practice, the remaining varieties are supplemented by provincial standards. During the Reporting Period, the Group promoted establishment of national drug standards for concentrated granules on the one hand, and updated promotional materials and formulations based on clinical applications on the other hand, helping physicians to gain a deeper understanding of product connotations of concentrated granules through case interactions and practice. Meanwhile, the Group continued to promote healthy development of the concentrated TCM granules industry by means of cooperating with the National Administration of Traditional Chinese Medicine to compile and publish the “Blue Book of Concentrated Traditional Chinese Medicine Granules Industry” (《中藥配方顆粒行業藍皮書》), and jointly issuing and disseminating the “Guidelines for the Clinical Use of Concentrated Traditional Chinese Medicine Granules” (《中藥配方顆粒臨床使用指南》) with the China Association of Traditional Chinese Medicine.

(IV) TCM finished drugs

According to statistics, between 2015 and 2024, the sales of drugs in China's three major terminals and six major markets showed a downward trend year by year, indicating a sluggish growth during the "14th Five-Year Plan" period. Data from China Pharmaceutical Enterprises Association shows that in the first half of 2024, the revenue and profit of TCM finished drugs industry both showed negative year-on-year growth. Against this backdrop, the Group rose to the challenge despite all odds and built a multi-dimensional operating system by deepening the production and sales synergy and market integration. During the Reporting Period, the scale of nine key varieties including Xianling Gubao Capsules (仙靈骨葆膠囊), Yu Ping Feng Granules (玉屏風顆粒), Biyankang Tablets (鼻炎康片) and Zaoren Anshen Capsules (棗仁安神膠囊) exceeded RMB100 million, and the sales of several products such as Yaoshen Paste, Tongluo Guzhining Paste (通絡骨質寧膏) and Heiguteng Zhuifeng Huoluo Capsules (黑骨藤追風活絡膠囊) increased year-on-year, achieving counter-cyclical growth.

In terms of the prescription drug business, the Group focused on increasing direct sales to end users, building benchmark terminals, covering graded terminals and carrying out academic activities. It carried out a number of academic publicity activities around clinical specialty products such as Xianling Gubao Capsules (仙靈骨葆膠囊) and Trionycis Bolus (鱉甲煎丸), further increasing the Group's brand influence in public graded hospitals. In addition, the "One Person, One Hospital, One Benchmark" (一人一院一標桿) project continued to deliver results, with more than 3,000 new secondary and above medical institutions developed, further expanding the coverage of graded hospitals.

In terms of the OTC business, the Group improved its nationwide chain customer layout and concentrated resources to strengthen key chains. The tiered cooperation model of "10+200+N" (10 major chains + 200 regional leading chains + N other chains) achieved remarkable results. The overall coverage rate of nine major products such as Biyankang Tablets (鼻炎康片), Chongcao Qingfei Capsules (蟲草清肺膠囊) and Yaoshen Paste reached 82% in the "10+200" chain catalog, with their sales achieving double-digit growth year-on-year.

The Group constantly conducts post-launch re-evaluation of TCM finished drugs, and actively carries out pharmacodynamic studies and randomized and controlled studies. It has newly formed and published 25 guidelines, consensus, teaching materials and other documents, covering Yaoshen Paste, Huashi Baidu Granules (化濕敗毒顆粒), Heiguteng (黑骨藤) and other products, which provide evidence-based medical evidences for clinical application of TCM finished drugs and help enrich academic connotations of core products.

(V) *TCM great health*

With further advancement of the national strategy of “Healthy China”, various regions have successively introduced a number of measures to promote the development of the great health industry. The Group integrates and upgrades “TCM great health products” and “TCM medical institutions” to form “TCM great health” business segment, which unleashes the resource synergy advantages in the great health industry chain, striving for enhanced core competitiveness and exploring new innovative business models.

In terms of TCM great health products, the Group has developed varieties such as ginseng, tangerine peel, cubilose and cistanche deserticola. It has made efforts both online and offline in coordinating production lines, scientific research and channel resources, actively explored and extended health product sales network, and continuously optimized its business presence and customer structure. The new herbal health tea store operation model has been successfully replicated, with 34 stores now in operation, and the “Yi Fang Jiu Yun” (一方九韻) brand flagship store made its debut in core business districts.

In terms of TCM medical institutions, the Group regards TCM products and technologies as its core competitiveness and endeavours to provide differentiated and systematic TCM health comprehensive services to the people. It continues to optimize coordinated integration of characteristic TCM diagnosis and treatment, physical therapy and rehabilitation and health products to ensure benign operation of TCM medical institutions. During the Reporting Period, several new specialty TCM and external treatment projects were added, including pediatric conditioning and postpartum rehabilitation, pushing the volume of diagnosis and treatment services to over 160,000 times.

II. *Strengthen the foundation driven by technological innovation and promote inheritance and innovative development of TCM*

As of 31 December 2024, the Group possessed 2 national enterprise technology centers, 2 academician workstations, 3 Chinese medicine master studios, 3 post-doctoral workstations, 16 provincial enterprise technology centers, 7 provincial engineering technology research centers, 2 provincial engineering research centers, 2 provincial key laboratories, 8 CNAS laboratories and 1 provincial industrial design center.

The Group firmly adheres to the leading role of technological innovation and steadily promotes high quality development of technological innovation. Its technological research projects have achieved new breakthroughs and won a number of provincial-level scientific and technological awards. Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. participated in the research project “Data-driven Key Technologies and Application for Quality Control in Miao Medicine Production Process” (數據驅動的苗藥生產過程質量管控關鍵技術及應用), which won the second prize of scientific and technological progress in Guizhou province, and participated in the research projects “Clinical and Basic Research, Drug Development and Application of Traditional Chinese Medicine for the Prevention and Treatment of Chronic Liver Disease” (中醫藥防治慢性肝病的臨床及基礎研究、藥物開發和應用) and “Systematic Research on the Characteristic Processing Technology of Guizhou Miao Medicine Represented by Liaogewang” (以了哥王為代表的貴州苗藥特色炮製技術的系統研究), which won the third prize of scientific and technological progress in Guizhou province. Shandong Zhongping Pharmaceutical Co., Ltd. participated in the research project “Shandong Authentic Medicinal Materials Honeysuckle and Salvia Miltiorrhiza Varieties Breeding and Industrial Application” (山東道地藥材金銀花、丹參良種選育及產業化應用), which won the second prize of the Industry-University-Research Cooperation Innovation Achievement Award of China Industry-University-Research Collaboration Association (中國產學研合作促進會產學研合作創新成果獎).

The Group advances research on Chinese medicinal herbs resources and achieved new breakthroughs. During the Reporting Period, the rhizoma fagopyri dibotryis “Guoqiao No. 1” (國蕎1號) and epimedium “Guitong Roumao No. 1” (貴同柔毛1號) bred by the Group were authorized as new varieties by the Ministry of Agriculture and Rural Affairs. The epimedium quality standardization project was approved by ISO/TC249 international standard; four varieties including stevia, poria, gynostemma pentaphylla and peanut seed-coat were recognized by Guangdong province’s local standards for Chinese medicinal herbs.

Research on concentrated TCM granules continues to maintain its leading edge. During the Reporting Period, the Chinese Pharmacopoeia Commission issued 51 new national drug standards for concentrated TCM granules, of which 34 were completed by the Group, accounting for 67%. As of 31 December 2024, the Chinese Pharmacopoeia Commission has issued a total of 316 standards for concentrated TCM granules, of which 172 were completed by the Group, accounting for 54%. Among them, the standards for animal concentrated granules such as difficult varieties of bombyx batryticatus and fried bombyx batryticatus have been made public, achieving a zero breakthrough in the standards for animal concentrated TCM granules.

Important progress has been made in the research of evidence-based medicine and classic prescriptions of TCM. Danggui Buxue Tang Granules (當歸補血湯顆粒), an independently developed category 3.1 innovative traditional Chinese medicine, was approved for listing, and Taohe Chengqi Granules (桃核承氣顆粒) was accepted for registration. 31 evidence-based studies were conducted on major marketed varieties of TCM finished drugs, among which the research on the mechanism of action of Fengshi Gutong Capsule (風濕骨痛膠囊) in the treatment of osteoarthritis was successfully published.

During the Reporting Period, the Group applied for a total of 172 patents and obtained 126 authorized patents, including 68 invention patents and 54 utility model patents, covering key technical fields in multiple business sectors such as TCM resources, TCM decoction pieces, concentrated TCM granules and TCM finished drugs, which provided support for the Company's technological innovation and product upgrades.

III. Comprehensively improve the modern management and control system to promote high-quality development

(I) Firmly adhere to the goal of deepening reform and shape the new momentum for high-quality development

The Group focuses on the two goals of “improving core competitiveness” and “enhancing core functions”. Using the optimization of management structure and resource allocation as a means, the Group consolidates the foundation of stable operations, continues to increase operating efficiency, actively cultivates and develops strategic emerging industries, strengthens the leading role of technological innovation, and builds a new engine to drive business growth, thereby accumulating momentum for the Group's high-quality development. During the Reporting Period, the Group further enhanced the systematic, holistic and coordinated nature of the reform, arranged implementation of reform tasks in a coordinated manner, managed to stabilize the basic foundation of entire industry chain, and optimized the management structure layout. It effectively improved modern corporate governance, prevented various risks, accelerated digital transformation, and continued to tackle the development of TCM research, injecting new impetus into the modernization, standardization and technological development of TCM industry.

(II) Firmly promote implementation of the strategy of strengthening the enterprise with talents and stimulate the innovation and creativity of employees

The Group strictly implements the strategic measures to strengthen the enterprise through talents, increases the level of talent work, and strives to build a scientific and efficient talent development system and mechanism. The Group implemented and improved the talent development system of “Five-Element & Great-Plan”, providing full-cycle training for new employees through the “Famous Star Program” to systematically promote the training of young talents; optimized the “Famous Class Program” training system, and established a dual-channel development path of “professionalism + management” in the field of Chinese medicinal herbs, so as to strengthen the training of talents with TCM characteristics. As of 31 December 2024, the number of professional and technical personnel reached 1,005, representing a year-on-year increase of 17.0%; there were 543 certified internal trainers, representing a year-on-year increase of 23.6%.

During the Reporting Period, the Group proceeded with the construction of a multi-dimensional employer brand, achieved enhancement of its influence in the industry, and thus won the “Ram Charan Management Practice Award” in 2024.

(III) Strengthen the foundation to accelerate digital evolution, and cultivate new momentum for “digital TCM”

The Group has been orderly advancing the construction of projects for digitalization of industries and control, and continued to strengthen its research and development and IT infrastructure base capabilities. In terms of industrial digitalization, Guangdong Yifang Pharmaceutical Co., Ltd.’s “Industrial Internet Identification Resolution Application for Quality Control and Traceability of TCM” was successfully selected as the Industrial Internet Pilot Demonstration Project in 2023 of the MIIT, becoming the only concentrated TCM granule enterprise that has been selected to apply the identification resolution platform. In terms of digital control, a “unified portal” at all levels has been constructed, and the second phase of talent intelligent management system, the financial intelligent reporting platform and the treasury management system have been launched, realizing the informatization and visualization of major business data, thus increasing management efficiency and operational effectiveness. In terms of IT research and infrastructure construction, we have developed and built a large-scale model “Longyin AI” to explore a deep integration of cutting-edge technologies with the enterprise’s applications, empowering business development with technological innovation, which significantly improved business efficiency, and pushed the process of industrial intelligence.

(IV) Strengthen awareness of safety and environmental protection responsibilities and chart a new future for green and low-carbon TCM

The Group strictly implements production safety policies and actively explores innovative safety management models. Through multi-dimensional measures such as responsibility assessment, system construction, hidden danger investigation, safety assessment, publicity and education and emergency drills, the Group comprehensively promotes safety and environmental protection works. During the Reporting Period, the Group continued to promote the implementation of intrinsic safety transformation projects in relevant subsidiaries to systematically improve the intrinsic safety level; revised and improved 36 items of hazard identification lists, system files and assessment standards, and formulated 328 standardized procedures for job positions; organized and carried out 1,705 special safety trainings on mechanical equipment operation, fire emergency response, hazardous chemicals management, etc., which significantly improved the safety operation capabilities of employees and effectively reduced the accident rate.

During the Reporting Period, the “Dual-Carbon Action” plan was steadily promoted, and 108 internal trainings on energy conservation and environmental protection were organized, covering 9,357 employees. At the same time, the selected personnel systematically studied the energy development situation and “dual carbon” practical experience. All trainees passed the assessment and obtained qualification certificates, significantly improving their professional level and ability to perform their duties.

(V) *Adhere to the concept of compliance management and build a comprehensive risk defense line*

The Group has established legal and compliant operations and integrity system construction as the core principles of sustainable corporate development. During the Reporting Period, the Group continued to improve the level of system management, deepened the system management system of “horizontal and vertical coordination”, and the system construction ran through all subsidiaries; established an annual risk analysis and quarterly dynamic monitoring mechanism to achieve zero occurrence of major risk events during the Reporting Period; established a compliance review system covering the entire process, strengthened the compliance review of third-party marketing services through system improvement, list research, on-site inspections, etc., and fully implemented various tasks of pharmaceutical anti-corruption and marketing compliance; established a cross-departmental collaborative supervision mechanism, promoted the optimization of management processes through problem rectification, and formed a virtuous circle of sustainable development.

IV. Policy Update

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

On 10 January 2024, the Ministry of Commerce, the Ministry of Science and Technology revised and issued the “Catalogue of Technologies Prohibited and Restricted from Export of China” (《中國禁止出口限制出口技術目錄》), which stipulates that certain types of Chinese medicinal herbs resources and production technologies, processing technology of TCM decoction pieces, extraction and processing technology of medicinal ingredients of precious and endangered plants in China, TCM medical technology and the formula and production technology of TCM are prohibited or restricted from export. The restricted export of TCM medical technology includes medical theory design and effective prescriptions of famous or veteran doctors of TCM, as well as the disease diagnosis and treatment systems that have won the first and second prizes of scientific and technological progress at the provincial or ministerial level or above.

On 12 January 2024, the National Healthcare Security Administration (“NHSA”) issued the “Notice on Strengthening the Supply Guarantee of Selected Products in Centralized Pharmaceutical Procurement” (《關於加強醫藥集中帶量採購中選產品供應保障工作的通知》), which requires the medical insurance bureaus of all provinces, autonomous regions and municipalities directly under the central government to attach great importance to the supply guarantee of selected products in centralized procurement, effectively assume the responsibilities of supply monitoring, supervision and rectification and handling breach of contract, and refine and improve specific policies and measures to ensure that the public continues to enjoy the results of the centralized procurement reform from six aspects: timely organizing and signing purchase agreements, clearing channels for feedback from medical institutions, actively coordinating to respond to short-term surges in demand, monitoring the supply of selected products, exploring the establishment of a supply evaluation mechanism and strengthening the application of supply evaluation results.

On 7 March 2024, the National Administration of Traditional Chinese Medicine (the “NATCM”) issued the “Key Points of China’s Medical Administration Work in 2024” (《2024年中國醫政工作要點》) (the “Key Points”). Based on the “Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Inheritance, Innovation, and Development of Traditional Chinese Medicine” (《中共中央國務院關於促進中醫藥傳承創新發展的意見》), the Key Points further implement the inheritance and innovation of TCM by adhering to the principle of maintaining integrity and innovation, promoting deepening reform and strengthening connotation construction, so as to continue to give play to unique advantages and promote the high-quality development of TCM medical services.

On 22 April 2024, the Center for Drug Evaluation of the NMPA issued the “Guiding Principles for Compiling Pharmaceutical Application Information for Traditional Chinese Medicine Compound Preparations Managed According to the Catalogue of Ancient Classic Formulas (Trial)” (《按古代經典名方目錄管理的中藥複方製劑藥學申報數據撰寫指導原則(試行)》) to promote the research and development and registration of TCM compound preparations managed according to the catalogue of ancient classic formulas.

On 13 May 2024, the Center for Drug Evaluation of the NMPA issued the “Technical Guidelines for Research of New Improved Traditional Chinese Medicines (Trial)” (《中藥改良型新藥研究技術指導原則(試行)》), which clarified the direction of TCM improvement, injected new impetus into the development of the TCM industry, and opened up a new pattern for the inheritance and innovation and the enhancement of the quality and safety of TCM products.

On 20 May 2024, the NHSA issued the “Notice on Strengthening Regional Coordination for Improving the Quality and Expanding the Scope of Centralized Medical Procurement in 2024” (《關於加強區域協同，做好2024年醫藥集中採購提質擴面的通知》), requiring continued efforts to promote the centralized and volume-based procurement of medicines, strengthen regional coordination, improve the scale and standardization of alliance procurement, clarify industry expectations, and continuously consolidate reform results.

On 24 May 2024, the NHSA issued the “Notice on Further Promoting the Experience of Sanming Medical Reform and Continuously Advancing the Innovation and Development of Medical Insurance Work” (《關於進一步推廣三明醫改經驗 持續推動醫保工作創新發展的通知》), which clarified the continuous consolidation and implementation of the institutional achievements of Sanming Medical Reform, and specified the “task list” to be carried out in six aspects, including accelerating the reform progress of centralized procurement of drug and medical consumables, increasing medical insurance support for grassroots medical institutions, and striving to improve the level of medical insurance payment management by focusing on the coordinated development and governance of “medical care, medical insurance and pharmaceuticals”. This means that the procurement of drugs and medical equipment will be more transparent and efficient, the competition landscape of the pharmaceutical industry will be reshaped, which will promote the concentration and fairness of the industry, encourage pharmaceutical manufacturers to increase scientific and technological innovation and technology upgrades, effectively improve the competitiveness of products and services, and facilitate the win-win and sustainable development of the entire medical and healthcare system.

On 27 May 2024, fourteen departments including the National Health Commission (the “NHC”) issued the “Notice on the Key Points for the Rectification of Unethical Practices in the Field of Pharmaceutical Purchasing and Sales and Medical Services in 2024” (《2024年糾正醫藥購銷領域和醫療服務中不正之風工作要點的通知》) (the “Notice”). The Notice clearly proposed to coordinate and promote the centralized rectification of corruption in the pharmaceutical field nationwide, the centralized rectification of unethical practices and corruption among the people, and to deepen the coordinated promotion of institutional construction in the field of pharmaceutical purchasing and sales.

On 30 May 2024, the NATCM issued the “Notice on Further Strengthening the Construction of Rehabilitation Departments in Traditional Chinese Medicine Hospitals” (《關於進一步加強中醫醫院康復科建設的通知》), giving full play to the unique advantages of TCM rehabilitation services, expanding service supply, improving service quality, and accelerating the high-quality development of rehabilitation departments in traditional Chinese medicine hospitals, so as to meet the growing demand for TCM rehabilitation services of the people.

On 6 June 2024, the General Office of the State Council issued the “Key Tasks for Deepening the Reform of the Medical and Health System in 2024” (《深化醫藥衛生體制改革2024年重點工作任務》), proposing to promote the inheritance and innovation development of TCM and facilitate the construction of national TCM inheritance and innovation centers, as well as “flagship” hospitals for integrating traditional Chinese and western medicine. In addition, measures should be taken to support the layout of the whole industry chain of leading enterprises in the TCM industry, and accelerate the establishment of the traceability system of the whole industry chain of TCM. In terms of government reform of medical insurance, it is proposed to carry out a pilot project of payment for TCM dominant diseases.

On 10 July 2024, the NMPA issued the “Special Provisions on the Administration of Standards of Traditional Chinese Medicines” (《中藥標準管理專門規定》) (the “Provisions”), which came into effect on 1 January 2025. The Provisions combine the characteristics of the TCM industry and make comprehensive regulations on the standard management of Chinese medicinal herbs, TCM decoction pieces, concentrated TCM granules, Chinese medicinal herbs extracts and TCM finished drugs. The document emphasizes that the use of advanced technologies such as artificial intelligence and big data is encouraged to improve the controllability of the quality of TCM, and clearly defines three situations in which national drug standards can be formulated as a priority, including TCM specialty varieties, varieties included in the medical insurance catalogues and the basic drug catalogues, and other varieties for which standards need to be formulated as a priority. In addition, the Provisions specify the management of the botanical origin of Chinese herbal medicines, standards of imported herbal medicines, and the naming of common names for decoction pieces, laying the foundation for improving the standardized management of TCM.

On 31 July 2024, the NATCM issued the “Action Plan for Standardization of Traditional Chinese Medicine (2024-2026)” (《中醫藥標準化行動計劃(2024-2026年)》) (the “Plan”), which clearly stated that by the end of 2026, a standard system suitable for the high-quality development of TCM will be established, and the formulation of 180 domestic standards and 30 international standards will be completed. The Plan focuses on the standards of TCM pharmaceutical services, quality standards of TCM, industrial chain standards and intelligent equipment standards, and promotes the standardization of the entire industrial chain, including seeds and seedlings, processing technology, logistics and warehousing of Chinese medicinal herbs. It also proposed the establishment of a think tank for the standardization of TCM and the training of 450 professional talents to enhance the international standardization capabilities of TCM and facilitate global promotion.

On 1 August 2024, the General Office of the State Council issued the “Guiding Opinions on Improving the Long-term Mechanism of Basic Medical Insurance Enrollment” (《關於健全基本醫療保險參保長效機制的指導意見》), proposing the following key measures. Firstly, improve policies: relax household registration restrictions on medical insurance enrollment, promote the linkage between payment and economic development, support the payment of close relatives by employee medical insurance, establish a continuous insurance and zero reimbursement incentive mechanism, and set up a waiting period for benefits for those who have not been continuously insured from 2025. Secondly, optimize services: establish a national insurance database, promote integrated processing of newborn insurance, and bring village clinics that apply voluntarily and meet the conditions into real-time settlement of medical insurance.

On 3 August 2024, the General Office of the State Council issued the “Opinions on Promoting the High-Quality Development of Service Consumption” (《關於促進服務消費高質量發展的意見》), proposing to optimize the medical and healthcare consumption structure, promote the development of “Internet + Healthcare”, and improve the quality of integrated medical and geriatric care. At the same time, support the development of TCM time-honored brand enterprises, promote the upgrading of healthcare and rehabilitation services, strengthen the functions of retail pharmacies in health promotion and nutritional health, so as to improve the level of medical and TCM services.

On 8 September 2024, the National Development and Reform Commission and the Ministry of Commerce jointly issued the “Special Management Measures (Negative List) for the Access of Foreign Investment (2024 Edition)” (《外商投資准入特別管理措施(負面清單)(2024年版)》), which became effective on 1 November 2024. This revision removes the restrictions on foreign investment in “processing technology of TCM decoction pieces” and “the production of confidential prescription products of TCM finished drugs”, which brings development opportunities to the TCM industry and helps promote industry upgrading, inheritance and innovation, and internationalization.

On 13 September 2024, the NHC, the NATCM, and the Health Bureau of Logistics Support Department of the Central Military Commission jointly revised and issued the “Guidelines for Traditional Chinese Medicine Work in General Hospitals (2024 Edition)” (《綜合醫院中醫藥工作指南(2024版)》) (the “Guidelines”). The new version of the Guidelines pointed out that other clinical departments of general hospitals should provide services such as TCM decoction pieces, TCM finished drugs and appropriate TCM technologies, encourage establishment of integrated Chinese and western medicines clinics and wards, improve the consultation and referral mechanism, and carry out TCM training for clinical physicians. The quality control of TCM treatment should cover the entire process, which includes quality control of TCM for single disease category and improvement of prescription review system and adverse reaction monitoring mechanism. In addition, public comprehensive hospitals with clinical departments of TCM need to incorporate the coordination mechanism of Chinese and western medicines into a hospital charter, increase investment in TCM, support the construction of specialty departments, and establish a performance evaluation mechanism for TCM services.

On 14 September 2024, the NATCM issued the “Management Measures for the Construction of Traditional Chinese Medicine Processing Technology Inheritance Bases of the National Administration of Traditional Chinese Medicine” (《國家中醫藥管理局中藥炮製技術傳承基地建設管理辦法》) (the “Management Measures”) and the “Construction Standards for Traditional Chinese Medicine Processing Technology Inheritance Bases of the National Administration of Traditional Chinese Medicine” (《國家中醫藥管理局中藥炮製技術傳承基地建設標準》) (the “Construction Standards”). The Management Measures clarifies the responsibilities of the competent authorities and construction units at all levels, stipulates the application conditions and procedures, and puts forward specific requirements for corporate applicants. The Construction Standards stipulates basic requirements, results requirements and other aspects, and clarifies that the bases should be constructed around theory, talents, technology, cultural heritage and innovative applications. The enterprise bases are required to achieve results in new process research and development, application of special equipment, industrial drive, talent cultivation and standard establishment.

On 21 October 2024, the NMPA and the NATCM issued the “Announcement on Matters Concerning Supporting the Research and Development of Substitutes for Rare and Endangered Traditional Chinese Medicinal Materials” (《關於支持珍稀瀕危中藥材替代品研製有關事項的公告》), which clearly states that focus shall be put on supporting the research and development of substitutes for rare and endangered traditional Chinese medicinal materials such as pangolin, antelope horn, bezoar, bears’ bile powder, cordyceps sinensis; priority review and approval will be given to substitutes with clear clinical positioning and obvious clinical value.

On 11 November 2024, the NHSA and the Ministry of Finance jointly issued the “Notice on Improving the Prepayment of Medical Insurance Funds” (《關於做好醫保基金預付工作的通知》), which supports qualified regions to improve prepayment management methods, alleviating the advance payment pressure on medical institutions through prepayment of medical insurance funds, and promoting the coordinated development of “medical care, medical insurance and pharmaceuticals”. Prepayments may only be used for medical expenses such as the purchase of medicines and medical supplies, and are strictly prohibited from being used for non-medical expenses. The prepayment scale is based on the average monthly expenditure of the previous first one to three months, which shall be controlled at around one month, and disbursed according to the fund balance and risk level. The medical insurance department shall include prepaid amount in service agreements, clarify the recovery mechanism, stop the payment that cannot be recovered, and initiate legal proceedings to ensure the safety of the fund.

On 22 November 2024, six departments including the NHC, the Ministry of Industry and Information Technology and the NHSA issued the “Opinions on Reforming and Improving the Primary Drug Linkage Management Mechanism and Expanding Primary Drug Varieties” (《關於改革完善基層藥品聯動管理機制擴大基層藥品種類的意見》), aiming to reform and improve the primary drug linkage management mechanism to enhance primary medical service capabilities and drug supply varieties, especially for the medication needs of patients with chronic diseases and common diseases. Drug supply and quality safety can be ensured through evaluating the drug needs of primary medical institutions, standardizing drug types and catalogues, and establishing a dynamic adjustment mechanism for drug allocation and use.

On 11 December 2024, the NATCM issued the “Opinions on Accelerating the Construction of TCM Advantage Specialties” (《關於加快推進中醫優勢專科建設的意見》), which requires that by 2029, there will be 10,000 TCM advantage specialties across the country, forming a specialty network with a reasonable structure, wide geographical coverage and TCM characteristics. The main measures include: firstly, to focus on advantageous diseases, optimize diagnosis and treatment plans, and expand the service capacity of TCM; secondly, to improve comprehensive services, promote multi-disciplinary joint diagnosis and treatment, and enhance the diagnosis and treatment capabilities for major diseases; thirdly, to strengthen TCM nursing services and improve the TCM skills of nursing personnel; fourthly, to strengthen the construction of the talent team and promote the experience inheritance of famous or veteran doctors of TCM; fifthly, to improve clinical scientific research capabilities, promote innovation in TCM medical technologies, and strengthen cooperation with scientific research institutions.

On 12 December 2024, five departments including the NHC and the NHSA jointly issued the “Guiding Opinions on Promoting the High-Quality Development of Integrated Medical and Elderly Care Services” (《關於促進醫養結合服務高質量發展的指導意見》), which requires to promote the high-quality development of integrated medical and elderly care services from four aspects: firstly, to strengthen quality control, require integrated medical and elderly care institutions to enhance quality and safety management, implement diagnosis and treatment norms and industry standards, and encourage the integration of closed medical consortium for unified management; secondly, to improve service quality and efficiency, promote team service models, facilitate “Internet + medical and elderly care integration”, and increase medical insurance support; thirdly, to strengthen team building, encourage graduates of relevant majors and retired medical personnel to work in integrated medical and elderly care institutions, and broaden talent cultivation channels; fourthly, to ensure service safety, require the establishment of a medical service quality and safety management system, implement core medical quality systems, and strengthen supervision of medical and elderly care institutions.

On 13 December 2024, the NATCM issued the “Specifications for Information and Digital Construction of Traditional Chinese Medicine Hospitals (2024 Edition)” (《中醫醫院信息與數字化建設規範(2024版)》), aiming to improve the intelligence level of TCM hospitals and promote the integrated development of TCM and new-generation information technology. It promotes TCM hospitals to utilize the Internet and information technology, develops Internet TCM medical care, remote services and online and offline integration, optimizes the allocation of TCM resources, and facilitates the sinking of high-quality resources to local areas and regional sharing; at the same time, it advances the construction of an information platform with TCM electronic medical records as the core, and improves service convenience, intelligence and efficiency, deepening the “Internet + TCM” convenient and beneficial services for the public.

V. *Work Arrangement for the Next Step*

In 2025, the Group will firmly and thoroughly implement the strategic requirements of deepening reform and upgrading, build consensus on the high-quality development of TCM great health, adhere to the general tone of seeking progress while maintaining stability, continue to focus on strategic operation management and control, and strengthen the basic foundation of the industry; with resource integration and reform and transformation as the core driving force, improve quality and efficiency to revitalize business operations, strengthen core competitive advantages in all aspects and multiple business segments, form synergy through integration, and contribute new force to the construction of a modern, technological, global and standardized system for the TCM industry. Specific measures include:

Firstly, make targeted efforts to consolidate the basic development foundation of the TCM great health industry chain. Promote the Chinese medicinal herbs integration business towards high-quality and efficient development, strengthen base construction, vigorously develop strategic reserves and graded processing in the place of origin, explore seed and seedling operation business, and enhance customer stickiness and supply security of TCM resources; strengthen the advantages of regional leading enterprises in TCM decoction pieces, deepen the market layout in key provinces (regions and municipalities) across the country, and create a characteristic TCM decoction pieces business with toxic decoction pieces and varieties in the place of origin as entry points. Continue to optimize the decoction and distribution model, unleash the regional layout and resource advantages, and explore coordinated development with concentrated TCM granules; consolidate the dominant position in the concentrated TCM granules industry, create a three-in-one characteristic industrial system of “core enterprises + characteristic enterprises + supporting enterprises”, strengthen production cost control, while striving to achieve the transformation and upgrading of the business model and marketing system of concentrated TCM granules; explore new growth points in the TCM finished drugs market, focus on the advantages of production and sales synergy, promote the construction of product clinical value, build advantageous treatment areas, accelerate the creation of varieties with sales volume of over RMB100 million, cultivate, explore and launch multiple strategic varieties, and enrich the product matrix of TCM finished drugs; reshape and integrate the TCM great health business, promote horizontal and vertical coordination of resources, use high-quality decoction pieces and authentic resources as chess pieces, strengthen advantageous varieties, and integrate brand building and channel empowerment.

Secondly, comprehensively carry out the final work of the reform deepening and upgrading action. Focus on the three core areas of technological innovation, industrial control and security support, implement and deepen the strategic tasks of reform, strengthen the effectiveness of measures, drive the ecological and high-quality development of the TCM industry, accelerate the construction of a modern TCM industry system in the transformation, drive industrial upgrading with reform and innovation, and fully release long-term endogenous driving force.

Thirdly, establish a coordinated response mechanism for the expansion of centralized procurement and seize new opportunities for industry development. Build a linkage system between centralized procurement and medicinal herbs operation, strengthen collaboration on key businesses, improve bargaining power and resource allocation efficiency; dynamically track trends in medical insurance centralized procurement policies, conduct in-depth analysis and judgment on centralized procurement rules, and respond to local centralized procurement policies based on local conditions.

Fourthly, fully promote the reform of technological innovation and create new momentum for TCM research. Further consolidate and strengthen the construction of the technological innovation system, integrate internal technological resources and scientific research talent advantages, promote close collaboration among government, industry, academia, researchers and hospitals, improve the construction of scientific research management mechanisms, and empower the transformation and application of high-quality scientific research results in multiple dimensions throughout the entire chain.

Fifthly, firmly implement the strategy of strengthening enterprises through talents and create a three-dimensional employer brand image. Deepen the construction of a talent team with TCM characteristics in multiple dimensions, build a scientific and complete talent cultivation system, increase efforts to attract talents and improve the scientific research talent team, and create a fertile ground for talent growth.

Sixthly, actively explore overseas business layout, strengthen international product registration and overseas certification, enhance business collaboration and risk resistance capacity in the international market, and promote the “going out” of TCM products.

BUSINESS ANALYSIS

During the Reporting Period, the Group's revenue was approximately RMB16,509,708,000, representing a decrease of 8.9% compared with approximately RMB18,121,861,000 for last year. Revenue and cost of sales of each business segment are as follows:

Business segments	Twelve months ended 31 December					
	2024 Revenue RMB'000	2023 Revenue RMB'000	Change	2024 Cost of sales RMB'000	2023 Cost of sales RMB'000	Change
Chinese medicinal herbs integration business	1,386,669	1,855,534	-25.3%	1,232,196	1,663,227	-25.9%
TCM decoction pieces	3,314,794	2,811,368	17.9%	2,547,079	2,216,989	14.9%
Concentrated TCM granules	6,972,013	9,108,382	-23.5%	3,003,205	3,143,807	-4.5%
TCM finished drugs	4,552,955	3,994,333	14.0%	1,656,749	1,566,796	5.7%
TCM great health	283,277	352,244	-19.6%	214,171	256,550	-16.5%
Total	<u>16,509,708</u>	<u>18,121,861</u>	<u>-8.9%</u>	<u>8,653,400</u>	<u>8,847,369</u>	<u>-2.2%</u>

1. Chinese medicinal herbs integration business

	Twelve months ended 31 December		
	2024 RMB'000	2023 RMB'000	Change
Revenue	1,386,669	1,855,534	-25.3%
Cost of sales	1,232,196	1,663,227	-25.9%
Gross profit	154,473	192,307	-19.7%
Gross profit margin	11.1%	10.4%	0.7pp

During the Reporting Period, the revenue of the Chinese medicinal herbs integration business segment was approximately RMB1,386,669,000, representing a decrease of 25.3% compared with the revenue of approximately RMB1,855,534,000 for last year and accounting for 8.4% of the total revenue, which was mainly due to: (1) the optimization of resource allocation and reduction of some low-margin businesses during the Period; and (2) the fluctuations in the market price of some medicinal materials and a decrease in sales orders.

The gross profit margin during the Period was 11.1%, representing an increase of 0.7 percentage point compared with 10.4% for last year, which was mainly attributed to the reduction of low-margin businesses and the optimization of the sales structure.

2. TCM decoction pieces

	Twelve months ended 31 December		Change
	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	3,314,794	2,811,368	17.9%
Cost of sales	2,547,079	2,216,989	14.9%
Gross profit	767,715	594,379	29.2%
Gross profit margin	23.2%	21.1%	2.1pp

During the Reporting Period, the revenue of the TCM decoction pieces business segment was approximately RMB3,314,794,000, representing an increase of 17.9% compared with the revenue of approximately RMB2,811,368,000 for last year and accounting for 20.1% of the total revenue. TCM decoction pieces business segment showed a steady growth momentum, which was mainly due to the continued efforts in the field of medical terminals sales, which resulted in steady growth in revenue from existing customers and brought the growth in the intelligent decoction distribution center business simultaneously.

The gross profit margin for the Period was 23.2%, representing an increase of 2.1 percentage points compared with 21.1% for last year, which was mainly due to the increase in the proportion of medical terminal sales business and further optimization of the sales structure.

3. Concentrated TCM granules

	Twelve months ended 31 December		Change
	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	6,972,013	9,108,382	-23.5%
Cost of sales	3,003,205	3,143,807	-4.5%
Gross profit	3,968,808	5,964,575	-33.5%
Gross profit margin	56.9%	65.5%	-8.6pp

During the Reporting Period, the revenue of the concentrated TCM granules business segment was approximately RMB6,972,013,000, representing a decrease of 23.5% compared with the revenue of approximately RMB9,108,382,000 for last year and accounting for 42.2% of the total revenue, which was mainly due to: (1) the significant decline in sales revenue as a result of the substantial decrease in the selling price of the varieties under centralized procurement after the implementation of centralized procurement policy on concentrated TCM granules; and (2) the decrease in sales volume during the Period as a result of the intensified market competition.

The gross profit margin during the Period was 56.9%, representing a decrease of 8.6 percentage points compared with 65.5% for last year, which was mainly due to the significant decrease in the selling price of the varieties of concentrated TCM granules under centralized procurement, and also due to the decrease in gross profit margin as a result of relatively high costs of raw materials and underutilization of capacity.

4. TCM finished drugs

	Twelve months ended 31 December		Change
	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	4,552,955	3,994,333	14.0%
Cost of sales	1,656,749	1,566,796	5.7%
Gross profit	2,896,206	2,427,537	19.3%
Gross profit margin	63.6%	60.8%	2.8pp

During the Reporting Period, the revenue of the TCM finished drugs business segment was approximately RMB4,552,955,000, representing an increase of 14.0% compared with the revenue of approximately RMB3,994,333,000 for last year and accounting for 27.6% of the total revenue. The development of the TCM finished drugs business segment continued to improve, which was mainly attributed to the deepening of the production and sales synergy during the Period. Through actively promoting market integration, focusing on the pipeline construction of key varieties, and continuing to carry out brand promotion and other measures, the sales scale of 9 key varieties exceeded RMB100 million, and 28 key varieties achieved year-on-year sales growth during the Period.

The gross profit margin during the Period was 63.6%, representing an increase of 2.8 percentage points compared with 60.8% for last year, which was mainly attributed to the economies of scale driven by the increase in sales volume and selling prices of some products.

5. TCM great health

	Twelve months ended 31 December		Change
	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	283,277	352,244	-19.6%
Cost of sales	214,171	256,550	-16.5%
Gross profit	69,106	95,694	-27.8%
Gross profit margin	24.4%	27.2%	-2.8pp

During the Reporting Period, the revenue of TCM great health business segment was approximately RMB283,277,000, representing a decrease of 19.6% compared with the revenue of approximately RMB352,244,000 for last year and accounting for 1.7% of the total revenue, which was mainly due to the decrease in sales volume during the Period as a result of insufficient market expansion.

The gross profit margin during the Period was 24.4%, representing a decrease of 2.8 percentage points compared with 27.2% for last year, which was mainly due to the decrease in sales volume and the increase in unit costs, which led to the decrease in gross profit margin.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	<i>Note</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
REVENUE	3	16,509,708	18,121,861
Cost of sales		<u>(8,653,400)</u>	<u>(8,847,369)</u>
Gross profit		7,856,308	9,274,492
Other income	5	197,696	290,015
Other gains and losses	6	(538,914)	4,287
Selling and distribution expenses		(5,419,271)	(6,403,201)
Administrative expenses		(1,057,664)	(1,043,318)
Research and development expenses		(596,007)	(685,632)
Impairment losses under the expected credit loss model, net of reversal	7	<u>(106,554)</u>	<u>(9,366)</u>
PROFIT FROM OPERATIONS		335,594	1,427,277
Finance costs		(171,535)	(199,045)
Share of losses of associates		<u>(950)</u>	<u>(3,699)</u>
PROFIT BEFORE TAX		163,109	1,224,533
Income tax (expense)/credit	8	<u>(142,338)</u>	<u>171,537</u>
PROFIT FOR THE YEAR	9	<u>20,771</u>	<u>1,396,070</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement of defined benefit plan		<u>(3,235)</u>	<u>(1,851)</u>

	<i>Note</i>	2024 RMB'000	2023 RMB'000
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Change in fair value on debt instruments measured at fair value through other comprehensive income		(6,325)	(1,953)
Impairment loss recognised for debt instruments at fair value through other comprehensive income included in profit or loss		727	587
Income tax relating to items that may be reclassified subsequently		799	218
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(8,034)	(2,999)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		12,737	1,393,071
Profit/(loss) attributable to:			
Owners of the parent		54,067	1,285,200
Non-controlling interests		(33,296)	110,870
		20,771	1,396,070
Total comprehensive income/(loss) attributable to:			
Owners of the parent		45,900	1,282,149
Non-controlling interests		(33,163)	110,922
		12,737	1,393,071
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB cents)	<i>11</i>	1.07	25.52

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

		31 December 2024	31 December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		6,614,028	6,813,539
Investment properties		81,627	75,743
Right-of-use assets		1,099,971	1,146,048
Goodwill	12	3,026,077	3,457,903
Other intangible assets		5,106,168	5,486,365
Investments in associates		10,921	11,847
Deposits and prepayments		65,446	57,577
Deferred tax assets		219,977	219,480
Total non-current assets		<u>16,224,215</u>	<u>17,268,502</u>
CURRENT ASSETS			
Trade and other receivables	13	8,566,512	9,686,644
Inventories	14	4,783,099	5,959,149
Debt instruments at fair value through other comprehensive income (“FVTOCI”)		1,469,238	886,777
Pledged bank deposits		153,743	249,958
Cash and cash equivalents		3,866,911	3,017,318
Total current assets		<u>18,839,503</u>	<u>19,799,846</u>
CURRENT LIABILITIES			
Trade and other payables	15	5,437,645	6,049,707
Lease liabilities		22,605	18,593
Contract liabilities		185,192	210,506
Interest-bearing bank and other borrowings		2,078,923	2,120,207
Unsecured notes		22,388	830,540
Tax payable		53,445	103,047
Total current liabilities		<u>7,800,198</u>	<u>9,332,600</u>
NET CURRENT ASSETS		<u><u>11,039,305</u></u>	<u><u>10,467,246</u></u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>27,263,520</u></u>	<u><u>27,735,748</u></u>

	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT LIABILITIES		
Deferred government grants	396,304	421,291
Deferred tax liabilities	1,042,460	1,187,045
Unsecured notes	1,198,299	1,197,112
Interest-bearing bank and other borrowings	618,391	913,813
Lease liabilities	75,032	79,869
	<hr/>	<hr/>
Total non-current liabilities	3,330,486	3,799,130
	<hr/>	<hr/>
Net assets	23,933,034	23,936,618
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	11,982,474	11,982,474
Reserves	9,221,310	9,177,661
	<hr/>	<hr/>
	21,203,784	21,160,135
	<hr/>	<hr/>
Non-controlling interests	2,729,250	2,776,483
	<hr/>	<hr/>
Total equity	23,933,034	23,936,618
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION

China Traditional Chinese Medicine Holdings Co. Limited (the “Company”) is a listed company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The Company’s ultimate controlling party is China National Pharmaceutical Group Corporation (“CNPGC”), a company established in the People’s Republic of China (the “PRC”) which is a Chinese state-owned enterprise. The address of the registered office and principal place of business of the Company is Room 1601, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (the “Group”) are the research and development, production and sales of Chinese medicine and pharmaceutical products in the PRC.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company and all its subsidiaries.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the translation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and 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 (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and the impact of the new and revised HKFRSs that are applicable to the Group 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements³</i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures³</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial and Instruments²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendments to HKAS 21	<i>Lack of Exchangeability¹</i>
Annual Improvements to HKFRS Accounting Standards – Volume 11	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7²</i>

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

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual/reporting periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

The Group expects that the adoption of the above revised standards will have no significant impact on the Group's financial statements.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Types of goods or services		
Concentrated TCM granules	6,972,013	9,108,382
TCM finished drugs	4,552,955	3,994,333
TCM decoction pieces	3,314,794	2,811,368
Chinese medicinal herbs integration business	1,386,669	1,855,534
TCM great health	283,277	352,244
	<hr/>	<hr/>
Total	16,509,708	18,121,861
	<hr/> <hr/>	<hr/> <hr/>

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Geographical markets		
Mainland China	16,404,944	18,024,104
Hong Kong	50,419	41,695
Overseas and others	<u>54,345</u>	<u>56,062</u>
Total	<u>16,509,708</u>	<u>18,121,861</u>
Timing of revenue recognition		
At point in time	<u>16,509,708</u>	<u>18,121,861</u>

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue from contracts with customers		
External customers	16,509,708	18,121,861
Intersegment sales	<u>2,377,918</u>	<u>2,474,126</u>
Subtotal	<u>18,887,626</u>	<u>20,595,987</u>
Intersegment adjustments and eliminations	<u>(2,377,918)</u>	<u>(2,474,126)</u>
Total	<u>16,509,708</u>	<u>18,121,861</u>

(iii) Performance obligations for contracts with customers

Sales of TCM products (revenue recognised at a point in time)

Revenue from sales of TCM products, such as concentrated TCM granules, finished drugs, TCM decoction pieces and TCM healthcare products, is recognized at the point in time when control of the assets are transferred to the customers, the customers have full discretion to use the healthcare products, and there is no unfulfilled obligation that could affect the customers' acceptance of the healthcare products. Transactions are settled by payment from commercial insurance, government's insurance scheme, third-party payment platforms, or directly paid by bank cards or cash from customers.

Product sales represent the sales value of goods, less estimated discounts.

The provision for deduction of estimated revenue is recorded in the same period in which the relevant sales are recorded and based on sales terms, historical experience and trend analysis. Discounts to customers are in accordance with the practice of the TCM industry and prime healthcare industry. The Group records discount provision for sales at the time of sales based on the agreed rate.

The Group regularly reviews the estimates and accordingly adjusts provisions.

Provision of TCM healthcare services (revenue recognised at a point in time)

The Group provides medical diagnosis and health examination services.

Revenue from TCM healthcare services contains more than one performance obligation, including (i) the provision of consultation services or diagnostic services; (ii) the sales of TCM products; and (iii) TCM therapies. The Group allocates the transaction price to each performance obligation based on the relative stand-alone selling price. The control of services or TCM products is transferred at a point in time, and revenue is recognised when the customer obtains the control of the completed services or TCM products as the Group has satisfied its performance obligations with a present right to payment and the collection of the consideration is probable. Transactions are settled by payment from commercial insurance, government's insurance scheme, third-party payment platforms, or directly paid by bank cards or cash from customers.

4. OPERATING SEGMENTS INFORMATION

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

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

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

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

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

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

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

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

Year ended 31 December 2024	Yifang RMB'000	Tian Jiang RMB'000	Tong Ji Tang RMB'000	Medi-World RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue (note 3)						
External customers	5,613,357	3,880,694	2,328,566	4,687,091	–	16,509,708
Intersegment sales	<u>171,688</u>	<u>232,219</u>	<u>344,266</u>	<u>1,629,745</u>	<u>(2,377,918)</u>	<u>–</u>
Total segment revenue	<u>5,785,045</u>	<u>4,112,913</u>	<u>2,672,832</u>	<u>6,316,836</u>	<u>(2,377,918)</u>	<u>16,509,708</u>
Segment results	182,260	(597,856)	266,548	177,321	–	28,273
Reconciliation:						
Other unallocated head office and corporate expenses						<u>(7,502)</u>
Profit for the year						<u><u>20,771</u></u>
Other segment information:						
Interest income	4,175	2,476	2,008	39,018	–	47,677
Finance cost	(49,367)	(63,477)	18,921	(77,612)	–	(171,535)
Share of losses of associates	–	1	–	(951)	–	(950)
Depreciation and amortisation	(472,274)	(378,671)	(97,174)	(182,105)	–	(1,130,224)
Write-down of inventories	(20,180)	(28,118)	(21,808)	(3,070)	–	(73,176)
Impairment losses under the expected credit loss model, net of reversal	(69,193)	(21,553)	(7,315)	(8,493)	–	(106,554)
Impairment loss recognised in respect of						
– goodwill	–	(430,237)	–	(1,589)	–	(431,826)
– right of use assets	–	(7,846)	–	–	–	(7,846)
– other intangible assets	(129)	–	–	–	–	(129)
– property, plant and equipment	<u>–</u>	<u>(24,201)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(24,201)</u>
As at 31 December 2024						
Segment assets	<u>15,110,492</u>	<u>10,244,478</u>	<u>6,033,056</u>	<u>8,860,033</u>	<u>–</u>	<u>40,248,059</u>
Reconciliation:						
Elimination of intersegment receivables						(5,679,697)
Deferred tax assets						219,977
Corporate and other unallocated assets						<u>275,379</u>
Total assets						<u><u>35,063,718</u></u>
Segment liabilities	4,071,509	3,514,196	1,253,622	6,817,455	–	15,656,782
Reconciliation:						
Elimination of intersegment payables						(5,679,697)
Tax payable						53,445
Deferred tax liabilities						1,042,460
Corporate and other unallocated liabilities						<u>57,694</u>
Total liabilities						<u><u>11,130,684</u></u>

Year ended 31 December 2023	Yifang RMB'000	Tian Jiang RMB'000	Tong Ji Tang RMB'000	Medi-World RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue (note 3)						
External customers	6,794,514	5,119,857	2,035,495	4,171,995	-	18,121,861
Intersegment sales	324,147	302,292	335,346	1,512,341	(2,474,126)	-
Total segment revenue	7,118,661	5,422,149	2,370,841	5,684,336	(2,474,126)	18,121,861
Segment results	628,627	471,524	236,398	105,944	-	1,442,493
Reconciliation: Other unallocated head office and corporate expenses						(46,423)
Profit for the year						<u>1,396,070</u>
Other segment information:						
Interest income	16,773	4,107	4,363	40,014	-	65,257
Finance cost	(75,704)	(73,370)	21,216	(71,187)	-	(199,045)
Share of losses of associates	-	3	-	(3,702)	-	(3,699)
Depreciation and amortisation	(480,076)	(372,345)	(104,760)	(176,090)	-	(1,133,271)
Write-down of inventories	(5,590)	1,738	(5,340)	(454)	-	(9,646)
Impairment losses under the expected credit loss model, net of reversal	(9,455)	(1,852)	(1,765)	3,706	-	(9,366)
Impairment loss recognised in respect of						
- goodwill	-	-	-	-	-	-
- right of use assets	-	-	-	-	-	-
- other intangible assets	-	-	-	-	-	-
- property, plant and equipment	(10,963)	(9,057)	-	(753)	-	(20,773)
As at 31 December 2023						
Segment assets	15,836,717	12,160,190	5,855,965	7,577,820	-	41,430,692
Reconciliation:						
Elimination of intersegment receivables						(5,097,060)
Deferred tax assets						219,480
Corporate and other unallocated assets						515,236
Total assets						<u>37,068,348</u>
Segment liabilities	5,001,209	4,646,332	1,309,704	5,688,360	-	16,645,605
Reconciliation:						
Elimination of intersegment payables						(5,097,060)
Tax payable						103,047
Deferred tax liabilities						1,187,045
Corporate and other unallocated liabilities						293,093
Total liabilities						<u>13,131,730</u>

(ii) Geographical information and information about major customers

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

The Group's customer base is diversified and none of the customers with whom transactions have exceeded 10% of the Group's revenue in both 2024 and 2023.

5. OTHER INCOME

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants		
– Unconditional subsidies (<i>note i</i>)	98,218	175,068
– Conditional subsidies (<i>note ii</i>)	42,782	41,843
Interest income on bank deposits	47,677	65,257
Rental income from investment properties	9,019	7,847
	<hr/>	<hr/>
Total other income	<u>197,696</u>	<u>290,015</u>

Notes:

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

6. OTHER GAINS AND LOSSES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Impairment loss recognised in respect of		
– goodwill	(431,826)	–
– right-of-use assets	(7,846)	–
– other intangible assets	(129)	–
– property, plant and equipment	(24,201)	(20,773)
Net gain on disposal of property, plant and equipment	(2,825)	26,342
Net gain on disposal of right of use assets	1,544	7,619
Net gain on disposal of an associate	361	–
Net loss on disposal of other intangible assets	(11)	(238)
Donation	(14,437)	(14,455)
Net foreign exchange gains/(losses)	1,798	(384)
Penalty interests (<i>note i</i>)	(64,237)	(1,216)
Others	2,895	7,392
	<u>(538,914)</u>	<u>4,287</u>

Note:

- (i) Penalty interests mainly represented the penalty interest in relation to the under provision in income taxes in prior years as disclosed in note 8 Income Tax Expense/(Credit).

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Impairment losses (recognised)/reversed in respect of		
– trade receivables	(105,708)	(10,151)
– other receivables	(119)	1,372
– debt instruments at FVTOCI	(727)	(587)
	<u>(106,554)</u>	<u>(9,366)</u>
Total	<u>(106,554)</u>	<u>(9,366)</u>

8. INCOME TAX EXPENSE/(CREDIT)

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current tax:		
Enterprise income tax (“EIT”)	189,053	290,495
Under/(over) provision in prior year (<i>note i</i>)	<u>97,568</u>	<u>(12,561)</u>
Subtotal	286,621	277,934
Deferred tax credit	<u>(144,283)</u>	<u>(449,471)</u>
Total	<u><u>142,338</u></u>	<u><u>(171,537)</u></u>

Note:

- (i) During the year ended 31 December 2024, certain subsidiaries of the Group have been inspected by local tax bureaus, or have conducted self-inspection following the tax audit notices issued by local tax bureaus, respectively. These subsidiaries have made provisions based on the best estimate of under provision on relevant income tax during the respective periods ranging from 2017 to 2023.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit derived from Hong Kong for both years.

9. PROFIT FOR THE YEAR

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Directors' remuneration	4,402	8,932
Other staff costs		
Salaries, wages and other benefits	2,224,458	2,216,823
Contributions to defined contribution retirement benefits	<u>183,972</u>	<u>161,574</u>
Subtotal	<u>2,408,430</u>	<u>2,378,397</u>
Cost of sales	8,653,400	8,847,369
Included: Write-down of inventories to net realisable value*	73,176	9,646
Auditor's remuneration	5,255	5,255
Impairment loss recognised/(reversed) in respect of		
– goodwill	431,826	–
– right of use assets	7,846	–
– other intangible assets	129	–
– Property, plant and equipment	24,201	20,773
– trade receivables	105,708	10,151
– other receivables	119	(1,372)
– debt instruments at FVTOCI	<u>727</u>	<u>587</u>
Depreciation of		
– investment properties	6,052	29,927
– property, plant and equipment	679,563	653,510
– right-of-use assets	53,445	50,363
Amortisation of other intangible assets	<u>391,164</u>	<u>399,471</u>
Total depreciation and amortisation	<u>1,130,224</u>	<u>1,133,271</u>
Gross rental income from investment properties	(9,019)	(7,847)
Less: Direct operating expenses incurred for investment properties	<u>1,362</u>	<u>1,186</u>
Total	<u><u>(7,657)</u></u>	<u><u>(6,661)</u></u>

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

10. DIVIDENDS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Proposed final – HK0.35 cents (2023: Nil) per ordinary share	16,115	–
Proposed special – HK8.30 cents per ordinary share	<u>385,742</u>	<u>–</u>
Total	<u><u>401,857</u></u>	<u><u>–</u></u>

The proposed final dividend for the year ended 31 December 2024 and special dividend are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to ordinary equity holders of the parent is based on the following data:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Profit attributable to ordinary equity holders of the parent	<u>54,067</u>	<u>1,285,200</u>
	shares	shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>5,035,801,852</u>	<u>5,035,801,852</u>

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

12. GOODWILL

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
COST		
At 1 January	3,570,574	3,568,984
Additions	<u>–</u>	<u>1,590</u>
At 31 December	<u>3,570,574</u>	<u>3,570,574</u>
IMPAIRMENT		
At 1 January	(112,671)	(112,671)
Impairment loss recognised for the year	<u>(431,826)</u>	<u>–</u>
At 31 December	<u>(544,497)</u>	<u>(112,671)</u>
CARRYING VALUES		
At 31 December	<u><u>3,026,077</u></u>	<u><u>3,457,903</u></u>

13. TRADE AND OTHER RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	8,392,206	9,289,650
Less: Allowance for credit losses	<u>(223,216)</u>	<u>(118,367)</u>
Net carrying amount	<u>8,168,990</u>	<u>9,171,283</u>
Prepayments	68,780	133,641
Advance tax payments	160,681	203,094
Other receivables	199,164	209,861
Less: Allowance for credit losses	<u>(31,103)</u>	<u>(31,235)</u>
Subtotal	<u>397,522</u>	<u>515,361</u>
Total	<u>8,566,512</u>	<u>9,686,644</u>

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

The ageing analysis of the Group's trade receivables at the end of each reporting period, based on invoice date are as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0 to 90 days	4,377,309	5,371,081
91 to 180 days	1,738,053	1,941,711
181 to 365 days	1,813,051	1,893,764
Over 365 days	<u>463,793</u>	<u>83,094</u>
Total	<u>8,392,206</u>	<u>9,289,650</u>

14. INVENTORIES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Raw materials	1,104,406	1,754,470
Work in progress	1,630,106	1,834,172
Finished goods	<u>2,048,587</u>	<u>2,370,507</u>
Total	<u>4,783,099</u>	<u>5,959,149</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of inventories sold	8,580,224	8,837,723
Write down of inventories	73,176	9,646
Total	<u>8,653,400</u>	<u>8,847,369</u>

15. TRADE AND OTHER PAYABLES

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,432,901	1,689,929
Deposits received	1,015,315	1,083,413
Salaries and welfare payables	528,859	459,795
Other tax payables	185,091	168,947
Accruals of operating expenses	908,072	962,296
Bills payables	803,992	1,052,727
Dividends payable	29,345	65,204
Consideration payable for acquisition of subsidiaries	3,550	3,586
Collection of accounts receivable on behalf of financial institutions that entered into the non-recourse factoring arrangement with the Group	48,165	19,661
Refund liabilities	28,733	–
Other payables	453,622	544,149
Total	<u>5,437,645</u>	<u>6,049,707</u>

The ageing analysis of the Group's trade and bills payables based on invoice date at the end of each reporting period are as follows:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	1,479,694	2,129,680
91 to 180 days	527,182	458,940
181 to 365 days	160,895	107,337
Over 365 days	69,122	46,699
Total	<u>2,236,893</u>	<u>2,742,656</u>

FINANCIAL REVIEW

Other income

For the twelve months ended 31 December 2024, the Group's other income was approximately RMB197,696,000, representing a decrease of 31.8% compared with approximately RMB290,015,000 for last year. Such decrease was mainly because the Group received government grants of approximately RMB141,000,000 during the Reporting Period, representing a decrease of 35.0% compared with approximately RMB216,911,000 for last year.

Other gains and losses

For the twelve months ended 31 December 2024, the Group's other losses were approximately RMB538,914,000 (other gains for the twelve months ended 31 December 2023: approximately RMB4,287,000). During the Period, the substantial increase in other losses compared with the last year was mainly the result of: (i) impairment losses recognized in assets such as goodwill, property, plant and equipment during the Period were approximately RMB464,002,000, representing an increase of approximately RMB443,229,000 compared with last year; (2) penalty interests paid during the Period were approximately RMB64,237,000, representing an increase of approximately RMB63,021,000 compared with last year; and (3) the net loss arising from disposal of property, plant and equipment during the Period was approximately RMB2,825,000, compared with a net gain of approximately RMB26,342,000 last year.

Impairment losses under expected credit loss model, net of reversal

As at 31 December 2024, the balance of trade receivables of the Group for more than one year had increased by approximately RMB380,699,000 year-on-year. According to the Group's credit impairment loss provision policy, the provision for credit impairment loss was approximately RMB106,554,000 during the Period, representing an increase of approximately RMB97,188,000 compared with approximately RMB9,366,000 for last year.

Selling and distribution costs

For the twelve months ended 31 December 2024, the Group's selling and distribution costs were approximately RMB5,419,271,000 (twelve months ended 31 December 2023: approximately RMB6,403,201,000). Selling and distribution costs decreased by 15.4% as compared with last year, which was mainly because the sales composition changed and the income from concentrated TCM granules decreased year-on-year, resulting in a decrease in relevant selling expenses during the Period.

Administrative expenses

For the twelve months ended 31 December 2024, the Group's administrative expenses were approximately RMB1,057,664,000 (twelve months ended 31 December 2023: approximately RMB1,043,318,000). Administrative expenses increased by 1.4% as compared with last year, which was mainly attributable to a three-year period since the implementation of the national standard policy for concentrated TCM granules in November 2021, the enterprise standard concentrated TCM granules and concentrated TCM granules produced for the record of the national and provincial standards expired one after another, resulting in an increase in the loss of inventory scrapping.

Research and development expenses

For the twelve months ended 31 December 2024, the Group's research and development ("R&D") expenses amounted to approximately RMB596,007,000, representing a decrease of 13.1% as compared with approximately RMB685,632,000 for last year. During the Reporting Period, research and development expenses were mainly used for: (1) research to improve quality standards, focusing on standards research for concentrated TCM granules; (2) research to improve future benefit, focusing on R&D of innovative drugs as well as classical formulae; and (3) research to improve future efficiency, focusing on research for adaptability research for the production of TCM products.

Finance costs

For the twelve months ended 31 December 2024, the Group's finance costs were approximately RMB171,535,000 (twelve months ended 31 December 2023: approximately RMB199,045,000), representing a year-on-year decrease, which was mainly due to the adjustments to the Group's financing scale and products structure during the Period, resulting in a decrease in the effective loan interest rate year-on-year. During the Reporting Period, the Group's effective loan interest rate was 2.65% (twelve months ended 31 December 2023: 2.78%). The Group will continue to closely monitor the changes in market interest rate, adjust its borrowing and fundraising mechanism as appropriate, and refinance or enter into new agreements for existing bank loans, when favourable opportunities for bargaining arise.

Share of losses of associates

For the twelve months ended 31 December 2024, the Group recorded share of losses of associates of approximately RMB950,000, and approximately RMB3,699,000 for last year, representing a decrease of 74.3% year-on-year in investment loss in associates during the Period.

Profit for the year

For the twelve months ended 31 December 2024, the Group's profit for the year was approximately RMB20,771,000, representing a decrease of 98.5% as compared with approximately RMB1,396,070,000 for last year, and the net profit margin (defined as profit divided by revenue for the year) was 0.1%, representing a decrease of 7.6 percentage points from 7.7% for last year, which was mainly attributable to: (1) the declines in scale of sales and profitability of the concentrated TCM granules business as compared to the previous year affected by multiple factors such as the decrease in centralized procurement price, intensified competition in the market and high cost of medicinal materials; (2) the increase in credit impairment, impairment of goodwill, and impairment of property, plant and equipment during the Period; and (3) the remedial corresponding taxes and late payment fees paid by certain subsidiaries after they were subjected to tax inspections or carried out self-inspections for tax purposes during the Period.

Non-HKFRS measure — adjusted net profit

To supplement financial information, which is presented in accordance with HKFRS, the Group also provides adjusted net profit as non-HKFRS measures, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. The Group believes that the non-HKFRS measure (i) facilitates year-on-year comparisons of operating performance by eliminating potential impacts of items that the management does not consider to be indicative of operating performance; and (ii) provides useful information to investors in understanding and evaluating the Group's results of consolidated statements of profit or loss and other comprehensive income in the same manner as they helped the Group's management. However, the Group's presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies as they do not have a standardized meaning. The application of the non-HKFRS measure has limitations as an analytical tool, and the Shareholders and investors should not consider it in isolation from, or as substitute for analysis of, results of operations or financial condition as reported under HKFRS.

The Group defined the adjusted net profit as the net profit for the Period eliminating effects of (i) provision for goodwill impairment; and (ii) the remedial taxes in certain subsidiaries. The adjusted items mentioned above are non-recurring expenses and the provision for the impairment is non-cash item, which would not pose adverse impacts on the Group's continuing operation. The adjusted net profit for the year ended 31 December 2024 was approximately RMB635,540,000, representing a decrease of 54.5% compared with approximately RMB1,396,070,000 for profit for the year ended 31 December 2023.

	Twelve months ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	20,771	1,396,070
Adjustment for:		
Impairment loss of goodwill	431,826	0
Remedial taxes in certain subsidiaries	182,943	0
Adjusted net profit	635,540	1,396,070

Earnings per share

For the twelve months ended 31 December 2024, basic earnings per share were RMB1.07 cents, representing a decrease of 95.8% from RMB25.52 cents for last year. The decrease in basic earnings per share was because profit attributable to equity holders of the Company during the Reporting Period decreased by 95.8% to approximately RMB54,067,000 (twelve months ended 31 December 2023: RMB1,285,200,000).

Liquidity and financial resources

As at 31 December 2024, the Group's current assets amounted to approximately RMB18,839,503,000 (31 December 2023: RMB19,799,846,000), which included cash, cash equivalents and bank deposits of approximately RMB4,020,654,000 (31 December 2023: RMB3,267,276,000), of which the pledged bank deposits amounted to approximately RMB153,743,000, mainly for bills payable security (31 December 2023: RMB249,958,000). Trade and other receivables amounted to approximately RMB8,566,512,000 (31 December 2023: RMB9,686,644,000). Current liabilities amounted to approximately RMB7,800,198,000 (31 December 2023: RMB9,332,600,000). Net current assets aggregated to approximately RMB11,039,305,000 (31 December 2023: RMB10,467,246,000). The Group's current ratio was 2.4 (31 December 2023: 2.1). The gearing ratio (defined as bank and other loans and bonds payable divided by equity attributable to equity holders of the Company) decreased from 23.9% as at 31 December 2023 to 18.5%. The decrease in gearing ratio was mainly due to decrease in unsecured notes, bank and other loans of the Group.

Bank and other loans and pledge of assets

As at 31 December 2024, the Group's bank and other loans balance was approximately RMB2,697,314,000 (31 December 2023: RMB3,034,020,000), of which approximately RMB492,113,000 was secured borrowings (31 December 2023: RMB535,783,000). Out of the bank and other loans balance, approximately RMB2,078,924,000 and RMB618,391,000 were repayable within one year and over one year respectively (31 December 2023: approximately RMB2,120,207,000 and RMB913,813,000, respectively).

As at 31 December 2024, the Group's bank deposits of RMB153,743,000, land use rights with carrying values of RMB50,420,000, investment property and property, plant and equipment with carrying values of RMB614,842,000 and bills receivable with carrying values of RMB62,648,000 were pledged to secure certain borrowings and the issuance of bills payables of the Group (31 December 2023: bank deposits of RMB249,958,000, land use rights of RMB91,902,000, investment property and property, plant and equipment of RMB672,502,000 and bills receivable of RMB213,481,000 were pledged).

Capital sources

The Group meets its working capital needs mainly through funds derived from its operating and external financing activities. During the Reporting Period, the Group initiated a bank borrowing of RMB800 million in the first half of 2024 to settle the super & short-term commercial paper of RMB800 million on maturity, and initiated an external financing activity of RMB865 million in the second half of 2024 to succeed the maturing debt and for phased liquidity replenishment. Apart from the above, no major financing activity has been carried out. As at 31 December 2024, the Group had sufficient working capital and a stable financial position, as it had an unutilised bank loan facility of approximately RMB9,490,055,000.

Capital expenditure

For the twelve months ended 31 December 2024, the Group's investments in fixed asset and intangible asset was approximately RMB532,191,000, compared with approximately RMB750,233,000 for last year. During the Reporting Period, capital expenditure was mainly used for subsequent investment in some continuous establishment projects of production bases for concentrated TCM granules and TCM decoction pieces, as well as expense for expansion of extraction capacity.

Financing capacity

As at 31 December 2024, capital commitments which the Group has entered but were outstanding and not provided for in the financial statements were approximately RMB39,586,000 (31 December 2023: approximately RMB152,870,000). Such capital commitments were mainly used for the construction of plants and purchase of production facilities. The Group is of the view that with available cash balance, a stable cash inflow from operating activities, undrawn but already granted bank facilities, and recognition and support from major financial institutions, the Group will be capable of fully satisfying liquidity needs and the abovementioned funding needs.

Contingent liabilities

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

Financial risk

The Group mainly operates in Chinese mainland, with most of its transactions originally denominated and settled in Renminbi, for which the foreign exchange risk is considered insignificant. As at 31 December 2024, the Group had no Hong Kong Dollar bank borrowings and did not enter into any forward foreign exchange contracts. In future, the Group will continue to regularly review its net foreign exchange exposure and take appropriate and timely measures to mitigate the impact of exchange rate fluctuations.

Employees and remuneration policies

As at 31 December 2024, the Group had a total of 16,753 (31 December 2023: 17,303) employees, including the Directors, of which 5,700 were sales staff, 5,982 were manufacturing staff and 5,071 were engaged in R&D, administration and senior management. Remuneration packages mainly consisted of salary and a discretionary bonus based on individual performance. The Group's total remuneration for the Reporting Period was approximately RMB2,412,832,000 (twelve months ended 31 December 2023: RMB2,387,329,000).

Pre-conditional Proposal for the Privatisation of the Company

On 21 February 2024, Sinopharm Common Wealth Company Limited (the "Offeror") and the Company jointly published an announcement (the "Joint Announcement"). As disclosed in the Joint Announcement, the Offeror requested the Board to put forward to the Scheme Shareholders a pre-conditional proposal for the privatisation of the Company by the Offeror by way of a scheme of arrangement under section 673 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which, if approved, would result in the withdrawal of listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). For details, please refer to the Joint Announcement. Unless otherwise defined, capitalised terms used in this section shall have the same meanings as those defined in the Joint Announcement.

As at 18 October 2024, Pre-Condition (a) (i.e. the ODI Approvals) remained unfulfilled and the Pre-Condition Long Stop Date had not been extended. As a result, the Proposal lapsed on 18 October 2024. Accordingly, no Scheme Document will be despatched and the listing of the Shares on the Stock Exchange will not be withdrawn. For further details, please refer to the joint announcement dated 18 December 2024 jointly issued by the Offeror and the Company.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommended the payment of a final dividend of HK0.35 cents (approximately RMB0.32 cents) per share (2023: Nil) and a special dividend of HK8.30 cents (approximately RMB7.66 cents) per share (2023: Nil) for the year ended 31 December 2024. The final dividend and special dividend are subject to the approval by the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting of the Company (the “AGM”) and is expected to be payable on 9 July 2025 to the Shareholders whose names appeared on the register of members of the Company on 27 June 2025.

ANNUAL GENERAL MEETING

The AGM will be held at Conference Room, 4th Floor, Winteam Plaza, 6 Kuiqi Second Road, Chancheng District, Foshan City, Guangdong Province, China, on Wednesday, 18 June 2025 at 2:30 p.m..

CLOSURE OF REGISTER OF MEMBERS

To ascertain the Shareholders’ entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 13 June 2025 to Wednesday, 18 June 2025, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 12 June 2025.

To ascertain the Shareholders’ entitlement to receive the proposed final dividend and special dividend, the register of members of the Company will be closed from Wednesday, 25 June 2025 to Friday, 27 June 2025, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and special dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 24 June 2025.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares, if any). As at 31 December 2024, the Company did not hold any treasury shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance. The Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the year ended 31 December 2024.

MODEL CODE FOR 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 the Directors. Specific enquiry has been made with all Directors, and all Directors confirmed that they have complied with the required standard set out in the Model Code throughout Reporting Period. Furthermore, senior management who are likely to be in possession of inside information are also required to comply with the provisions of the Model Code.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group’s results for the year ended 31 December 2024 as set out in this preliminary results announcement have been agreed by the Group’s independent auditor to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by the Group’s independent auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by the Group’s independent auditor on this preliminary results announcement.

AUDIT COMMITTEE

The primary duties of the audit committee of the Company (the “Audit Committee”) are to review and supervise the financial reporting process, internal control system and risk management of the Group and to provide advice and comments to the Board. As at the date of this announcement, the Audit Committee comprises five members who are four independent non-executive Directors and one member who is non-executive Director, namely Mr. XIE Rong, Mr. YU Tze Shan Hailson, Mr. QIN Ling, Mr. LI Weidong and Ms. XU Jinghui, and Mr. XIE Rong who has appropriate professional qualifications and experience in accounting matters was appointed as the chairman of the Audit Committee. The Audit Committee has met with the Group’s senior management and the auditor to review the Group’s audited annual results and the financial statements for the year ended 31 December 2024.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website (www.china-tcm.com.cn) and the HKExnews website of the Stock Exchange (www.hkexnews.hk). The Company's 2024 Annual Report containing all information required under the Listing Rules will be sent to the Shareholders and will be published on the Company's website (www.china-tcm.com.cn) and the HKExnews website of the Stock Exchange (www.hkexnews.hk).

APPOINTMENT OF VICE PRESIDENT

The Board announced, Ms. HUANG He ("Ms. HUANG") was appointed as the vice president of the Company, with effect from 25 March 2025. The biographical details of Ms. HUANG are as follows:

Ms. HUANG, aged 46, graduated from Renmin University of China majoring in accounting with a master degree. She has qualifications of senior economist, senior human resource manager and auditor. Ms. HUANG successively served as the manager of department of operation inspection and audit, department of strategic planning, department of audit, department of human resource and operation director of China Traditional & Herbal Medicine Group Crop. (currently known as China Traditional Chinese Medicine Co. Ltd.) from July 2004 to December 2018; successively served as the secretary of the party, an executive director, the vice president, the deputy secretary of the party and chairman of the labor union of the Company from May 2017 to March 2025.

By order of the Board
China Traditional Chinese Medicine Holdings Co. Limited
YANG Jun
Chairman

Hong Kong, 25 March 2025

As at the date of this announcement, the Board comprises eleven Directors, of which Mr. YANG Jun and Mr. LI Hongjian are executive Directors; Mr. LIU Haijian, Mr. LI Xiangrong, Mr. ZU Jing, Ms. XU Jinghui and Mr. HUANG Hao are non-executive Directors; and Mr. XIE Rong, Mr. YU Tze Shan Hailson, Mr. QIN Ling and Mr. LI Weidong are independent non-executive Directors.