Zhongzhi Pharmaceutical Holdings Limited
中智藥業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3737)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

	For the year ended 31 December		
	2024	2023	Year-on-Year
	RMB'000	RMB'000	Change*
Revenue	**2,214,783**	2,049,812	8.0%
Gross profit	**1,288,407**	1,218,143	5.8%
Gross margin of the Group (%)	**58.2%**	59.4%	
Profit attributable to equity holders of the Company	**95,212**	162,775	(41.5%)
Basic and diluted			
Earnings per share (expressed in RMB per share)	**RMB0.11**	RMB0.19	(42.1%)
Interim dividend per share	**–**	HK6.00 cents	(100%)
Final dividend per share	**HK5.00 cents**	HK3.00 cents	66.7%
Total dividend per share	**HK5.00 cents**	HK9.00 cents	(44.4%)

* *Year-on-Year change represents a comparison between the current reporting period and the corresponding period last year.*

ANNUAL RESULTS

The board (the "Board") of directors ("Directors") of Zhongzhi Pharmaceutical Holdings Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2024 (the "Reporting Period"), together with the comparative figures for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2024

	Notes	**2024 RMB'000**	2023 RMB'000
REVENUE	4	**2,214,783**	2,049,812
Cost of sales		**(926,376)**	(831,669)
Gross profit		**1,288,407**	1,218,143
Other income and gains	4	**38,504**	51,523
Selling and distribution expenses		**(988,737)**	(888,156)
Administrative expenses		**(105,745)**	(106,651)
Other expenses		**(74,438)**	(58,936)
Impairment losses on financial assets, net		**(4,100)**	(474)
Finance costs		**(6,994)**	(7,868)
PROFIT BEFORE TAX	5	**146,897**	207,581
Income tax expense	6	**(50,750)**	(43,447)
PROFIT FOR THE YEAR		**96,147**	164,134
Attributable to:			
Owners of the parent		**95,212**	162,775
Non-controlling interests		**935**	1,359
		96,147	164,134
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For profit for the year		**RMB0.11**	RMB0.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR	**96,147**	164,134
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(899)**	(4,370)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**403**	3,280
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(496)**	(1,090)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**95,651**	163,044
Attributable to:		
Owners of the parent	**94,716**	161,685
Non-controlling interests	**935**	1,359
	95,651	163,044

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2024

	Notes	**2024** **RMB'000**	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**585,510**	498,367
Investment properties		**53,940**	46,441
Right-of-use assets	9(a)	**144,929**	165,749
Prepayments for property, plant and equipment		**2,343**	11,878
Goodwill		**1,628**	1,628
Other intangible assets	10	**11,845**	14,218
Equity investments at fair value through profit or loss	11	**37,696**	42,563
Deferred tax assets		**28,354**	30,069
Prepayments		**–**	850
Pledged deposits		**100,500**	100,000
Other non-current assets		**6,257**	6,751
Total non-current assets		**973,002**	918,514
CURRENT ASSETS			
Inventories	12	**345,352**	330,017
Trade and notes receivables	13	**439,569**	327,986
Prepayments, deposits and other receivables		**59,983**	49,473
Equity investments at fair value through profit or loss	11	**–**	2,277
Cash and bank balances		**167,103**	164,368
Restricted cash		**2,113**	–
Total current assets		**1,014,120**	874,121
CURRENT LIABILITIES			
Trade and bills payables	14	**295,959**	190,970
Other payables and accruals		**296,635**	283,931
Interest-bearing bank borrowings		**46,331**	27,329
Lease liabilities	9(b)	**35,428**	48,253
Amounts due to related parties		**8,786**	8,786
Deferred income		**3,516**	9,756
Tax payable		**44,909**	39,583
Total current liabilities		**731,564**	608,608
NET CURRENT ASSETS		**282,556**	265,513
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,255,558**	1,184,027

	Notes	**2024** **RMB'000**	2023 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**38,271**	22,683
Deferred income		**7,910**	11,866
Lease liabilities	9(b)	**68,573**	76,592
Deferred tax liabilities		**19,262**	19,553
Total non-current liabilities		**134,016**	130,694
Net assets		**1,121,542**	1,053,333
Equity			
Equity attributable to owners of the parent			
Issued capital		**6,847**	6,847
Reserves		**1,109,675**	1,041,669
		1,116,522	1,048,516
Non-controlling interests		**5,020**	4,817
Total equity		**1,121,542**	1,053,333

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Zhongzhi Pharmaceutical Holdings Limited (the "Company") was incorporated in the Cayman Islands on 12 September 2014 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 July 2015 (the "Listing Date").

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of pharmaceutical products in the People's Republic of China (the "PRC"). There has been no significant change in the Group's principal activities during the year.

In the opinion of the Directors, as at the date of this announcement, the immediate and ultimate holding company of the Company is Crystal Talent Investment Group Limited, a company incorporated in the British Virgin Islands ("BVI").

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under a historical cost convention, except for equity investments and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand except otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as 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, directly or indirectly, 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 exchange fluctuation 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 revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(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 IAS 7 and IFRS 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 IFRSs

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

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 10 and IFRS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards – Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[2]

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

Further information about those IFRSs that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as IAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other IFRSs. IFRS 18 and the consequential amendments to other IFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying Guidance on implementing IFRS 7), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 Financial Instruments: Disclosures: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing IFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing IFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 9 Financial Instruments: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 10 Consolidated Financial Statements: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IAS 7 Statement of Cash Flows: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

The board of directors is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the board of directors for the purposes of allocating resources and assessing performance.

For management purposes, the Group is organised into business units based on its sales channels and has two reportable operating segments as follows:

(a) Pharmaceutical manufacturing

(b) Operation of chain pharmacies

Separate individual financial information for different types of channels is presented to the board of directors who reviews the internal reports in order to assess performance and allocate resources.

Segment results are evaluated based on gross profit. No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the board of directors.

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.

Geographical information

Since over 90% of the Group's revenue and operating profit were generated in Chinese Mainland and over 90% of the Group's non-current assets were located in Chinese Mainland, no geographical information in accordance with IFRS 8 Operating Segments is presented.

Information about major customers

During each of the years ended 31 December 2024 and 2023, no revenue from transactions with a single customer accounted for 10% or more of the Group's sales.

Operating segment information for the year ended 31 December 2024:

Year ended 31 December 2024	**Pharmaceutical manufacturing RMB'000**	**Operation of chain pharmacies RMB'000**	**Total RMB'000**
Segment revenue:			
Revenue from external customers *(note 4)*	**1,624,289**	**590,494**	**2,214,783**
Intersegment sales	**708,238**	**–**	**708,238**
Total segment revenue	**2,332,527**	**590,494**	**2,923,021**
Reconciliation:			
Elimination of intersegment sales			**(708,238)**
Revenue			**2,214,783**
Segment results	**1,076,059**	**212,348**	**1,288,407**
Reconciliation:			
Other income and gains			**38,504**
Selling and distribution expenses			**(988,737)**
Administrative expenses			**(105,745)**
Other expenses			**(74,438)**
Impairment losses on financial assets, net			**(4,100)**
Finance costs			**(6,994)**
Profit before tax			**146,897**

Year ended 31 December 2023	Pharmaceutical manufacturing RMB'000	Operation of chain pharmacies RMB'000	Total RMB'000
Segment revenue:			
Revenue from external customers *(note 4)*	1,415,663	634,149	2,049,812
Intersegment sales	696,224	–	696,224
Total segment revenue	2,111,887	634,149	2,746,036
Reconciliation:			
Elimination of intersegment sales			(696,224)
Revenue			2,049,812
Segment results	976,903	241,240	1,218,143
Reconciliation:			
Other income and gains			51,523
Selling and distribution expenses			(888,156)
Administrative expenses			(106,651)
Other expenses			(58,936)
Impairment losses on financial assets, net			(474)
Finance costs			(7,868)
Profit before tax			**207,581**

4 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers		
Sale of pharmaceutical products	**2,214,783**	2,049,812

(i) Disaggregated revenue information

The Group's revenue is mainly derived from the sale of pharmaceutical products to customers in Chinese Mainland and is recognised at a point in time.

Disaggregation of revenue from contracts with customers is disclosed in note 4 to the financial statements.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2024	2023
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of pharmaceutical products	**23,371**	118,439

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of pharmaceutical products

The performance obligation is satisfied upon delivery of the pharmaceutical products and payment is generally due within 15 to 90 days from delivery, except for new customers and one-off purchase order customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2024	2023
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**10,270**	23,371

	Note	**2024** **RMB'000**	2023 RMB'000
Other income			
Bank interest income		**5,139**	6,885
Dividend income from equity investments at fair value through profit or loss		**56**	32
Rental income		**3,266**	2,569
Interest income from financial assets at fair value through profit or loss		**–**	100
Sales of raw materials		**3,840**	6,117
Others		**10,540**	9,092
		22,841	24,795
Gains, net			
Government grants:			
Related to assets*		**10,149**	3,511
Related to income*		**4,928**	15,901
Gain on disposal of items of property, plant and equipment	5	**548**	431
Gain on disposal of equity investments at fair value through profit or loss	5	**–**	2,023
Fair value gains, net:			
Equity investments at fair value through profit or loss	5	**–**	1,864
Others		**38**	2,998
		15,663	26,728
		38,504	51,523

5. PROFIT BEFORE TAX

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

	Notes	**2024 RMB'000**	2023 RMB'000
Cost of inventories sold		**926,376**	831,669
Depreciation of property, plant and equipment and investment properties		**46,999**	50,069
Depreciation of right-of-use assets	9(a)	**60,947**	48,579
Research and development costs		**57,011**	49,982
Advertising, marketing and promotion expenses		**272,243**	205,578
Amortisation of other intangible assets*	10	**3,475**	3,431
Write-down of inventories to net realisable value		**7,069**	3,538
Lease payments not included in the measurement of lease liabilities	9(c)	**237**	952
Auditor's remuneration		**2,400**	2,600
Impairment losses on trade receivables	13	**4,100**	474
Gain on disposal of items of property, plant and equipment	4	**(548)**	(431)
Loss/(profit) on disposal of equity investments at fair value through profit or loss	4	**519**	(2,023)
Loss on derecognition of financial assets measured at amortised cost		**1,747**	–
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss	4	**3,383**	(1,864)
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		**293,268**	286,501
Pension scheme contributions (defined contribution scheme)**		**19,528**	17,260
Staff welfare expenses		**19,133**	20,170
Total		**331,929**	323,931

* *The amortisation of other intangible assets for the reporting period is included in "Administrative expenses" and "Selling and distribution expenses" in the consolidated statement of profit or loss.*

** *At 31 December 2024, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2023: Nil).*

6. INCOME TAX EXPENSE

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

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

The Hong Kong profits tax rate is 16.5% (2023: 16.5%) of assessable profits derived from Hong Kong during the year. Since the Group had no such profits during the reporting period, no provision for Hong Kong profits tax has been made.

Taxes on profits assessable in Chinese Mainland have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law (the "PRC Tax Law") effective on 1 January 2008, the Group's subsidiaries which operate in Chinese Mainland are subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income.

Zhongzhi Pharmaceutical and Honeson Pharmaceutical are qualified high and new technology enterprises and were subject to income tax at a preferential tax rate of 15% for the reporting period.

The income tax expense of the Group for the reporting period is analysed as follows:

	2024	2023
	RMB'000	RMB'000
Current – Mainland China		
Charge for the year	**49,326**	51,368
Deferred income tax expense/(credit)	**1,424**	(7,921)
Total income tax expense	**50,750**	43,447

In accordance with the PRC Tax Law effective on 1 January 2008, a 10% (or a lower rate if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. As at 31 December 2024, the Group recognised a deferred tax liability of RMB10,377,000 (2023: RMB10,614,000) in respect of the withholding tax on future dividends.

7. DIVIDENDS

	2024	2023
	RMB'000	RMB'000
Interim – nil (2023: HK6 cents) per ordinary share	**–**	47,588
Proposed final – HK5 cents (2023: HK3 cents) per ordinary share	**39,849**	23,137
Total	**39,849**	70,725

The Company declared and paid a final dividend (HK3 cents per ordinary share) in respect of the previous financial year amounting to HK$25,410,000 (equivalent to approximately RMB23,137,000), after the adjustment of excluding the dividend for shares held under the share award plan of the Company amounting to HK$498,000 (equivalent to approximately RMB453,000).

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 845,428,938 (2023: 846,998,500) in issue during the year.

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

The calculation of basic and diluted earnings per share are based on:

	2024	2023
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**95,212**	162,775

	2024	2023
Shares		
Weighted average number of ordinary shares in issue	**863,600,000**	863,600,000
Weighted average number of shares held for the share award plan	**(18,171,062)**	(16,601,500)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**845,428,938**	846,998,500

9. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, pharmacies and office premises used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of pharmacies and office premises generally have lease terms between 3 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Pharmacies and office premises RMB'000	**Leasehold land** RMB'000	**Total** RMB'000
As at 1 January 2023	124,508	27,945	152,453
Additions	37,308	24,567	61,875
Depreciation charge *(note 5)*	(47,278)	(1,301)	(48,579)
As at 31 December 2023 and 1 January 2024	**114,538**	**51,211**	**165,749**
Additions	**40,127**	**–**	**40,127**
Depreciation charge *(note 5)*	**(59,610)**	**(1,337)**	**(60,947)**
As at 31 December 2024	**95,055**	**49,874**	**144,929**

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 **RMB'000**	2023 RMB'000
Carrying amount at 1 January	**124,845**	134,829
New leases	**40,127**	37,308
Accretion of interest recognised during the year	**4,360**	5,254
Payments	**(65,331)**	(52,546)
Carrying amount at 31 December	**104,001**	124,845
Analysed into:		
Current portion	**35,428**	48,253
Non-current portion		
– In the second year	**49,075**	45,336
– In the third to fifth years, inclusive	**18,958**	30,824
– Beyond five years	**540**	432

(c) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2024	2023
	RMB'000	RMB'000
Interest on lease liabilities	**4,360**	5,254
Depreciation charge of right-of-use assets	**60,947**	48,579
Expense relating to short-term leases (included in selling and distribution expenses)	**237**	952
Total amount recognised in profit or loss	**65,544**	54,785

The Group as a lessor

The Group leases its investment properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB3,266,000 (2023: RMB2,569,000), details of which are included in note 4 to the financial statements.

At 31 December 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024	2023
	RMB'000	RMB'000
Within one year	**3,300**	2,804
After one year but within two years	**3,009**	2,699
After two years but within three years	**2,827**	2,604
After three years but within four years	**2,211**	2,521
After four years but within five years	**470**	1,921
After five years	**1,076**	1,506
Total	**12,893**	14,055

10. OTHER INTANGIBLE ASSETS

	Software RMB'000	Patents and licences RMB'000	Total RMB'000
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	**13,842**	**376**	**14,218**
Additions	**1,102**	**–**	**1,102**
Amortisation provided during the year *(note 5)*	**(3,287)**	**(188)**	**(3,475)**
At 31 December 2024, net of accumulated amortisation	**11,657**	**188**	**11,845**
At 31 December 2024:			
Cost	**30,330**	**3,528**	**33,858**
Accumulated amortisation	**(18,673)**	**(3,340)**	**(22,013)**
Net carrying amount	**11,657**	**188**	**11,845**
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	14,192	1,206	15,398
Additions	2,251	–	2,251
Amortisation provided during the year *(note 5)*	(2,601)	(830)	(3,431)
At 31 December 2023, net of accumulated amortisation	13,842	376	14,218
At 31 December 2023:			
Cost	29,228	3,528	32,756
Accumulated amortisation	(15,386)	(3,152)	(18,538)
Net carrying amount	13,842	376	14,218

11. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
	RMB'000	RMB'000
Equity investments at fair value through profit or loss		
Listed equity investment, at fair value	**–**	6,760
Unlisted equity investment, at fair value	**37,696**	38,080
Total	**37,696**	44,840

The above equity investments at 31 December 2024 were classified as equity investments at fair value through profit or loss, as equity investments amounting to nil (2023: RMB6,760,000) were held for trading purpose, and equity investments amounting to RMB37,696,000 (2023: RMB38,080,000) were held for strategic investment purpose while the Group has not elected to designate the investments as financial asset at fair value through other comprehensive income.

12. INVENTORIES

	2024	2023
	RMB'000	RMB'000
Raw materials	**87,582**	71,116
Work in progress	**28,786**	19,602
Finished goods	**228,984**	239,299
Total	**345,352**	330,017

Inventories with a value of RMB32,622,000 (2023: RMB19,995,000) are carried at net realisable value, which is lower than cost.

13. TRADE AND NOTES RECEIVABLES

	2024	2023
	RMB'000	RMB'000
Trade receivables	**324,698**	195,894
Less: Impairment of trade receivables	**(7,961)**	(3,861)
Trade receivables, net	**316,737**	192,033
Notes receivable	**122,832**	135,953
Total	**439,569**	327,986

The Group's trading terms with its wholesale customers are mainly on credit. The credit period is generally not more than three months for major customers. As to new customers and one-off purchase order customers, payment in advance is normally required. Each customer has a maximum credit limit. The Group seeks to enforce strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and notes receivables relate to a large number of diversified customers with good track records, there is no significant concentration of credit risk. Trade and notes receivables are non-interest-bearing. The fair value of trade and notes receivables approximates to their carrying amount.

Notes receivables had no historical default and were categorised in stage 1 at 31 December 2024 and 2023. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the years ended 31 December 2024 and 2023, the Group estimated that the expected credit loss rate for notes receivables was minimal.

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

	2024	2023
	RMB'000	RMB'000
Within 1 month	**117,521**	76,623
1 to 3 months	**120,240**	71,031
3 to 6 months	**50,698**	23,815
6 to 12 months	**22,078**	18,127
Over 12 months	**6,200**	2,437
Total	**316,737**	192,033

The movement in the loss allowance for impairment of trade receivables is as follows:

	2024	2023
	RMB'000	RMB'000
At beginning of year	**3,861**	3,387
Impairment losses, net	**4,100**	474
At end of year	**7,961**	3,861

The Group manages its notes receivables using the business model whose objective is achieved by both collecting contractual cash flows and selling such financial assets and hence, they are categorised as financial assets measured at fair value through other comprehensive income after the adoption of IFRS 9.

The notes receivables are settled within 270 days. No notes receivables were discounted as at 31 December 2024 and 2023. As at 31 December 2024, the Group continued to recognise endorsed notes receivables and the associated liabilities amounting to RMB27,648,000 (2023: RMB29,959,000). The directors considered that the Group has retained the substantial risks and rewards, which include default risks relating to such endorsed notes.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the ageing analysis for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2024

	Less than 1 year	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**0.87%**	**30.87%**	**100.00%**	**2.45%**
Gross carrying amount (RMB'000)	**313,264**	**8,968**	**2,466**	**324,698**
Expected credit losses (RMB'000)	**2,727**	**2,768**	**2,466**	**7,961**

As at 31 December 2023

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.53%	22.45%	100.00%	1.97%
Gross carrying amount (RMB'000)	190,615	3,142	2,137	195,894
Expected credit losses (RMB'000)	1,019	705	2,137	3,861

14. TRADE AND BILLS PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	**183,379**	140,766
Bills payables	**112,580**	50,204
Total	**295,959**	190,970

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

	2024 RMB'000	2023 RMB'000
Within 3 months	**143,798**	130,594
3 to 6 months	**11,636**	5,995
6 to 12 months	**24,708**	2,647
over 12 months	**3,237**	1,530
Total	**183,379**	140,766

The trade payables and bills payables are non-interest-bearing and are normally settled on terms of not exceeding 120 days and 180 days, respectively.

MANAGEMENT DISCUSSION AND ANALYSES

BUSINESS OVERVIEW

During the year ended 31 December 2024 (the "Reporting Period"), the Group continued to engage principally in pharmaceutical manufacturing in the PRC and the operation of chain pharmacies in the Guangdong Province, the PRC. Revenue of the Group rose by approximately 8.0% to approximately RMB2,214.8 million.

Profit attributable to owners of the parent decreased by approximately 41.5% to RMB95.2 million.

FUTURE AND OUTLOOK

In 2024, the General Office of the People's Government of Guangdong Province issued an action plan for further promoting the high-quality development of the biopharmaceutical industry in Guangdong, which further propelled the agglomeration and growth momentum of the biopharmaceutical industry across the province. In 2025, in tune with the times, we will firmly seize the opportunities brought by the high-quality development of the biopharmaceutical industry. Riding on the spring breeze of the new era and new journey, we will continue to focus on the strategy of blockbuster products and achieve new growth through breaking through the existing situation and iterative innovation.

Pharmaceutical Manufacturing Segment

Success lies in leading development with quality. We will continue to focus on the promotion of major products such as "Caojinghua Astragalus Membranaceus Broken-cell Herbal Pieces (草晶華黃芪破壁草本)", "Zhongzhi Cough Tablets (中智克咳片)", "Zhongzhi Yinhuang Granules (中智銀黃顆粒)", "Zhongzhi Honeysuckle Oral Solution (中智銀花口服液)", "Zhongzhi Xiao'er Qixingcha Oral Solution (中智小兒七星茶口服液)", "Zhongzhi Shiqi Waigan Granules (中智石岐外感顆粒)", and "Zhongzhi Ginseng and Astragalus Oral Solution (中智參芪口服液)". We will also continuously push forward the secondary development and research of key products. While gradually expanding the production scale of traditional decoction pieces, we will plan for new production capacities to meet the development needs of the market.

Chain Pharmacies Segment

Guided by the business philosophy of "Creating a Brand through Service, and Attracting Customers with the Brand", we will focus on the innovation of customer value. By utilizing AI health self-testing devices and traditional Chinese medicine skills in prevention, nourishment and regulation, we will provide pharmaceutical services covering the entire health lifecycle of our customers, aiming to enhance customer stickiness and the brand's reputation. Through exploring traditional Chinese medicine health tea drinks and other offerings, we will integrate ingredients that can serve both as medicine and food into daily life scenarios, expand into the light health preservation sector, broaden our customer base, meet consumers' needs for a healthy lifestyle, and create the IP of "Choose Zhongzhi Pharmacy for Herbal Health Preservation", continuously enriching the brand's connotations.

FINANCIAL ANALYSIS

Revenue

The operation of the Group can be divided into two operating segments, namely (i) pharmaceutical manufacturing and (ii) operation of chain pharmacies. Below is an analysis of revenue by segment.

	Revenue for the year ended 31 December			% of total revenue for the year ended 31 December		
	2024	2023	Change	**2024**	2023	Change
	RMB'000	RMB'000	(%)	**(%)**	(%)	(%)
Pharmaceutical manufacturing	**1,624,289**	1,415,663	14.7	**73.3**	69.1	4.2
Operation of chain pharmacies	**590,494**	634,149	-6.9	**26.7**	30.9	-4.2
	2,214,783	2,049,812	8.0	**100.0**	100.0	

Pharmaceutical manufacturing

The Group is engaged in the research and development, manufacturing and sale of (i) Chinese patent medicines; and (ii) decoction pieces (consisting of traditional decoction pieces and modern decoction pieces) under the Group's brands in the PRC. The Group's brands include "Zeus (中智)", "Liumian (六棉)" and "Caojinghua (草晶華)".

Revenue derived from pharmaceutical manufacturing increased by approximately 14.7% to RMB1,624.3 million for the year ended 31 December 2024 (2023: RMB1,415.7 million) and accounted for 73.3% of the total revenue during the year (2023: 69.1%). The increase in revenue was primarily attributable to the Group's adaptation to market changes and the Group's sales strategy of increasing its market investment in traditional decoction pieces on top of the its focus on cell wall-broken decoction pieces and Chinese patent medicines.

Operation of chain pharmacies

The Group has been operating chain pharmacies in Guangdong province under the brand "Zeus (中智)" for the sale of pharmaceutical products since 2001. As at 31 December 2024, the Group has 403 self-operated chain pharmacies in Guangdong province (2023: 428), of which 403 are medical insurance designated pharmacies (醫保定點藥店).

Segment revenue of the operation of chain pharmacies decreased by 6.9% to approximately RMB590.5 million for the year ended 31 December 2024 (2023: RMB634.1 million) and accounted for 26.7% of the total revenue during the year (2023: 30.9%), which was mainly attributable to the pharmaceutical retail terminal facing competitive stress from many aspects, leading to a decrease in footfall.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year was RMB1,288.4 million, representing an increase of RMB70.3 million or 5.8% as compared with RMB1,218.1 million for the year ended 31 December 2023. The analysis of gross profit by segment is as below:

	Gross profit for the year ended 31 December			Gross profit margin for the year ended 31 December		
	2024	2023	Change	**2024**	2023	Change
	RMB'000	RMB'000	(%)	**(%)**	(%)	(%)
Pharmaceutical manufacturing	**1,076,059**	976,903	10.2	**66.2**	69.0	-2.8
Operation of chain pharmacies	**212,348**	241,240	-12.0	**36.0**	38.0	-2.0
	1,288,407	1,218,143	5.8	**58.2**	59.4	-1.2

Pharmaceutical manufacturing

The gross profit of pharmaceutical manufacturing segment increased by approximately 10.2% to RMB1,076.1 million for the year ended 31 December 2024 (2023: RMB976.9 million). The gross profit margin of pharmaceutical manufacturing segment decreased to 66.2% for the year ended 31 December 2024 (2023: 69.0%). The decrease in gross profit margin was mainly due to the change in the structure of product mix.

Operation of chain pharmacies

The gross profit of chain pharmacies segment decreased by approximately 12.0% to RMB212.3 million for the year ended 31 December 2024 (2023: RMB241.2 million). The gross profit margin of the chain pharmacies segment decreased to 36.0% for the year ended 31 December 2024 (2023: 38.0%). The decrease in gross profit margin was mainly due to the changes in behaviours of customers at retail terminal and changes in the structure of products.

Other Income and Gains

Other income and gains mainly comprise of bank interest income, rental income and government grants. For the year ended 31 December 2024, other income and gains of the Group were approximately RMB38.5 million (2023: RMB51.5 million), representing an decrease of approximately RMB13.0 million as compared to the previous year, which was mainly attributable to the decrease in government grants income and the decrease in fair value gains and gain on disposal of equity investments at fair value through profit or loss.

Selling and Distribution Expenses

Selling and distribution expenses mainly consists of staff costs, promotional costs and amortization of right-of-use assets of the Group. For the year ended 31 December 2024, selling and distribution expenses amounted to approximately RMB988.7 million (2023: RMB888.2 million), representing an increase of approximately 11.3% as compared to previous year. The selling and distribution expenses ratio against revenue increased to 44.6% for the year ended 31 December 2024 (2023: 43.3%), which is mainly due to the increase in investment costs through online channels and offline advertising expenses.

Administrative Expenses

Administrative expenses mainly consists of salaries and benefits of the administrative and management staff, amortization of right-of-use assets and professional services. For the year ended 31 December 2024, administrative expenses amounted to approximately RMB105.7 million (2023: RMB106.7 million), which basically remained stable compared to the previous year.

Other Expenses

Other expenses mainly represent research and development expenses. The research and development expenses mainly consist of various expenses incurred in the course of research and development of products, technologies, materials, crafts and standards. For the year ended 31 December 2024, research and development expenses amounted to approximately RMB57.0 million (2023: RMB50.0 million), representing an increase of approximately 14.1% compared to that for the same period of previous year. The increase was mainly due to the increase in the research and development expenses for outsourcing.

Finance Costs

Finance costs consist of interest on bank borrowings and interest on lease liabilities, which amounted to RMB7.0 million for the year ended 31 December 2024 (2023: RMB7.9 million), which was mainly due to the decrease in interest on lease liabilities.

Income Tax Expense

Income tax expense amounted to RMB50.8 million for the year ended 31 December 2024 (2023: RMB43.4 million), which was primarily due to the increase in the expenses not deductible for tax purposes.

Profit attributable to owners of the parent

As a result of the factors discussed above, profit attributable to owners of the parent decreased by 41.5% to RMB95.2 million for the year ended 31 December 2024 (2023: RMB162.8 million). The Group's net profit margin amounted to 4.3% for the year ended 31 December 2024 (2023: 7.9%).

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The Group had net current assets of approximately RMB282.6 million as at 31 December 2024 (31 December 2023: RMB265.5 million). The Group's cash and bank balances increased from RMB164.4 million as at 31 December 2023 to RMB167.1 million (which consisted of cash and bank balances of RMB165.5 million and HK$1.6 million denominated in RMB and HKD respectively) as at 31 December 2024. The current ratio of the Group was 1.4 for the year ended 31 December 2024 (31 December 2023: 1.4%).

The equity attributable to shareholders of the Company as at 31 December 2024 amounted to approximately RMB1,121.5 million (31 December 2023: RMB1,053.3 million). The Group had outstanding unsecured borrowings of RMB 47.8 million and HK$39.8 million at a fixed interest rate as at 31 December 2024 (2023: RMB22.7 million and HK$30.0 million).

The Group's gearing ratio (borrowings over total equity) as at 31 December 2024 was 7.5% (31 December 2023: 4.8%).

As at 31 December 2024, the Group had available unutilized banking facilities of RMB174.2 million (31 December 2023: RMB119.3 million) and HK$0.2 million (31 December 2023: HK$10.0 million).

The Group adopts a centralised management of its financial resources and always maintains a prudent approach for a steady financial position.

Financing

The Board considers that the existing financial resources together with funds generated from business operations will be sufficient to meet future expansion plans and, if necessary, the Group believes that it will be capable of obtaining additional financing with favorable terms.

CAPITAL STRUCTURE

The shares of the Company (the "Share(s)") were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 July 2015. The capital of the Company comprises ordinary Shares and other reserves. As at 31 December 2024, the number of issued shares of the Company was 863,600,000 ordinary Shares of HK$0.01 each.

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

The Group's transactions are mainly denominated in RMB. Certain of the Group's cash and bank deposits are denominated in Hong Kong dollars. In addition, the Company will pay dividend in Hong Kong dollars in the future. Any significant exchange rate fluctuations of Hong Kong dollars against RMB may have financial impacts on the Group. The Group did not use any forward contracts, currency borrowings or other means to hedge its foreign currency exposure for the year of 2024. Nevertheless, the Group will from time to time review and adjust the Group's hedging and financing strategies based on the RMB and Hong Kong dollars exchange rate movement.

EMPLOYEES AND EMOLUMENTS POLICY

The Group is committed to establishing fair remuneration system and will conduct performance evaluation for its employees on an annual basis. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, commission, bonuses and the Group's contribution to mandatory provident funds or state-managed retirement benefits scheme (the "Defined Contribution Schemes"). Other benefits include share options to be granted under the share option scheme and Shares to be granted under the share award plan.

As at 31 December 2024, the Group had 2,577 employees (2023: 2,643) with a total remuneration of RMB331.9 million during the Reporting Period (2023: RMB323.9 million) (including wages and salaries, pension scheme contributions, staff welfare expenses, equity-settled share award expenses and others). The salaries of the employees are determined with reference to individual performance, work experience, qualification and current industry practices.

The contributions by the Group for the Defined Contribution Schemes are charged to the statement of profit or loss as they become payable in accordance with the relevant rules of the respective schemes.

A directors' remuneration policy has been adopted. It aims to set out the Company's policy in respect of remuneration paid to executive Directors and non-executive Directors. The Directors' remuneration policy sets out the remuneration structure that allows the Company to attract, motivate and retain qualified Directors who can manage and lead the Company in achieving its strategic objective and contribute to the Company's performance and sustainable growth, and to provide Directors with a balanced and competitive remuneration. The remuneration policy is, therefore, aiming at being competitive but not excessive. To achieve this, remuneration package is determined with reference to a matrix of factors, including the individual performance, qualification and experience of Directors concerned and prevailing industry practice. It will be reviewed and, if necessary, updated from time to time to ensure its continued effectiveness.

The Group's contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2023 and 31 December 2024, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2023 and 31 December 2024.

For each of the two years ended 31 December 2023 and 31 December 2024, the Group did not have any defined benefit plan.

SIGNIFICANT INVESTMENTS

Discloseable Transaction – Construction Contract

On 23 May 2023, Zhongshan Hengsheng Pharmaceutical Group Co., Ltd. (中山市恒生藥業有限公司) ("Zhongshan Hengsheng"), a wholly-owned subsidiary of the Company, entered into the Construction Contract with Shenzhen Xinmei Decoration and Construction Group Limited (深圳新美裝飾建設集團有限公司) ("Shenzhen Xinmei"), pursuant to which Shenzhen Xinmei shall provide construction services to Zhongshan Hengsheng for the construction of the Hengsheng Factory at a consideration of RMB102.0 million.

On 31 December 2024, the above Hengsheng Factory accounted for through construction in progress with a carrying value of approximately RMB89.7 million, which equals to their fair values, accounting for approximately 4.5% of the total assets of the Company. There was no realised or unrealised gains or losses during the Reporting Period.

With the increasing health awareness of the public after the COVID-19 pandemic, Chinese medicine continues to play a fundamental role for medical purpose and healthy lifestyle in the PRC. The demand for the Company's Chinese patent medicines increases steadily as the Group continued to record steady growth on its revenue, and it is expected that the demand in Chinese patent medicines will continue to increase in the future. As such, the Directors are of view that the Group shall expand the production capacity for Chinese patent medicine with the construction of the Hengsheng Factory to further capture market share.

The transaction constitutes a discloseable transaction of the Company and the details are set out in the Company's announcement dated 23 May 2023.

Save as disclosed herein, the Group had no significant investments held during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.

EVENT AFTER THE REPORTING PERIOD

There were no significant events after the Reporting Period up to the date of this announcement.

CAPITAL COMMITMENT

As at 31 December 2024, the Group's capital commitment amounted to RMB18.0 million (2023: RMB28.5 million). The capital commitment is mainly related to purchasing of production equipment for the new factory of Zhongshan Honeson.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from strengthening the Group's current business and the future plans as disclosed in the prospectus, the Group will devote its best effort and resources to cope with the increasing market demand in the Group's own-branded products, in order to enhance shareholder's value. The Group will also consider any potential investment opportunities which may benefit its shareholders as and when these opportunities arise.

CONTINGENT LIABILITIES

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee was established on 8 June 2015 with terms of reference (amended on 31 December 2015) in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and related materials and provide advice in respect of the financial reporting process, and to oversee the risk management and internal control systems of the Group. The Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Ng Kwun Wan (Chairman), Mr. Wong Kam Wah and Mr. Zhou Dai Han. The Group's accounting principles and policies, financial statements and related materials for the year had been reviewed by the Audit Committee.

The external auditor was invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on the audit and financial reporting related matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Ernst & Young in this respect did not constitute an audit, review or other 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 auditor on the preliminary announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the trustee of the share award plan (as adopted by the Group on 8 January 2016) (the "Share Award Plan"), pursuant to the rules and trust deed of the Share Award Plan, purchased on the Stock Exchange a total of 1,699,000 Shares of the Company at a total consideration of approximately HK$2.1 million from 17 June 2024 to 28 June 2024.

From 2 July 2024 to 31 July 2024, the Group purchased 1,415,000 shares in an aggregate amount of HK$1.7 million.

From 19 September 2024 to 24 September 2024, the Group purchased 140,000 shares in an aggregate amount of HK$0.1 million.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the year ended 31 December 2024.

DIVIDEND

The Board recommends the payment of a final dividend of HK5 cents per share (2023: HK3 cents) for the year ended 31 December 2024 to be payable to the shareholders of the Company whose names appeared on the register of members of the Company as at Friday, 30 May 2025, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM") to be held on Tuesday, 13 May 2025. The final dividend will be payable on Thursday, 19 June 2025.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 7 May 2025 to Tuesday, 13 May 2025, both days inclusive, during which period no transfers of shares shall be effected. The record date will be Tuesday, 13 May 2025. In order to qualify for attending and voting at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 6 May 2025.

For the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2024, the register of members of the Company will be closed from Tuesday, 27 May 2025 to Friday, 30 May 2025, (both days inclusive). The record date will be Friday, 30 May 2025. In order to qualify for the proposed final dividend for the year ended 31 December 2024, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on Monday, 26 May 2025.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.zeus.cn). The annual report of the Company for the year ended 31 December 2024 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Zhongzhi Pharmaceutical Holdings Limited
Mr. Lai Zhi Tian
Chairman and Executive Director

Hong Kong, 26 March 2025

As at the date of this announcement, the Board comprises eight directors. The executive directors are Mr. Lai Zhi Tian, Mr. Lai Ying Feng, Mr. Lai Ying Sheng and Mr. Cao Xiao Jun. The non-executive director is Ms. Jiang Li Xia. The independent non-executive directors are Mr. Ng Kwun Wan, Mr. Wong Kam Wah and Mr. Zhou Dai Han.