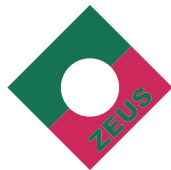


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Zhongzhi Pharmaceutical Holdings Limited

中智藥業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3737)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

FINANCIAL HIGHLIGHTS:

The Group's revenue for the six months ended 30 June 2025 amounted to approximately RMB880.5 million, representing a decrease of 19.1% when compared to the six months ended 30 June 2024.

The Group's gross profit for the six months ended 30 June 2025 amounted to approximately RMB482.5 million, representing a decrease of 23.0% when compared to the six months ended 30 June 2024. Gross profit margin decrease by 2.8 percentage point to approximately 54.8%, as compared to the six months ended 30 June 2024.

Profit attributable to owners of the parent amounted to approximately RMB8.8 million, representing a decrease of approximately 89.4% as compared to the six months ended 30 June 2024.

Basic earnings per share was approximately RMB1.0 cents for the six months ended 30 June 2025, representing a decrease of approximately 89.9% from approximately RMB9.9 cents for the six months ended 30 June 2024.

The Board has recommended not to distribute any interim dividend for the six months ended 30 June 2025 (no interim dividend was distributed for the six months ended 30 June 2024).

INTERIM RESULTS

The board (the “Board”) of directors (“Directors”) of Zhongzhi Pharmaceutical Holdings Limited (the “Company”) presents the interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2025 (the “Reporting Period”), together with the unaudited comparative figures for the six months ended 30 June 2024. These interim condensed consolidated financial information have not been audited, but have been reviewed by the Company’s audit committee (the “Audit Committee”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2025

		Six months ended 30 June	
	Notes	2025	2024
		RMB’000	RMB’000
		(Unaudited)	(Unaudited)
REVENUE	4	880,480	1,088,426
Cost of sales		<u>(397,962)</u>	<u>(461,380)</u>
Gross profit		482,518	627,046
Other income and gains	4	12,908	18,074
Selling and distribution expenses		(405,735)	(448,475)
Administrative expenses		(49,475)	(52,645)
Other expenses		(33,884)	(30,498)
Impairment losses on financial assets, net		(2,772)	(4,100)
Finance costs		<u>(2,960)</u>	<u>(4,383)</u>
PROFIT BEFORE TAX	5	<u>600</u>	<u>105,019</u>
Income tax credit/(expense)	6	<u>8,217</u>	<u>(20,767)</u>
PROFIT FOR THE PERIOD		<u>8,817</u>	<u>84,252</u>
Attributable to:			
Owners of the parent		8,783	83,440
Non-controlling interests		<u>34</u>	<u>812</u>
		<u>8,817</u>	<u>84,252</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For profit for the period		<u>RMB0.010</u>	<u>RMB0.099</u>
Diluted			
— For profit for the period		<u>RMB0.010</u>	<u>RMB0.099</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 June 2025*

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	8,817	84,252
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	89	(467)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(1,047)	252
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(958)	(215)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,859	84,037
Attributable to:		
Owners of the parent	7,825	83,225
Non-controlling interests	34	812
	7,859	84,037

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2025

		30 June 2025	31 December 2024
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	564,127	585,510
Investment properties	9	53,121	53,940
Prepayment for property, plant and equipment		4,229	2,343
Right-of-use assets		131,794	144,929
Pledged deposits	16	500	100,500
Goodwill		1,628	1,628
Other intangible assets	10	19,765	11,845
Equity investments at fair value through profit or loss	11	37,696	37,696
Equity investments at fair value through other comprehensive income	12	21,340	—
Deferred tax assets		32,117	28,354
Other non-current assets		6,019	6,257
Total non-current assets		872,336	973,002
CURRENT ASSETS			
Inventories	13	302,123	345,352
Trade and notes receivables	14	411,291	439,569
Prepayments, deposits and other receivables	15	57,085	59,983
Cash and bank balances	16	145,509	167,103
Pledged deposits	16	25,600	—
Restricted cash	16	28,977	2,113
Total current assets		970,585	1,014,120
CURRENT LIABILITIES			
Trade and bills payables	17	286,362	295,959
Interest-bearing bank borrowings		9,900	46,331
Other payables and accruals	18	257,351	296,635
Lease liabilities		33,174	35,428
Amounts due to related parties		8,786	8,786
Deferred income	19	3,050	3,516
Tax payable		31,930	44,909
Total current liabilities		630,553	731,564
NET CURRENT ASSETS		340,032	282,556
TOTAL ASSETS LESS CURRENT LIABILITIES		1,212,368	1,255,558

		30 June 2025	31 December 2024
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred income	19	6,587	7,910
Lease liabilities		58,152	68,573
Deferred tax liabilities		18,507	19,262
Interest-bearing bank borrowings		38,271	38,271
		<hr/>	<hr/>
Total non-current liabilities		121,517	134,016
		<hr/>	<hr/>
Net assets		1,090,851	1,121,542
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	20	6,847	6,847
Reserves		1,078,950	1,109,675
		<hr/>	<hr/>
		1,085,797	1,116,522
		<hr/>	<hr/>
Non-controlling interests		5,054	5,020
		<hr/>	<hr/>
Total equity		1,090,851	1,121,542
		<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE 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 registered office 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 principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture and sale of pharmaceutical products and operation of chain pharmacies 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. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2025 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), including compliance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2024.

The interim condensed consolidated financial information has 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 when otherwise indicated.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of the following amended IFRS Accounting Standard for the first time for the current period’s financial information.

Amendments to IAS 21

Lack of Exchangeability

The nature and impact of the amended IFRS Accounting Standard are described below:

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. As the currencies that the Group had transacted with and the functional currencies of group entities for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the interim condensed consolidated financial information.

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 their products and services 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 the PRC and over 90% of the Group's non-current assets were located in the PRC, no geographical segment information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

During each of the six months ended 30 June 2024 and 2025, the Group had no revenue from transaction with a single customer which amounted to 10% or more of the Group's sales.

The revenue and results by operating segments of the Group during each of the six months ended 30 June 2024 and 2025 are as follows:

	Six months ended 30 June 2025		
	Pharmaceutical manufacturing RMB'000 (unaudited)	Operation of chain pharmacies RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue:			
Revenue from external customers (note 4)	604,552	275,928	880,480
Intersegment sales	306,001	—	306,001
	<u>910,553</u>	<u>275,928</u>	<u>1,186,481</u>
Reconciliation:			
Elimination of intersegment sales			(306,001)
Revenue			<u>880,480</u>
Segment results	<u>374,261</u>	<u>108,257</u>	<u>482,518</u>
Reconciliation:			
Other income and gains			12,908
Selling and distribution expenses			(405,735)
Administrative expenses			(49,475)
Other expenses			(33,884)
Impairment losses on financial assets, net			(2,772)
Finance costs			<u>(2,960)</u>
Profit before tax			<u>600</u>

	Six months ended 30 June 2024		
	Pharmaceutical manufacturing RMB'000 (unaudited)	Operation of chain pharmacies RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue:			
Revenue from external customers (note 4)	778,700	309,726	1,088,426
Intersegment sales	359,001	—	359,001
	<u>1,137,701</u>	<u>309,726</u>	<u>1,447,427</u>
Reconciliation:			
Elimination of intersegment sales			(359,001)
Revenue			<u>1,088,426</u>
Segment results	<u>508,810</u>	<u>118,236</u>	<u>627,046</u>
Reconciliation:			
Other income and gains			18,074
Selling and distribution expenses			(448,475)
Administrative expenses			(52,645)
Other expenses			(30,498)
Impairment losses on financial assets, net			(4,100)
Finance costs			<u>(4,383)</u>
Profit before tax			<u>105,019</u>

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns and trade discounts, for the six months ended 30 June 2025.

For the six months ended 30 June 2025, the revenue from contracts with customers is recognised at a point in time.

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

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of pharmaceutical products	880,480	1,088,426
Other income		
Bank interest income	2,200	2,648
Dividend income	—	56
	2,200	2,704
Gains		
Government grants:		
— Related to assets	1,630	1,839
— Related to income	1,127	2,634
Others	7,951	10,897
	10,708	15,370
	12,908	18,074

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	Six months ended 30 June	
		2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Cost of inventories sold		397,962	461,380
Depreciation of property, plant and equipment and investment properties		25,929	25,039
Depreciation of right-of-use assets*		19,445	24,453
Amortisation of other intangible assets*	10	2,032	1,561
Research and development costs		22,276	22,886
Advertising, marketing and promotion expenses		262,749	307,333
Write-down of inventories to net realisable value		7,885	4,961
Impairment losses on trade receivables		2,772	3,397
Loss on derecognition of financial assets measured at amortised cost		1,033	–
Finance costs		2,960	4,383
Auditor's remuneration		1,046	1,390
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		131,243	146,096
Pension scheme contributions (defined contribution scheme)		11,606	9,479
Staff welfare expenses		10,086	8,705
		152,935	164,280

* The depreciation of right-of-use assets and 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.

6. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit 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.

Hong Kong profits tax rate is 16.5% (2024: 16.5%) of the estimated assessable profit derived from Hong Kong. Since the Group had no such profit during the reporting period, no provision for Hong Kong profits tax has been made.

Taxes on profits assessable in Mainland China 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 effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in Mainland China during the reporting period was 25% of their taxable profits.

Zhongshan Honeson Pharmaceutical Co., Ltd. and Zhongshan Zhongzhi Pharmaceutical Group Co., Ltd. are qualified as high and new technology enterprises and are subject to a preferential income tax rate of 15% for the six months ended 30 June 2025 and 2024, respectively.

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

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China		
Current income tax	(3,699)	21,396
Deferred income tax benefit	(4,518)	(629)
	<hr/>	<hr/>
Total income tax expense	<u>(8,217)</u>	<u>20,767</u>

In accordance with the Enterprise Income Tax Law of the PRC effective on 1 January 2008, a 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. 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 the PRC subsidiaries of the Company, in respect of earnings generated from 1 January 2008. For the Group, the applicable rate changed from 10% to 5% since the Group's Hong Kong subsidiary obtained its Certificate of Hong Kong Resident in January 2025 and are therefore eligible for the tax treaty between Mainland China and the jurisdiction of the foreign investors. As at 30 June 2025, the Group recognised a deferred tax liability of RMB2,236,000 (31 December 2024: RMB10,377,000) in respect of the withholding tax on future dividend distribution by the PRC entities.

7. DIVIDEND

During the six months ended 30 June 2024, 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).

During the six months ended 30 June 2025, the Company declared and paid a final dividend (HK5 cents per ordinary share) in respect of the previous financial year amounting to HK\$42,187,000 (equivalent to approximately RMB38,550,000), after the adjustment of excluding the dividend for shares held under the share award plan of the Company amounting to HK\$993,000 (equivalent to approximately RMB907,000).

Subsequent to 30 June 2025, the board of directors resolved not to pay any interim dividend to the shareholders (six months ended 30 June 2024: nil).

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

The calculation of basic earnings per share for the period is based on the profit for the period attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 843,744,500 in issue during the period.

The calculation of the diluted earnings per share amount for the period is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the adjusted weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares under the share award plan.

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

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	8,783	83,440
	Six months ended 30 June	2024
	2025	2024
	(Unaudited)	(Unaudited)
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 (note 21)	(19,855,500)	(16,762,575)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	843,744,500	846,837,425
Effect of dilution — weighted average number of ordinary shares held for the share award plan	—	—
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	843,744,500	846,837,425

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

	30 June	31 December
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Carrying amount at 1 January	585,510	498,367
Additions	4,183	144,915
Depreciation provided during the period/year	(25,110)	(45,647)
Transfer to investment properties	—	(8,851)
Disposals	(456)	(3,274)
Carrying amount at 30 June/31 December	564,127	585,510

The Group's buildings are located in Mainland China.

	Investment properties RMB'000
As at 31 December 2024 and 1 January 2025	53,940
Depreciation provided during the period	(819)
As at 30 June 2025	53,121

Certain self-owned building of the Group was reclassified to investment properties with original cost of RMB68,194,000 and accumulated depreciation of RMB15,073,000. The investment property was stated at cost with fair value not lesser than the carrying amount. The fair value of the investment properties were valued at RMB63,246,000 as at 30 June 2025 by internal appraiser and were determined by income approach.

10. OTHER INTANGIBLE ASSETS

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Carrying amount at 1 January	11,845	14,218
Additions	9,952	1,102
Amortisation provided during the period/year	<u>(2,032)</u>	<u>(3,475)</u>
Carrying amount at 30 June/31 December	<u>19,765</u>	<u>11,845</u>

11. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Equity investments at fair value through profit or loss		
Unlisted equity investment, at fair value	<u>37,696</u>	<u>37,696</u>
	<u>37,696</u>	<u>37,696</u>

The above equity investments amounting to RMB37,696,000 (31 December 2024: RMB37,696,000) 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. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Equity investments at fair value through other comprehensive income		
Unlisted equity investment, at fair value	<u>21,340</u>	<u>—</u>
	<u>21,340</u>	<u>—</u>

The above equity investments amounting to RMB21,340,000 (31 December 2024: nil) were held for strategic investment purpose, the Group has elected to designate the investment as financial asset at fair value through other comprehensive income.

13. INVENTORIES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Raw materials	57,294	87,582
Work in progress	25,841	28,786
Finished goods	218,988	228,984
	<u>302,123</u>	<u>345,352</u>

Inventories with a value of RMB38,801,000 (2024: RMB32,622,000) are carried at net realisable value, which is lower than cost.

14. TRADE AND NOTES RECEIVABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade receivables	338,615	324,698
Less: Impairment of trade receivables	<u>10,733</u>	<u>7,961</u>
Trade receivables, net	327,882	316,737
Notes receivables	<u>83,409</u>	<u>122,832</u>
	<u>411,291</u>	<u>439,569</u>

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 receivables relate to a large number of diversified customers with a good track record, there is no significant concentration of credit risk. Trade 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 30 June 2025 and 31 December 2024. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the period ended 30 June 2025 and year ended 31 December 2024, the Group estimated that the expected credit loss rate for notes receivables was minimal.

An aged analysis of the trade receivables as at the end of the reporting periods, based on the invoice date, and the balances of notes receivable is as follows:

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade receivables:		
Within 1 month	226,202	117,521
1 to 3 months	49,926	120,240
3 to 6 months	33,163	50,698
6 to 12 months	14,037	22,078
Over 12 months	4,554	6,200
	327,882	316,737

The notes receivables are settled within 180 days. As at 30 June 2025, the Group continued to recognise endorsed notes receivable and associated liabilities amounting to RMB28,482,000 (2024: RMB27,648,000) respectively. The directors considered that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining endorsed notes.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Prepayments	21,084	18,866
Tax recoverable	5,203	8,529
Deposits and other receivables	30,798	32,588
	57,085	59,983

16. CASH AND BANK BALANCES, PLEDGED DEPOSITS AND RESTRICTED CASH

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Cash and bank balances	140,086	129,216
Time deposits	60,500	140,500
Less:		
Restricted cash*	(28,977)	(2,113)
Pledged time deposits**	(26,100)	(100,500)
	145,509	167,103
Denominated in:		
— RMB	135,833	165,541
— HK\$	9,676	1,562
	145,509	167,103

* At 30 June 2025, bank balance of RMB2,113,000 (31 December 2024: RMB2,113,000) was frozen by one of the financial institutions due to the involvement of a subsidiary of the Group in a litigation dispute with a third party, which is currently under trial. The directors of the Company, taking into consideration the advice of the Group's legal counsel, are of the view that the dispute will not have any material impact on the consolidated financial statements of the Group. The remaining of restricted cash of RMB26,864,000 (31 December 2024: nil) represented the guarantee deposit for bank acceptance bills.

** At 30 June 2025, bank deposits of RMB26,100,000 (31 December 2024: RMB100,500,000) was pledged for bank acceptance bills.

At the end of the reporting period, the cash and bank balances of the Group were denominated in RMB and HK\$. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

17. TRADE AND BILLS PAYABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade payables	144,471	183,379
Bills payables	141,891	112,580
	286,362	295,959

An aged analysis of the trade payables as at 31 December 2024 and 30 June 2025, based on the invoice date, is as follows:

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within 3 months	97,254	143,798
3 to 6 months	20,854	11,636
6 to 12 months	11,591	24,708
over 12 months	14,772	3,237
	<u>144,471</u>	<u>183,379</u>

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

18. OTHER PAYABLES AND ACCRUALS

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Accruals and other payables	89,232	113,312
Deposits received	75,150	72,708
Accrued salaries and welfare	22,004	32,766
Endorsed notes	28,482	27,648
Contract liabilities	11,550	10,270
Other tax payables	16,749	12,100
Payables for purchases of property and equipment	14,184	27,831
	<u>257,351</u>	<u>296,635</u>

Other payables are non-interest bearing and have an average term of six months.

19. DEFERRED INCOME

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
At 1 January	11,426	21,622
Received amounts	968	4,881
Released amounts	(2,757)	(15,077)
	<u>9,637</u>	<u>11,426</u>
At 30 June/31 December	<u>9,637</u>	<u>11,426</u>
Current	3,050	3,516
Non-current	6,587	7,910
	<u>9,637</u>	<u>11,426</u>

20. ISSUED CAPITAL

Issued Capital

The Company's issued share capital during the period is as follows:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Issued and fully paid: 863,600,000 (2024: 863,600,000) ordinary shares of HK\$0.01 each (HK\$'000)	<u>8,636</u>	<u>8,636</u>
Equivalent to RMB'000	<u>6,847</u>	<u>6,847</u>

21. SHARE AWARD PLAN

A share award plan was adopted on 8 January 2016 (the "Share Award Plan"). The Share Award Plan is a share incentive scheme and is established to recognise the contributions made by certain selected persons and to attract suitable individuals with experience and ability to further develop and expand the business of the Group.

The awarded shares will be either (i) allotted and issued by the Company, by using the general or specific mandates granted or to be granted to the board of directors by the shareholders of the Company at general meetings of the Company from time to time, or (ii) acquired by an independent trustee (the "Trustee") from the open market by utilizing the Company's resources provided to the Trustee. The maximum number of shares in respect of which options may be granted under the Share Award Plan cannot result in the aggregate number of shares awarded by the board of directors throughout the duration of the plan to be in exceeding of 1% of the issued share capital of the Company.

In order to recognise and reward the contribution of and solidify the relationship with the service providers and distributors, the board of directors has resolved to increase the limit of the Share Award Plan from 1% of the issued share capital of the Company to 2.5% of the issued share capital of the Company on 25 March 2019.

Subject to any early termination as may be determined by the board of directors pursuant to the terms of the Share Award Plan, the plan will be valid and effective for a term of 10 years commencing on the date of adoption.

The Company granted 149,000 shares to certain employees on 20 June 2016 and the vesting date of the shares is 20 June 2016. The fair value of the granted shares is calculated based on the closing market price of the shares (HK\$2.37) on the day of the grant, amounting to HK\$353,000 (equivalent to approximately RMB303,000).

The Company granted 1,072,500 shares to certain employees on 7 April 2017 and the vesting date of the shares was 7 April 2017. The fair value of the granted shares is calculated based on the closing market price of the shares (HK\$1.70) on the day of the grant, amounting to HK\$1,823,000 (equivalent to approximately RMB1,618,000).

The Company granted 127,000 shares to certain employees on 2 January 2019 and the vesting date of the shares was 2 January 2019. The fair value of the granted shares is calculated based on the closing market price of the shares (HK\$1.45) on the day of the grant, amounting to HK\$184,000 (equivalent to approximately RMB161,000).

The board of directors also approved to grant certain shares with a maximum number of 5,940,000 shares to certain employees, service providers and distributors (the “Eligible Persons”) on 25 March 2019, which was subject to satisfaction of certain performance target for year 2019. As at 31 December 2019, according to the achievement status of performance of the Eligible Persons, 1,200,000 shares were vested while the remaining was forfeited due to failure to meet the performance target. The fair value of the granted shares is calculated based on the closing market price of the shares (HK\$1.439) on the day of the grant, amounting to HK\$1,727,000 (equivalent to approximately RMB1,477,000).

The Company granted 850,000 shares to certain employees on 2 November 2020 and the vesting date of the shares was 2 November 2020. The fair value of the granted shares is calculated based on the closing market price of the shares (HK\$1.52) on the day of the grant, amounting to HK\$1,292,000 (equivalent to approximately RMB1,117,000).

On 20 October 2020, the board of directors approved to purchase shares as reserve for future granting. From 21 December 2020 to 30 December 2020, the Group purchased 8,677,000 shares in an aggregate amount of HK\$14,268,000 (equivalent to approximately RMB12,322,000).

On 17 June 2021, the board of directors approved to purchase shares as reserve for future grant. On 18 June 2021, the Group purchased 3,323,000 shares in an aggregate amount of HK\$5,288,000 (equivalent to approximately RMB4,383,000).

In June 2024, the board of directors approved to purchase shares as reservation for future granting. From 17 June 2024 to 28 June 2024, the Group purchased 1,699,000 shares in an aggregate amount of HK\$2,056,000 (equivalent to approximately RMB1,875,000).

In July 2024, the board of directors approved to purchase shares as reservation for future granting. From 2 July 2024 to 31 July 2024, the Group purchased 1,415,000 shares in an aggregate amount of HK\$1,727,000 (equivalent to approximately RMB1,577,000).

In September 2024, the board of directors approved to purchase shares as reservation for future granting. From 19 September 2024 to 24 September 2024, the Group purchased 140,000 shares in an aggregate amount of HK\$133,000 (equivalent to approximately RMB121,000).

The Group recognised a share award expense of nil for the six months ended 30 June 2025 (2024: Nil).

At the date of approval of this interim condensed consolidated financial information, 19,855,500 shares of the Company are held by the Trustee and have yet to be awarded.

22. COMMITMENTS

Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Contracted, but not provided for:		
Leasehold improvements	939	4,282
Intangible assets	99	126
Plant and machinery	6,071	13,640
	7,109	18,048

At the end of 31 December 2024 and 30 June 2025, the Group had significant authorised but not contracted capital commitment of RMB1,549,000 and RMB2,420,000, respectively.

23. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

Amounts due to related parties as at 31 December 2024 and 30 June 2025 represent consideration received from the registered shareholders as part of the historical reorganisation. Pursuant to the Contractual Arrangements, the consideration is repayable to the Registered Shareholders upon exercise of the option to repurchase the equity interest of Zhongzhi Herbal Pieces by the Group. The amounts are unsecured, interest-free and have no fixed term of repayment.

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June 2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	6,793	8,321
Pension scheme contributions	98	98
	6,891	8,419

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Financial assets				
Pledged deposits, non-current portion	500	100,500	500	100,500
Equity investments at fair value through other comprehensive income	21,340	—	21,340	—
Equity investments at fair value through profit or loss	37,696	37,696	37,696	37,696
	59,536	138,196	59,536	138,196

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest and taxes ("EV/EBIT"), for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Equity investment at fair value through profit or loss	—	—	37,696	37,696
Equity investments at fair value through other comprehensive income	—	—	21,340	21,340
Notes receivables	—	83,409	—	83,409
	—	83,409	59,036	142,445

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Equity investment at fair value through profit or loss	—	—	37,696	37,696
Notes receivables	—	122,832	—	122,832
Total	—	122,832	37,696	160,528

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

By virtue of the clear strategic positioning, in 2025, Zhongzhi Pharmaceutical grasped the best strategic pulse of development, successfully formed its unique brand and marketing mode, and conducted organisational transformation, which resulted in high synergy and enabled it to stay at the top of the industry.

- During the Reporting Period, the Group recorded a total revenue of approximately RMB880.5 million (corresponding period in 2024: RMB1,088.4 million), representing a decrease of 19.1% over the corresponding period in last year.
- The Group recorded a profit attributable to owners of the parent for the period of approximately RMB8.8 million (corresponding period in 2024: RMB83.4 million), representing a decrease of approximately 89.4% over the corresponding period in last year.
- The basic earnings per share is RMB1.0 cents (corresponding period in 2024: RMB9.9 cents), representing a decrease of approximately 89.9% over the corresponding period in last year.

FUTURE AND OUTLOOK

In 2025, due to changes in the economic situation, as well as the effects of the wide coverage of healthcare insurance policies and the rapid development of pharmaceutical e-commerce, the traditional pharmaceutical retail terminal market has entered a challenging phase. Market recovery has been slow, and both the pharmaceutical manufacturing segment and distribution channels are undergoing inventory reduction adjustments, imposing pressure on operations to a certain extent.

Pharmaceutical Manufacturing Segment

On 17 February 2025, the National Traditional Chinese Medicine Decoction Pieces Alliance announced its procurement results. Guangdong Yunzhi Chinese Medicine Herb in Pieces Co., Ltd., a subsidiary of the Company, was selected for 12 products and 24 specifications, achieving a good result. The selected products are now being supplied in a centralized way, driving the rapid and healthy development of the traditional decoction pieces business of Guangdong Yunzhi.

On 28 April 2025, a commendation conference was held at the Great Hall of the People in Beijing to celebrate the 100th anniversary of the All-China Federation of Trade Unions and honor national model workers and advanced workers. Dr. Ma Hongliang from the Group Resource Center was awarded the title of “National Model Worker”. This is not only a high-level recognition of Dr. Ma Hongliang by the nation, but also a strong affirmation of the efforts of Zhongzhi Pharmaceutical in promoting the inheritance and innovative development of traditional Chinese medicine.

In June 2025, Honeson Pharmaceutical was fully relocated from No. 3 Guangfeng Road, Xiqu Sub-district, Zhongshan, to its new factory at No. 10 Shenwugu Road, Zhongshan Torch Development Zone. The automated and intelligent production workshops are helping the pharmaceutical manufacturing of Honeson Pharmaceutical march toward top-tier traditional Chinese medicine enterprises in China.

Chain Pharmacies Segment

In response to the pressure of declining customer traffic, the chain pharmacies segment proactively launched the campaign named “Go Out and Bring In”, organizing over 1,500 marketing events such as “Herbal Wellness Markets” and “Corporate Group Purchases” to promote traditional Chinese medicine wellness knowledge, which received a positive response from the public.

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 six months ended 30 June			% of total revenue for the six months ended 30 June		
	2025 RMB'000	2024 RMB'000	Change (%)	2025 (%)	2024 (%)	Change (%)
Pharmaceutical manufacturing	604,552	778,700	-22.4	68.7	71.5	-2.8
Operation of chain pharmacies	275,928	309,726	-10.9	31.3	28.5	2.8
	880,480	1,088,426	-19.1	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 decreased by approximately 22.4% to RMB604.6 million for the six months ended 30 June 2025 (six months ended 30 June 2024: RMB778.7 million) and accounted for 68.7% of the total revenue during the Reporting Period (six months ended 30 June 2024: 71.5%). The decrease in revenue was mainly attributable to divergent market demands and consumption contraction, with channels undergoing inventory reduction adjustments.

Operation of Chain Pharmacies

The Group has been operating chain pharmacies in Guangdong under the brand “Zeus (中智)” for the sale of pharmaceutical products since 2001. As at 30 June 2025, the Group has 390 self-operated chain pharmacies in Guangdong (as at 30 June 2024: 432), of which 390 are medical insurance designated pharmacies (醫保定點藥店).

Segment revenue of the operation of chain pharmacies decreased by 10.9% to RMB275.9 million for the six months ended 30 June 2025 (six months ended 30 June 2024: RMB309.7 million) and accounted for 31.3% of the total revenue during the Reporting Period (six months ended 30 June 2024: 28.5%), which was mainly attributable to the pharmaceutical retail terminal facing competitive stress from many aspects and the diversion effect of community hospitals’ medical insurance services, leading to a decrease in footfall.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was RMB482.5 million, representing a decrease of RMB144.5 million or 23.0% as compared with RMB627.0 million for the six months ended 30 June 2024. The analysis of gross profit and gross profit margin by segment is as below:

	Gross profit for the six months ended 30 June			Gross profit margin for the six months ended 30 June		
	2025 RMB'000	2024 RMB'000	Change (%)	2025 (%)	2024 (%)	Change (%)
Pharmaceutical manufacturing	374,261	508,810	-26.4	61.9	65.3	-3.4
Operation of chain pharmacies	108,257	118,236	-8.4	39.2	38.2	1.0
	482,518	627,046	-23.0	54.8	57.6	-2.8

Pharmaceutical Manufacturing

The gross profit of pharmaceutical manufacturing segment decreased by 26.4% to RMB374.3 million for the six months ended 30 June 2025 (six months ended 30 June 2024: RMB508.8 million). The gross profit margin decreased to 61.9% for the six months ended 30 June 2025 (six months ended 30 June 2024: 65.3%). The decrease in gross profit margin was mainly due to the change in the structure of sales varieties.

Operation of Chain Pharmacies

The gross profit of chain pharmacies segment decreased by 8.4% to RMB108.3 million for the six months ended 30 June 2025 (six months ended 30 June 2024: RMB118.2 million). The gross profit margin of the chain pharmacies segment increased to 39.2% for the six months ended 30 June 2025 (six months ended 30 June 2024: 38.2%). The increase in gross profit margin was mainly due to optimization of product categories and adjustment of sales strategies.

Other Income and Gains

Other income and gains mainly comprise of bank interest income and government grants. For the six months ended 30 June 2025, other income and gains of the Group were approximately RMB12.9 million (six months ended 30 June 2024: RMB18.1 million), representing a decrease of approximately RMB5.2 million as compared to corresponding period in last year, which was mainly attributable to the decrease in the government grants and platform subsidies.

Selling and Distribution Expenses

Selling and distribution expenses mainly represent sales-related staff costs, advertisement and promotional costs and rental expenses of the Group's chain pharmacies. Selling and distribution expenses for the six months ended 30 June 2025 amounted to approximately RMB405.7 million (six months ended 30 June 2024: RMB448.5 million), representing a decrease of approximately 9.5% as compared to corresponding period in last year. Selling and distribution expenses ratio was 46.1% (six months ended 30 June 2024: 41.2%) against revenue for the six months ended 30 June 2025, representing an increase of 4.9% over the corresponding period in last year, which is mainly due to the normal expenditure incurred in exploring new growth points under the increased market pressure.

Administrative Expenses

Administrative expenses mainly represent expenses and depreciation related to the administrative office and salaries and benefits of the management staff. Administrative expenses amounted to approximately RMB49.5 million for the six months ended 30 June 2025 (six months ended 30 June 2024: RMB52.6 million), representing a decrease of approximately 5.9% as compared to corresponding period in last year. The decrease was mainly due to the results of the Group's ongoing process optimization and promotion of the use of automation tools.

Income Tax Expense

Income tax credit amounted to approximately RMB8.2 million for the six months ended 30 June 2025 (six months ended 30 June 2024: income tax expense of RMB20.8 million). The change was mainly due to (i) the profit for this period has decreased; (ii) the reversal of withholding tax expense of RMB111.3 million because the Group's applicable withholding tax rate changed from 10% to 5% after the Group's Hong Kong subsidiary obtained its Certificate of Hong Kong Resident in January 2025 and are eligible for a lower tax rate.

Profit Attributable to Owners of the Parent

As a result of the factors discussed above, profit attributable to owners of the parent decreased by 89.4% to RMB8.8 million for the six months ended 30 June 2025 (six months ended 30 June 2024: RMB83.4 million). The Group's net profit margin was 1.0% for the six months ended 30 June 2025 (six months ended 30 June 2024: 7.7%).

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

As at 30 June 2025, the Group had net current assets of approximately RMB340.0 million (31 December 2024: RMB282.6 million). As at 30 June 2025, the Group's total cash and bank balances amounted to approximately RMB145.5 million (31 December 2024: RMB167.1 million). The current ratio of the Group maintained at approximately 1.5 as at 30 June 2025 (31 December 2024: 1.4).

The equity attributable to shareholders of the Company as at 30 June 2025 amounted to approximately RMB1,090.9 million (31 December 2024: RMB1,121.5 million). As at 30 June 2025, the Group had outstanding unsecured borrowings of RMB48.2 million at a floating interest rate (31 December 2024: RMB47.8 million and HK\$39.8 million).

The Group's gearing ratio (borrowings over total equity) as at 30 June 2025 was 4.4% (31 December 2024: 7.5%).

As at 30 June 2025, the Group had available unutilized banking facilities of RMB193.5 million (31 December 2024: RMB174.2 million) and HK\$40.0 million (31 December 2024: HK\$0.2 million).

The Group adopts a centralized 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 "Shares") 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 30 June 2025, 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 as at 30 June 2025. 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.

CHARGE ON GROUP ASSETS

As at 30 June 2025 and 31 December 2024, the Group did not have any charges on its assets.

CAPITAL EXPENDITURE

For the six months ended 30 June 2025, the Group had capital expenditure of approximately RMB27.8 million (six months ended 30 June 2024: RMB97.1 million). The capital expenditure was mainly related to the purchase of items of property, plant and equipment and other intangible assets.

INTERIM DIVIDEND

The Board is proposed not to distribute any interim dividend for the six months ended 30 June 2025 to maintain a healthy cash flow (no interim dividend was distributed for the six months ended 30 June 2024).

EMPLOYEES AND EMOLUMENTS POLICY

The key components of the Group's remuneration package included basic salary, and where appropriate, other allowances, commission, bonuses and the Group's contribution to mandatory provident funds or state-managed retirement benefits scheme. Other benefits included share options to be granted under the share option scheme adopted on 8 June 2015, which became effective on the Listing Date, and shares to be granted under the share award plan which was adopted and became effective on 8 January 2016.

As at 30 June 2025, the Group had 2,488 employees with a total remuneration of RMB152.9 million during the Reporting Period (six months ended 30 June 2024: RMB164.3 million) (including pension scheme contributions, staff welfare expenses and equity-settled share award expense). 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.

The Group's contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two six months ended 30 June 2025 and 30 June 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 30 June 2025 and 30 June 2024. For each of the two six months ended 30 June 2025 and 30 June 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 30 June 2025, The above Hengsheng Factory was transferred to fixed assets in May 2025 with a carrying value of approximately RMB136.1 million, which equals to their fair values, accounting for approximately 7.4% 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.

Saved 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 30 June 2025, the Group's capital commitment amounted to RMB7.1 million (31 December 2024: RMB18.0 million). The capital commitment is mainly related to the construction and equipment.

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 30 June 2025 (31 December 2024: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period and up to the date of this announcement.

CHANGE IN COMPOSITION OF NOMINATION COMMITTEE

On 26 August 2025, Mr. Lai Zhi Tian would cease to be a member of the nomination committee of the Company (the "Nomination Committee"). Ms. Jiang Li Xia, a non-executive Director, has been appointed as a member of the Nomination Committee with effect from 26 August 2025. Following the above changes, the Nomination Committee comprises five members, namely Mr. Zhu Shangheng (chairman), Mr. Lai Ying Feng, Ms. Jiang Li Xia, Mr. Ng Kwun Wan and Mr. Zhou Dai Han.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference which has been adopted for the purpose of reviewing and providing supervision on the financial reporting process and overseeing 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. Zhu Shangheng and Mr. Zhou Dai Han.

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited interim condensed consolidated financial information matters of the Group for the six months ended 30 June 2025 and recommended its adoption by the Board.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company recognises the importance of and is committed to maintaining high standards of corporate governance so as to enhance corporate transparency and safeguard the interests of the Company and its shareholders, customers, staff and other stakeholders. It strives to maintain effective accountability systems through well-developed corporate policies and procedures, and internal systems and controls. The Company has complied with the Code on Corporate Governance Practices (“CG Code”) as set out in the Appendix C1 to the Listing Rules during the six months ended 30 June 2025.

MODEL CODE FOR SECURITIES TRANSACTIONS BY 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 of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standards set out in the Model Code throughout the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.zeus.cn>). The interim report of the Company for the six months ended 30 June 2025 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 August 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. Zhu Shangheng and Mr. Zhou Dai Han.