

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED

中國神威藥業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2877)

2025 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “Board”) of China Shineway Pharmaceutical Group Limited (the “Company” or “Shineway”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2025 (the “Period”) as follows:

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2025, the operating results of the Group were as follows:

- Turnover amounted to RMB1,652,698,000, a decrease of 20.8% as compared to the corresponding period of last year;
- Gross profit margin was 72.2% as compared to 75.3% of the corresponding period of last year;
- Profit for the Period amounted to RMB614,663,000, a decrease of 1.9% as compared to the corresponding period of last year;
- Earnings per share amounted to RMB81 cents, a decrease of 2.4% as compared to the corresponding period of last year;
- Net cash from operating activities was RMB566,319,000, an increase of 0.4% as compared to the corresponding period of last year; and
- Declared 2025 second interim dividend of RMB11 cents per share.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

For the six months ended 30 June 2025, the Group's business reported a negative growth. Our overall sales decreased by 20.8% to RMB1,652,698,000 as compared to the same period last year and our gross profit margin also declined. Amid an industry-wide downturn, the Group focused on cost control and efficiency enhancement by curbing operating expenditures and reducing selling and distribution costs and administrative expenses. Coupled with an increase in investment income, the Group's net profit for the Period recorded only a slight decline of 1.9% to RMB614,663,000. Earnings per share also registered only a decrease of 2.4% to RMB81 cents as compared to the same period last year.

In the first half of 2025, the traditional Chinese medicine ("TCM") industry faced tension from shrinking demand, consumption downgrading, lowering of centralized procurement prices, rising production costs, and stricter cost controls under medical insurance policies. These challenges intensified pressure on industry revenues and profitability significantly. The macroeconomic environment exerted notable impacts on healthcare consumption. Slowing economic growth, coupled with subdued household income growth and weakened consumer confidence had led to current weak market demand and reduced sales volumes. Furthermore, end-market channels including medical institutions and retail pharmacies actively adjusted their inventory and substantially scaled back procurement activities. Combined with the progressive implementation of dual-control policies (regulating both drug prices and procurement volumes) across regions upon the inclusion of TCM products in the national centralized drug procurement program, the Group's sales saw a notable year-on-year decline for the Period.

During the Period, the Group's gross profit margin declined from 75.3% for the same period last year to 72.2%, primarily due to increased procurement costs of raw materials for the products, coupled with the impact of centralized procurement on drug prices.

Due to declines in both overall sales and gross profit margin during the Period, the Group's operating profit for the first six months of 2025 also decreased as compared to the same period last year. However, as a result of increased investment income and the Group's efforts to implement cost control and efficiency measures, selling and distribution costs and administrative expenses respectively declined by approximately 20.7% and 12.9% year-on-year. Accordingly, the Group's net profit recorded only a slight decline of 1.9% as compared to the same period last year, while the net profit margin increased from 30.0% to 37.2%.

During the Period, the Group generated net cash from operating activities of RMB566,319,000, representing a slight increase of 0.4% as compared to the first half of last year. Capital expenditures including those for construction of factories and production lines as well as purchasing of equipment totalled approximately RMB100,614,000. As such, the Group's free cash flow for the first half of 2025 amounted to approximately RMB465,705,000, which was equivalent to RMB0.56 per share (as calculated based on the total issued shares of 827,000,000).

After considering the dividend policy and the direction on future development, the Board resolved to declare the second interim dividend of 2025 amounting to RMB11 cents per share. Together with the first interim dividend of 2025 (in lieu of the final dividend) amounting to RMB36 cents per share paid in May 2025, the total dividends paid to shareholders during 2025 amounted to RMB47 cents per share.

SALES OVERVIEW (BY DOSAGE FORM)

The sales of the Group decreased significantly for the first six months of 2025, with sales of most of the dosage forms encountering a decline during the Period. The table below illustrates the sales of each dosage form for the first six months of 2025 as compared to the same period last year:

<i>RMB'000</i>	Sales First six months of 2024	Sales First six months of 2025	Period- on-period change	Percentage of sales First six months of 2025
Injection products	779,238	565,628	-27.4%	34.2%
Soft capsule products	288,759	217,383	-24.7%	13.2%
Granule products	345,074	272,695	-21.0%	16.5%
TCM formula granules	554,726	487,717	-12.1%	29.5%
Others (including pills and tablets etc.)	<u>118,898</u>	<u>109,275</u>	<u>-8.1%</u>	<u>6.6%</u>
Oral products	<u>1,307,457</u>	<u>1,087,070</u>	<u>-16.9%</u>	<u>65.8%</u>
Total sales	<u>2,086,695</u>	<u>1,652,698</u>	<u>-20.8%</u>	<u>100.0%</u>

The Group continued to focus on oral products as our key development strategy. In the first six months of 2025, oral products accounted for 65.8% of total sales, while injection products accounted for 34.2% of total sales.

Total sales of injection products decreased by 27.4% as compared to the same period last year, which was mainly due to the decrease in sales of Qing Kai Ling Injection and Shen Mai Injection by 50.1% and 21.0% respectively as compared to the same period last year. Meanwhile, sales of other injection products such as Shu Xue Ning Injection, Guan Xin Ning Injection and Dan Shen Injection also decreased by 6.3%, 9.6% and 24.6%, respectively.

Total sales of soft capsule products decreased by 24.7% as compared to the same period last year, which was mainly due to the decrease in sales of Wu Fu Xin Nao Qing Soft Capsule, Huo Xiang Zheng Qi Soft Capsule and Qing Kai Ling Soft Capsule by 67.4%, 16.0% and 24.6% respectively as compared to the same period last year. However, the sales of Jiang Zhi Tong Luo Soft Capsule and Dan Deng Tong Nao Soft Capsule, the Group's exclusive products, recorded an increase of 16.5% and 15.2%, respectively, while the sales of Qi Huang Tong Mi Soft Capsule decreased by 7.4%.

Total sales of granule products decreased by 21.0% as compared to the same period last year. It was mainly due to the decrease in sales of the Group's respiratory system medication, Paracetamol Granule and Pediatric Qing Fei Hua Tan Granule, by 40.1% and 57.8% respectively as compared to the same period last year. On the other hand, the sales of the Group's exclusive products, Huamoyan Granule and Shu Jin Tong Luo Granule decreased by 1.1% and increased by 43.8% respectively.

Sales of TCM formula granules decreased by 12.1% as compared to the same period last year, which was mainly due to an increase in overdue accounts receivable and aging, and the Group's adoption of risk management measures to suspend shipment of goods to hospitals and grass-root healthcare institutions that did not meet the Group's risk management requirements.

ESSENTIAL DRUGS

Essential drugs refer to medications that are suitable in dosage form, safe and effective, reasonable in price, can ensure supply, and also easily obtainable from public medical institutions at all levels by patients.

The PRC has placed all essential drugs on the drug reimbursement list and their reimbursement ratios are higher than that of non-essential drugs. According to national policies, essential drugs shall be prioritized for treatments in medical institutions at all levels and the proportion of usage of essential drugs shall be increased. In particular, the proportion of essential drugs by number of types in grass-root medical institutions, tier two public hospitals, and tier three public hospitals, should be no less than 90%, 80% and 60% respectively in principle.

The Group regularly manufactured a total of 18 medications which are listed on the National Essential Drugs List, including Qing Kai Ling Injection, Shen Mai Injection, Qing Kai Ling Soft Capsule, Huamoyan Granule, Huo Xiang Zheng Qi Soft Capsule, Compound Licorice Tablet and so on. As the sales of the above products decreased during the Period, the overall sales of the Group's regularly-manufactured medications listed on the National Essential Drugs List had decreased by 30.7% to RMB582,080,000 for the first six months of 2025, which accounted for 35.2% of the Group's overall sales.

In March 2025, the National Health Commission of the PRC convened the National Pharmaceutical Policy Work Conference in Beijing. The conference emphasized the need to conduct research on and improve the national drug system, implement coordinated pharmaceutical services at the grassroots level, and consolidate and refine the national essential medicines system. The conference proposed to conduct annual province-by-province evaluations of the essential medicines system, with key focus on patient's health benefits, sustainable and stable production and supply by enterprises, standardized allocation and utilization in hospitals etc., and reinforce the functional role of essential medicines. Additionally, the conference revised the Administrative Measures for the National Essential Medicines List (《國家基本藥物目錄管理辦法》), which refined technical criteria for selecting essential medicines, improved the essential medicines selection database, and guided local authorities to refine the policies for the management of the use of essential medicines in medical institutions.

The PRC's promotion on widespread use of essential drugs would lead to continuous growth of the Group's medications that are included in the National Essential Drugs List.

PRESCRIPTION AND OTC MEDICATIONS

For the six months ended 30 June 2025, the sales of the Group's prescription and over-the-counter medications ("OTC medications") accounted for approximately 89.3% and 10.7% of the Group's total sales respectively. During the Period, the overall sales of prescription medications decreased by 20.4% as compared to the same period last year while the OTC medications recorded a 24.0% decline. The table below analyzes the Group's sales by medicine category and curative effect:

	Sales	Sales		Change in sales
<i>RMB'000</i>	First six months of 2024	First six months of 2025	Percentage of sales	First six months of 2025
TCM formula granules	554,726	487,717	29.5%	-12.1%
Respiratory system				
prescription medications	504,343	264,410	16.0%	-47.6%
Cardio-cerebrovascular injection				
prescription medications	345,926	294,462	17.8%	-14.9%
Exclusive oral				
prescription medications	257,390	266,627	16.1%	3.6%
Other prescription medications	<u>191,784</u>	<u>162,726</u>	<u>9.9%</u>	<u>-15.2%</u>
Prescription medications	1,854,169	1,475,942	89.3%	-20.4%
OTC medications	<u>232,526</u>	<u>176,756</u>	<u>10.7%</u>	<u>-24.0%</u>
Total sales	<u>2,086,695</u>	<u>1,652,698</u>	<u>100%</u>	<u>-20.8%</u>

TCM FORMULA GRANULES

The sales of the Group's TCM formula granules decreased by 12.1% to RMB487,717,000 during the Period, accounting for 29.5% of the Group's total sales. The Group is now ranked among the top five listed companies in China in terms of sales of TCM formula granules.

Currently, hospitals in Hebei and Yunnan Provinces still contributed to the majority of the sales of TCM formula granules of the Group, accounting for 88.9% of the total sales of TCM formula granules, whereas hospitals in other provinces accounted for 1.3%. During the Period, the Group's sales in grass-root medical institutions in provinces including Hebei, Yunnan and other provinces across the country accounted for 9.8% of the total sales of TCM formula granules.

During the Period, the Group's sales of TCM formula granules declined, primarily due to an increase in overdue account receivables and aging. As part of its risk management measures, the Group temporarily suspended deliveries to hospitals and grass-root medical institutions with long-overdue unpaid accounts and those approaching or exceeding their credit limits. In addition, there was an increase in the number of suppliers upon the TCM formula granules market opening-up. Some of them attempted to occupy the grass-root medical institution market through price war, causing a decrease in the Group's sales of TCM formula granules to grass-root medical institutions in other provinces during the Period.

TCM formula granules are currently in a period of market volatility, with the market landscape undergoing restructuring. The Group's progress in entering hospitals and grass-root medical institutions in other provinces has not been as expected, but its efforts to expand into the national TCM formula granules market have not diminished.

In 2025, the Group's TCM formula granules division is reorganizing its efforts by way of significantly expanding its nationwide sales team and continuing active recruitment. They are now waiting for a more favorable business environment and timing to accelerate its nationwide expansion with broader market coverage. In addition to the Hebei and Yunnan provinces, the Group has expanded the development of the hospital market to 10 additional provinces.

The annual output value of the production capacity of the TCM formula granules of the Group at the two major production bases in Shijiazhuang (Hebei Province), and Chuxiong (Yunnan Province), has currently reached RMB5 billion. In the future, the Group will continue to plan for capacity expansion according to the market development situation.

RESPIRATORY SYSTEM PRESCRIPTION MEDICATIONS

The Group's respiratory system prescription medications recorded total sales of RMB264,410,000, significantly decreasing by 47.6% as compared to the same period last year and accounting for 16.0% of the overall sales of the Group. Among them, the sales of Qing Kai Ling Injection and Paracetamol Granule markedly decreased by 50.1% and 40.1% to RMB182,746,000 and RMB61,515,000, respectively, during the Period.

After the pandemic was brought under control, people and medical institutions procured a large number of influenza medications as a precaution, resulting in a high comparable base in social inventory. However, the current macroeconomic slowdown has dampened personal income and consumer confidence, leading to weak market demand. Additionally, end-market channels such as healthcare institutions and retail pharmacies aggressively adjusted their inventories while significantly reducing procurement volumes. As a result, sales of respiratory system medications sharply declined in the first half of 2025.

Meanwhile, the national “15th Five-Year Plan” emphasizes the further development of TCM’s roles in the prevention and treatment of infectious diseases and responding to public health emergencies, which has provided a strong support for the development of the market for respiratory system proprietary Chinese medicine. The Group has completed the Phase III clinical trial for its self-developed “JC Soft Capsule” for treating upper respiratory infection during the Period, and it is expected to obtain a production license in the second half of 2025, which will add a strong new force to the respiratory system medications of the Group.

CARDIO-CEREBROVASCULAR INJECTION PRESCRIPTION MEDICATIONS

During the Period, the Group recorded a 14.9% negative growth in sales of cardio-cerebrovascular injection prescription medications to RMB294,462,000, which accounted for 17.8% of the overall sales of the Group.

Among them, sales of Shen Mai Injection and Shu Xue Ning Injection, which had relatively high sales, decreased by 21.0% and 6.3% to RMB89,780,000 and RMB85,988,000, respectively. While sales of Guan Xin Ning Injection, Dan Shen Injection, and Xiang Dan Injection decreased by 9.6%, 24.6%, and 28.0% to RMB67,713,000, RMB29,227,000, and RMB10,001,000, respectively, during the Period.

Since hospitals are the major sales channel for the Group’s Chinese medicine injections for cardio-cerebrovascular diseases, procurement demands from hospitals have a direct impact on the growth momentum and market size of the Chinese medicine injections. During the Period, the Group’s sales experienced a significant year-on-year decline, which was due to the inclusion of most of its Chinese medicine injections for cardio-cerebrovascular diseases in the national centralized procurement program, followed by the gradual implementation of the “dual-control” policy of regulating both drug prices and total procurement volume across various regions.

EXCLUSIVE ORAL PRESCRIPTION MEDICATIONS

Although most of the Group’s products recorded significant negative growth in the first six months of 2025, the Group’s exclusive oral prescription medications maintained their growth momentum in sales, with sales increasing by 3.6% as compared to the same period last year. Except for Huamoyan Granule and Qi Huang Tong Mi Soft Capsule, which recorded a slight negative growth of 1.1% and 7.4% respectively, Jiang Zhi Tong Luo Soft Capsule, Dan Deng Tong Nao Soft Capsule and Shu Jin Tong Luo Granule increased by 16.5%, 15.2% and 43.8%, respectively as compared to the same period last year. The sales of the above five exclusive products amounted to RMB140,707,000, RMB36,622,000, RMB30,445,000, RMB24,841,000 and RMB21,282,000, respectively.

The sales of the Group's exclusive oral prescription medications accounted for 16.1% of the Group's total sales.

The Group's exclusive oral products have been highly recognized by doctors and patients due to their significant clinical efficacy. During the Period, the Group's exclusive product Qi Huang Tong Mi Soft Capsule was recommended in the Expert Consensus on Integrated Traditional Chinese and Western Medicine Diagnosis and Treatment of Functional Constipation (2025) (《功能性便秘中西醫結合診療專家共識(2025年)》), compiled by the Professional Committee of Digestive System Diseases of the Chinese Association of Integrative Medicine. The consensus points out that Qi Huang Tong Mi Soft Capsule have the effects of replenishing qi and nourishing blood, and moistening the intestines and relaxing the bowels. It is used for the treatment of functional constipation with high efficacy and few adverse reactions, and is suitable for a broad patient population. Based on evidence-based data, the consensus covers the latest domestic and international research developments, assesses the quality of evidence and strength of recommendations in accordance with the GRADE classification standards, aiming to further improve clinical efficacy, standardize clinical diagnosis and treatment processes, and meet clinical and scientific research needs. Clinical studies have shown that Qi Huang Tong Mi Soft Capsule can reduce the recurrence of constipation. At the same time, the formula contains ingredients that replenish qi and blood and activate blood circulation, which can reduce the number of episodes of coronary heart disease and angina pectoris, improve the overall benefits of patients, and is the preferred drug for elderly patients with constipation.

During the Period, the Group's exclusive product, Dan Deng Tong Nao Soft Capsule, was included in the Guidelines on the Rational Use of Drugs for Cerebrovascular Diseases (《腦血管病合理用藥規範手冊》), jointly compiled by experts from various medical institutions. Cerebrovascular diseases are common neurological disorders and are among the most prevalent and recurrent illnesses among middle-aged and elderly individuals in China. Many patients suffer from severe neurological impairments such as hemiplegia and aphasia, which significantly hinder their physical and mental well-being and daily life, thereby severely affecting their quality of life. The Group's Dan Deng Tong Nao Soft Capsules have demonstrated efficacy in promoting neurological recovery and improving patients' quality of life, and are regarded as a reliable choice for the full-course treatment of ischaemic stroke. According to the Guidelines, the Group's Dan Deng Tong Nao Soft Capsules can mitigate blood hypercoagulability, hyperviscosity, hyperaggregation, and hypercoagulation conditions in patients with atherosclerotic cerebral infarction, enhance microcirculation in ischaemic regions, and promote neurological recovery. The product also inhibits platelet aggregation, increases plasminogen activity, protects against ischaemia-reperfusion injury, safeguards neuronal cells, and protects vascular endothelial cells, thereby preventing atherosclerosis. Furthermore, the Guidelines note that while the mechanism underlying transient ischemic attack ("TIA") shares similarities with cerebral infarction, the pathological damage in TIA is generally milder than in infarction due to its transient, non-fixed symptoms and signs, and the absence of a definitive lesion focus. Nevertheless, for patients recovering from surgery or interventional therapy, TCM treatment based on syndrome differentiation should be integrated for holistic recovery. The Group's Dan Deng Tong Nao Soft Capsules are indicated for TIA in the internal carotid or basilar artery systems presenting with Qi Deficiency syndrome, provided there is no concomitant intimal or medial thickening of the vessel wall. The inclusion of the Group's Dan Deng Tong Nao Soft Capsules in the Guidelines on the Rational Use of Drugs for Cerebrovascular Diseases (《腦血管病合理用藥規範手冊》) reflects the growing clinical recognition and standardisation of the product's application, bringing new hope to a broad base of patients with cerebrovascular diseases and equipping clinicians with a more effective therapeutic option.

The Group will continue to actively intensify evidence-based medical research for its proprietary products and will further expand sales of its exclusive oral products through increased end-market investment and academic promotion.

OTC MEDICATIONS

The Group has a number of well-received OTC medications, which are made available for people to purchase at more than 300,000 retail pharmacies nationwide and multiple major online pharmacy platforms.

In the first six months of 2025, the overall sales of OTC medications decreased by 24.0% period-on-period, of which sales of Huo Xiang Zheng Qi Soft Capsule and Qing Kai Ling Soft Capsule decreased by 16.0% and 24.6% to RMB74,890,000 and RMB25,732,000, respectively. Meanwhile, the Group's series of OTC granules for treating respiratory diseases in children also recorded a negative growth, with sales of Pediatric Qing Fei Hua Tan Granule down by 57.8% during the Period.

The decrease in sales of OTC medications was mainly due to the fact that the public and pharmacies stocked up large quantity of OTC medications after the pandemic had been brought under control and coupled with the current slowdown in economic growth, which affected residents' income and consumer confidence, resulting in a decrease in the sales of the Group's OTC medications in the first half of 2025 as compared with the high comparable base in the same period last year.

CLINICAL TRIALS OF NEW DRUGS

By continuously increasing its investment in scientific research resources, the Group initiated projects precisely to develop new modern Chinese medicines with unique curative effects. Our research focuses on the development of orally administered medications targeting treatments of chronic diseases, especially in fields where no cures can be provided by Western medicines. In addition, the Group is well-positioned to take advantage of its knowhow on modernizing traditional Chinese medicines and to accelerate the progress of transforming the Group's research findings into practical applications and developing innovative TCMs with clinical advantages and characteristics to contribute to people's health and well-being.

Currently, the Group has a number of research projects, which are progressively being put on pharmaceutical and clinical trials, among which one exclusive innovative medication, namely Q-B-Q-F Condensed Pill, is still undergoing Phase III clinical trial. The other two exclusive innovative medications, namely Sailuotong Capsule and JC Soft Capsule had completed their Phase III clinical trials. Currently, the Group's research and development team are conducting work on clinical data analysis and summing-up, with the target of submitting the production permit applications by the end of this year.

The Group will provide updates on our clinical trials from time to time. Please refer to the interim reports and annual reports announced in previous years for the detailed descriptions and market potential of the above three medications.

The Group had incurred 3.0% of our overall sales revenue as research and development expenditures during the Period. In the future, the Group will continue to focus on researching modern Chinese medicines and develop innovative TCMs with clinical advantages and characteristics in the advantageous fields of TCM such as cardiovascular and cerebrovascular diseases, pediatric diseases, orthopedic diseases, gynecological diseases and geriatrics.

During the Period, the Group's "Research and Application Project on Hebei's Characteristic Chinese Medicinal Herb Hawthorn Leaf and Its Formula Granules" stood out in the selection for the Hebei Provincial Science and Technology Progress Award and was honored with the Third Prize. This project, which has undergone more than a decade of in-depth research, has achieved remarkable results in areas such as the establishment of a quality evaluation system for hawthorn leaves, fundamental research on the substances in formula granules, the formulation of quality standards, and industrial upgrading. It has resolved the challenges of unclear fundamental substance information in hawthorn leaf formula granules and the lack of quality control standards. The research and formulation of Hebei provincial local standards for hawthorn leaf formula granules have been completed, filling a gap in this field. The Hebei Provincial Science and Technology Progress Award aims to recognize projects that have made outstanding contributions in technological innovation and the transformation of scientific and technological achievements. Currently, the Group's project has yielded abundant results, with a total of 49 research papers published, including 6 SCI papers, 1 ESCI paper, and 23 papers in Chinese core journals. Eight representative papers have been widely cited. In addition, the project has formulated 1 provincial standard and 1 local standard, and obtained 2 authorized utility model patents. Quality control and standardization are key areas in TCM. The Group's project team evaluated hawthorn leaves from different varieties and origins, employed advanced technologies such as plant metabolomics to establish a precise identification system, and innovatively applied the "one test, multiple evaluations" method to content measurement, significantly reducing testing costs. Meanwhile, a quality control model guided by pharmacodynamic substances was established, providing new insights for the quality evaluation of hawthorn leaves and promoting the standardized development of the TCM industry.

ANCIENT CLASSICAL PRESCRIPTIONS

The Group has been persistently committed to promote the inheritance, development and innovation of TCM, and is currently developing over 100 new medications based on ancient classical prescriptions. Guided by the national policies, the Group is accelerating the registration of several new medications developed from classical prescriptions of Chinese medicine under Class 1.1 and Class 3.1 of TCM regulations.

During the Period, the TCM compound formula “Shaoyao Gancao Decoction Granules” based on ancient classical prescription independently developed by the Group, was approved for market launch by the National Medical Products Administration. It is the first approved classical prescription in 2025 and also the second classical prescription of the Group to be approved following the approval of “Yiguan Jian Granule.” The main ingredients of “Shaoyao Gancao Decoction Granules” are white peony root and stir-fried licorice root. Its functions include nourishing yin and blood, relieving spasms, and alleviating pain. It is used for various conditions characterized by spasmodic pain caused by yin and blood deficiency and poor nourishment of the tendons, with symptoms such as leg cramps and abdominal pain. The clinical efficacy of this product is remarkable, featuring distinct characteristics and advantages, and there is a huge market demand for it.

Meanwhile, the preparatory work for the Phase II clinical trials of “Yi Gong San Granule”, a Class 1.1 innovative TCM independently developed by the Group for the treatment of chronic disease-related anemia, is progressing smoothly. Currently, there has been no specific Chinese patent medicine available in the market for the treatment of chronic disease-related anemia. Studies have demonstrated the clinical efficacy of Yi Gong San Granule in the treatment of anemia from chronic disease, especially in cases where EPO therapy with erythropoietin is ineffective.

The Group will provide updates on the status of its development of new medications based on ancient classical prescriptions from time to time.

NATIONAL POLICIES SUPPORTING TCM

In the first half of 2025, the government continued to introduce multiple important policies related to the TCM industry, further supporting the high-quality development of the sector and empowering the high-end advancement of the TCM health industry chain.

The work plan and key industry promotion policies issued at the National Conference of Directors of Traditional Chinese Medicine in January 2025 outline the priorities for 2025, including deepening the “14th Five-Year Plan” for the TCM development, advancing the construction of the standardized TCM system, improving the quality of TCM and promoting scientific and technological innovation, advancing the modernization and digitization of TCM, and strengthening compliance and industry governance.

Subsequently, in March 2025, the National Healthcare Security Administration announced the inclusion of innovative drugs and high-value TCM products in the adjustment and management of healthcare insurance policies, along with optimising the application process for relevant catalogues to support TCM innovation and healthcare insurance system reforms.

Additionally, the medical policy in the Government Work Report during the National Two Sessions in March 2025 clearly proposed the establishment of an innovative drug catalog, the acceleration of the review and approval of innovative Chinese medicine drugs, the promotion of scientific and technological innovation in TCM, and the strengthening of Chinese medicine resource protection and industrial upgrading.

In June 2025, the National Health Commission of the PRC issued the Notice on Improving Basic Public Health Services in 2025 (《關於做好2025年基本公共衛生服務工作的通知》), which further promotes the optimisation of community and grassroots TCM service systems and enhances the capacity of TCM basic public health services. The policy also drives the full integration of TCM resources into grass-root healthcare and community health services, improving grassroots service networks and significantly increasing the accessibility of TCM services. This has expanded the overall service volume and health management growth potential in the industry, creating opportunities for TCM enterprises to expand their market presence at the grassroots level.

EIGHT KEY PRODUCTS WON THE BID FOR CENTRALIZED PROCUREMENT OF THE NATIONAL PROCUREMENT ALLIANCE OF PROPRIETARY CHINESE MEDICINE

On 10 February 2025, the National TCM Finished Drugs Joint Procurement Office announced the results of the centralized procurements of TCM products implemented by the National Procurement Alliance of Proprietary Chinese Medicine. The Group successfully won the bid for eight key products, including Qing Kai Ling Injection, Shu Xue Ning Injection, Shen Mai Injection, Shuanghuanglian Injection, Dengzhanhua Su Injection, Yinzhi Huang Injection, Qing Kai Ling Soft Capsule, and Xiesaitong Dripping Pill. These tendered products cover treatment areas such as cardiovascular and cerebrovascular diseases, respiratory system diseases, and digestive system diseases. They are among the most commonly used medicines in clinical practice and included in medical insurance and essential drug lists.

The National Procurement Alliance of Proprietary Chinese Medicine is composed of representatives delegated by the alliance regions including Hubei, Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hunan, Guangdong, Guangxi Zhuang Autonomous Region, Hainan, Chongqing, Sichuan, Guizhou, Yunnan, Tibet Autonomous Region, Shaanxi, Gansu, Qinghai, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, and Xinjiang Production and Construction Corps. The Alliance conducted centralized volume-based procurements of relevant medicines within its framework on behalf of the relevant medical institutions in the above-mentioned regions.

As one of the leading enterprises in the field of Chinese Medicine in China, the Group remains committed to the quality philosophy of “Pursuing Excellence, Creating Chinese Medicine Masterpieces”. Its products demonstrate proven efficacy and high safety profiles, earning deep trust from doctors and patients.

After winning the bid, these products are more in line with the disbursement requirements under the DRGs/DIP schemes, which catered to providing high-quality and reasonably-priced medication options for more patients, further boosting end-market demand and market coverage rate and bringing more sales opportunities of the Group’s products.

FINANCIAL ANALYSIS

Turnover

For the first six months of 2025 the Group continued to produce modern Chinese medicine products of good efficacy and high quality. The Group’s turnover decreased by 20.8% as compared to the corresponding period of last year. Sales of our injection products decreased by 27.4% to RMB565,628,000, accounting for 34.2% of the Group’s total turnover. Sales of soft capsule products decreased by 24.7% to RMB217,383,000, accounting for 13.2% of the Group’s total turnover. Sales of granule products decreased by 21.0% to RMB272,695,000, accounting for 16.5% of the Group’s total turnover. Sales of TCM formula granules decreased by 12.1% to RMB487,717,000, accounting for 29.5% of the Group’s total turnover. The Group also sold RMB109,275,000 of medicines in other dosage forms (including pills and tablets etc.) which accounted for 6.6% of the Group’s turnover.

Sales of prescription and OTC medications of the Group for the first six months of 2025 were RMB1,475,942,000 and RMB176,756,000 respectively, which accounted for 89.3% and 10.7% of the Group’s turnover respectively.

Cost of Sales

Cost of sales of the Group for the first six months of 2025 was RMB459,092,000, representing 27.8% of the Group’s turnover. In particular, direct materials, direct labour and other production costs accounted for 66.8%, 14.3% and 18.9% of the total production costs respectively (for the corresponding period of 2024: 67.0%, 16.0% and 17.0%).

Gross Profit Margin

For the first six months of 2025, average gross profit margin of the Group’s injection products, soft capsule products, granule products and TCM formula granule products were 71.6% (for the corresponding period of 2024: 76.0%), 76.0% (for the corresponding period of 2024: 77.8%), 77.5% (for the corresponding period of 2024: 78.6%) and 69.7% (for the corresponding period of 2024: 72.9%) respectively. Overall gross profit margin was 72.2% as compared to 75.3% of the corresponding period of last year.

Other Income

Other income mainly included enterprise development funds of RMB156,300,000 (for the corresponding period of 2024: RMB162,297,000). The enterprise development funds mainly represented enterprise development funds received from the government for research activities and investments in the relevant regions in the PRC by the Group.

Investment Income

Investment income mainly included interest income from bank deposits and structured deposits totaling RMB119,821,000 (for the corresponding period of 2024: RMB116,556,000) and interest income from investments in financial products of RMB98,469,000 (for the corresponding period of 2024: RMB4,617,000).

Other Gains and Losses

Other gains and losses mainly comprised of net exchange gain. The Group recorded a net exchange gain of RMB32,843,000 (for the corresponding period of 2024: net exchange gain of RMB19,118,000) for the first six months of 2025, which mainly resulted from the exchange gain arising from changes in exchange rates among Australian dollars, Hong Kong dollars and Renminbi.

Impairment on Financial Assets

In the first six months of 2025, respective reversal of impairment of RMB2,706,000 (for the corresponding period of 2024: impairment of RMB4,788,000) and impairment of RMB871,000 (for the corresponding period of 2024: reversal of impairment of RMB502,000) for trade receivables and trade receivables backed by bank bills were accounted for after the expected credit risk of financial assets assessment by the Group's management.

Selling and Distribution Costs

Selling and distribution costs for the first six months of 2025 decreased by 20.7% as compared to the corresponding period of last year and were equal to 39.2% (for the corresponding period of 2024: 39.2%) of the Group's turnover. The decrease was mainly due to the fact that the Group strengthened its cost control policy and resulting in (i) a decrease in market development expenses, sale management expenses and market promotion expenses and (ii) reduced headcount and payroll of sales persons as compared to the same period of last year.

Administrative Expenses

In the first six months of 2025, the Group's administrative expenses decreased by approximately 12.9% as compared to the corresponding period of last year, representing approximately 7.7% (for the corresponding period of 2024: 7.0%) of the Group's turnover. Administrative expenses mainly comprised salaries and social security outlay of administration staff, depreciation expenses of property, plant and equipment and amortisation expenses of intangible assets which accounted for 2.6% and 1.4% (for the corresponding period of 2024: 2.4% and 1.1%) of the Group's turnover respectively.

Research and Development Costs

During the first six months of 2025, research and development costs accounted for approximately 3.0% (for the corresponding period of 2024: 2.1%) of the Group's turnover.

Taxation

The Group's taxation for the first six months of 2025 amounted to RMB160,015,000 (for the corresponding period of 2024: RMB235,604,000). The effective tax rate decreased from 27.3% in the corresponding period of last year to 20.7%. This was mainly due to the year-on-year decrease in withholding tax related to dividend distributions of subsidiaries in the PRC during the Period.

Profit for the Period

The Group's net profit for the first six months of 2025 was RMB614,663,000, representing a decrease of 1.9% as compared to the corresponding period of last year. The decrease in profit was mainly attributable to the increase in procurement cost of raw materials during the Period, coupled with the impact of centralized procurement on drug prices, resulting in a decrease in turnover and gross profit compared with the same period last year.

Liquidity and Financial Resources

As at 30 June 2025, bank balances and cash of the Group amounted to RMB6,860,819,000 (31 December 2024: RMB6,140,153,000) of which RMB4,390,659,000 (31 December 2024: RMB4,221,869,000) were denominated in Renminbi. Others being equivalent to RMB83,064,000, RMB2,006,878,000 and RMB380,218,000 (31 December 2024: RMB366,858,000, RMB1,548,327,000 and RMB3,099,000) were denominated in Hong Kong dollars, Australian dollars and United States dollars respectively.

For financial products which are financial assets at fair value through profit or loss, there is no specific maturity for those products. At the request of the Group, the Group can redeem the financial products at buying price quoted by the banks. As at 30 June 2025, the fair value of the financial products is RMB100,419,000.

The directors of the Company (the "Directors") believe that the financial position of the Group is healthy, with sufficient financial resources to meet the need for future development.

Property, Plant and Equipment

In the first six months of 2025, the Group acquired leased/owned properties of RMB763,000, plant and machinery of RMB17,128,000, office equipment of RMB1,746,000 and the additional construction projects in progress amounted to approximately RMB59,126,000 in total. Besides, following the adoption of IFRS 16, property, plant and equipment had included the leasehold land, leasehold properties, leasehold motor vehicles and leasehold machineries which had respective net book values of RMB161,123,000, RMB1,844,000, RMB1,822,000 and RMB4,211,000 as at 30 June 2025.

For the six months ended 30 June 2025, depreciation for property, plant and equipment amounted to RMB69,511,000 as compared to RMB75,634,000 for the corresponding period of last year.

Interim Dividend

The Board resolved to declare the second interim dividend of RMB11 cents per share in respect of the fiscal year 2025 amounting to RMB83,094,000 (calculated on the basis of 827,000,000 shares issued less 71,600,000 shares held under the share award scheme as at 30 June 2025), which will be paid on 26 September 2025 to the shareholders whose names appear on the Company's register of members on 12 September 2025.

The above interim dividend will be payable in cash in Hong Kong dollars and will be converted from Renminbi at the telegraphic transfer exchange rates quoted by bank at 10:00 a.m. on 27 August 2025 (RMB1=HK\$1.090). Accordingly, the amount payable on 26 September 2025 will be HK\$0.120 per share.

Important Events Affecting the Group since 30 June 2025

There were no important events affecting the Group which occurred after 30 June 2025 and up to the date of this announcement.

INTERIM RESULTS

The unaudited consolidated results of the Group for the six months ended 30 June 2025 together with the comparative figures for the six months ended 30 June 2024 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

	<i>NOTES</i>	Six months ended 30 June	
		2025	2024
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	1,652,698	2,086,695
Cost of sales		(459,092)	(514,511)
Gross profit		1,193,606	1,572,184
Other income		162,059	168,985
Investment income		218,290	121,173
Other gains and losses		29,418	14,206
Reversal (provision) of impairment losses on financial assets under expected credit loss model, net	10	1,835	(4,286)
Selling and distribution costs		(647,836)	(817,369)
Administrative expenses		(126,452)	(145,212)
Research and development costs		(50,378)	(44,746)
Finance costs		(5,864)	(2,852)
Profit before taxation		774,678	862,083
Taxation	4	(160,015)	(235,604)
Profit and total comprehensive income for the period	5	<u>614,663</u>	<u>626,479</u>
Earnings per share	7		
Basic		<u>RMB81 cents</u>	<u>RMB83 cents</u>
Diluted		<u>RMB81 cents</u>	<u>RMB83 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

	NOTES	30.6.2025 RMB'000 (Unaudited)	31.12.2024 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	1,225,148	1,219,402
Intangible assets		18,906	23,323
Goodwill		165,956	165,956
Deferred tax assets		24,727	34,326
		<u>1,434,737</u>	<u>1,443,007</u>
Current assets			
Inventories		722,369	813,190
Trade receivables	9	915,803	908,115
Trade receivables backed by bank bills	9	276,312	293,762
Prepayments, deposits and other receivables		77,197	93,283
Financial assets at fair value through profit or loss		100,419	350,020
Bank balances and cash		6,860,819	6,140,153
		<u>8,952,919</u>	<u>8,598,523</u>
Current liabilities			
Trade payables	11	373,676	367,046
Trade payables backed by bank bills	11	4,000	35,918
Other payables and accrued expenses		1,555,916	1,508,955
Contract liabilities		34,647	26,437
Bank borrowing		300,000	330,000
Lease liabilities		8,512	8,271
Amounts due to related companies		13,784	13,784
Deferred income		68,661	75,315
Tax payable		68,885	84,270
		<u>2,428,081</u>	<u>2,449,996</u>
Net current assets		<u>6,524,838</u>	<u>6,148,527</u>
Total assets less current liabilities		<u>7,959,575</u>	<u>7,591,534</u>

	30.6.2025 <i>RMB'000</i> (Unaudited)	31.12.2024 <i>RMB'000</i> (Audited)
Non-current liabilities		
Lease liabilities	4,347	8,256
Bank borrowing	28,477	—
Deferred tax liabilities	11,558	34,521
Deferred income	105,570	81,853
	149,952	124,630
Net assets	7,809,623	7,466,904
Capital and reserves		
Share capital	87,662	87,662
Reserves	7,721,961	7,379,242
Total equity	7,809,623	7,466,904

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1. GENERAL

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group’s condensed consolidated financial statements are presented in Renminbi (“RMB”) which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2024.

Application of amendments to IFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to an IFRS Accounting Standard issued by the International Accounting Standards Board, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2025 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 21

Lack of Exchangeability

The application of the amendments to an IFRS Accounting Standard in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Operating segment

The Group is engaged in a single segment in research and development, manufacturing and trading of Chinese pharmaceutical products. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the Chairman of the board of directors of the Group, being the chief operating decision maker (the “CODM”), for the purpose of resources allocation and performance assessment. The information reported to the CODM is further categorised into different locations within the PRC, each of which is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into a single reportable segment as they share similar economic characteristics.

Revenue from major products

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

	Six months ended 30 June	
	2025 <i>RMB'000</i> (Unaudited)	2024 <i>RMB'000</i> (Unaudited)
Injections	565,628	779,238
Soft capsules	217,383	288,759
Granules	272,695	345,074
Traditional Chinese medicine formula granules	487,717	554,726
Others (including pills and tablets etc.)	109,275	118,898
	<u>1,652,698</u>	<u>2,086,695</u>

Sales of the Group to external customers were substantially made in the PRC including Hong Kong.

4. TAXATION

	Six months ended 30 June	
	2025 <i>RMB'000</i> (Unaudited)	2024 <i>RMB'000</i> (Unaudited)
PRC Enterprise Income Tax ("EIT"):		
Current tax	97,329	144,053
Underprovision in prior years	5,763	7,979
Withholding tax on distributed profits of subsidiaries operating in the PRC	<u>70,287</u>	<u>81,752</u>
	173,379	233,784
Deferred tax	<u>(13,364)</u>	<u>1,820</u>
	<u>160,015</u>	<u>235,604</u>

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

Certain subsidiaries which are operating in Western China have been granted tax concession by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both periods. Certain subsidiaries which are recognised as High and New-tech Enterprise have been granted tax concessions by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both periods. In addition, a subsidiary which is operating in agricultural products business has been granted tax exemption by the local tax bureau.

According to a joint circular of the State Taxation Administration, Cai Shui 2011 No. 1, PRC withholding income tax of 10% shall be levied on the dividend declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. Those immediate holding companies of the Group's PRC subsidiaries were entitled to 5% withholding tax rate during both periods.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB3,514,703,000 (31 December 2024: RMB4,065,697,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	4,424	5,044
Depreciation of property, plant and equipment	69,511	75,634
Enterprise development funds (included in other income) (<i>Note</i>)	(156,300)	(162,297)
Net exchange gain (included in other gains and losses)	(32,843)	(19,118)
(Gain) loss on disposal of property, plant and equipment (included in other gains and losses)	<u>(7,619)</u>	<u>255</u>

Note: The Enterprise development funds represent the amounts received from the local government by the subsidiaries of the Company.

During the six months ended 30 June 2025, enterprise development funds of (a) RMB147,797,000 (six months ended 30 June 2024: RMB158,603,000) represent incentives received in relation to engagement of the subsidiaries of the Company in business development. The grants of which were unconditional, approved and received during the year; and (b) RMB8,503,000 (six months ended 30 June 2024: RMB3,694,000) represent recognition of deferred income upon completion of related research activities and development projects.

6. DIVIDENDS

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the periods:		
– 2025 first interim dividend of RMB36 cents per share	271,944	–
– 2024 first interim dividend of RMB43 cents per share	–	324,822
	<u>271,944</u>	<u>324,822</u>
Dividends declared subsequent to the reporting periods:		
– 2025 second interim dividend of RMB11 cents per share	83,094	–
– 2024 second interim dividend of RMB11 cents per share	–	83,094
	<u>83,094</u>	<u>83,094</u>

The 2025 second interim dividend of RMB11 cents per share, in the amount of an aggregate of RMB83,094,000, has been declared by the directors of the Company on 27 August 2025 and will be paid out on 26 September 2025, to the shareholders of the Company whose names appear on the register of the members of the Company on 12 September 2025. The aggregate amount of RMB83,094,000 (six months ended 30 June 2024: RMB83,094,000) has been calculated on the basis of 827,000,000 (2024: 827,000,000) shares in issue less 71,600,000 (2024: 71,600,000) shares held for share award scheme as at 30 June 2025.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share	<u>614,663</u>	<u>626,479</u>
	Six months ended 30 June	
	2025	2024
Weighted average number of ordinary shares in issue less shares held for share award scheme for the purpose of calculation of basic and diluted earnings per share	<u>755,400,000</u>	<u>755,400,000</u>

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2025, the Group made additions to construction in progress of RMB59,126,000 (six months ended 30 June 2024: RMB40,518,000), and acquired other property, plant and equipment of RMB19,063,000 (six months ended 30 June 2024: RMB22,088,000). During the six months ended 30 June 2025, the Group also disposed of certain property, plant and equipment with carrying amount of RMB3,505,000 (six months ended 30 June 2024: RMB2,850,000) at net consideration of RMB11,124,000 (six months ended 30 June 2024: RMB2,595,000), resulting in a gain on disposal of RMB7,619,000 (six months ended 30 June 2024: loss on disposal of RMB255,000).

During the current interim period, the Group entered into a lease agreement with lease terms of 2 years. On date of lease commencement, the Group recognised right-of-use assets of RMB574,000 and lease liabilities of RMB574,000.

9. TRADE RECEIVABLES/TRADE RECEIVABLES BACKED BY BANK BILLS

	30.6.2025 RMB'000 (Unaudited)	31.12.2024 <i>RMB'000</i> (Audited)
Trade receivables	950,242	945,260
Less: Allowance for expected credit loss ("ECL")	<u>(34,439)</u>	<u>(37,145)</u>
	<u>915,803</u>	<u>908,115</u>
Trade receivables backed by bank bills	278,883	295,462
Less: Allowance for ECL	<u>(2,571)</u>	<u>(1,700)</u>
	<u>276,312</u>	<u>293,762</u>
	<u>1,192,115</u>	<u>1,201,877</u>

The Group allows a credit period normally ranging from six months to one year to its trade customers. The following is an aged analysis of the trade receivables and trade receivables backed by bank bills, net of allowance for ECL, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	30.6.2025	31.12.2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 6 months	819,560	853,487
Over 6 months but less than 1 year	207,169	202,754
Over 1 year but less than 2 years	125,534	119,971
More than 2 years	39,852	25,665
	<u>1,192,115</u>	<u>1,201,877</u>

As at 30 June 2025, total bills received with carrying amount of RMB276,312,000 (31 December 2024: RMB293,762,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

10. REVERSAL (PROVISION) OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS UNDER EXPECTED CREDIT LOSS MODEL, NET

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Impairment losses (reversed) recognised on trade receivables	(2,706)	4,788
Impairment losses recognised (reversed) on trade receivables backed by bank bills	871	(502)
	<u>(1,835)</u>	<u>4,286</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidation financial statements for the six months ended 30 June 2025 are the same as those followed in the preparation of the group's annual financial statements for the year ended 31 December 2024.

11. TRADE PAYABLES/TRADE PAYABLES BACKED BY BANK BILLS

	30.6.2025 RMB'000 (Unaudited)	31.12.2024 RMB'000 (Audited)
Trade payables	373,676	367,046
Trade payables backed by bank bills (<i>Note</i>)	<u>4,000</u>	<u>35,918</u>
	<u>377,676</u>	<u>402,964</u>

Note: These relate to trade payables in which the Group has issued bills to the relevant suppliers for future settlement of trade payables. The suppliers can obtain the invoice amounts from the bank on the maturity date of the bills. The Group continues to recognise these trade payables as the Group is obliged to make payments to the relevant banks on due dates of the bills.

An aged analysis of the Group's trade payables (including trade payables backed by bank bills) presented based on the invoice date at the end of the reporting period is as follows:

	30.6.2025 RMB'000 (Unaudited)	31.12.2024 RMB'000 (Audited)
Within 6 months	291,304	367,950
Over 6 months but less than 1 year	74,878	25,369
Over 1 year but less than 2 years	8,925	7,500
Over 2 years but less than 3 years	952	620
Over 3 years	<u>1,617</u>	<u>1,525</u>
	<u>377,676</u>	<u>402,964</u>

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

12. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

The Company has a share option scheme which was adopted at the extraordinary general meeting of the Company held on 29 May 2015 for a period of 10 years. On 28 May 2025, the share option scheme of the Company has expired and there was no outstanding share option thereunder. During the Period, no share options were granted under the share option scheme of the Company.

Share award scheme

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

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

No shares were granted to eligible employees pursuant to the Scheme. There were no disposal or purchase of shares by the trustee during the six months ended 30 June 2025 and 2024. At the end of the reporting period, there are 71,600,000 (31 December 2024: 71,600,000) shares held by the trustee.

13. RELATED PARTY DISCLOSURES

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

Name of related parties	Nature of transactions	Six months ended 30 June	
		2025	2024
		<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Shineway Medical Science & Technology Co., Ltd. ("Shineway Medical")	Interest expenses on lease liabilities Service fee	287 5,916	412 5,916
Shineway (Sanhe) Property Development Limited ("Shineway Sanhe")	Interest expenses on lease liabilities Service fee	47 1,353	68 1,353
Shijiazhuang Municipal Luancheng County Shineway Training School ("Shineway Training School")	Service fee	621	360
		<hr/>	<hr/>
Name of related parties	Nature of balances	30.6.2025	31.12.2024
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Shineway Medical	Lease liabilities	10,517	13,871
Shineway Sanhe	Lease liabilities	<u>1,733</u>	<u>2,285</u>

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

Compensation of key management personnel

Key management personnel is deemed to be the members of the board of directors of the Company which has responsibility for planning, directing and controlling the activities of the Group. Details of the remuneration paid to them during the period were as follows:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Short-term benefits	8,182	7,647
Post-employment benefits	18	17
	8,200	7,664

14. CAPITAL COMMITMENTS

	30.6.2025 RMB'000 (Unaudited)	31.12.2024 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	225,175	217,818

OTHER INFORMATION

CLOSURE OF SHARE TRANSFER REGISTRATION

The register of members of the Company will be closed from 11 September 2025 to 12 September 2025 (both days inclusive). In order to qualify for the second interim dividend for the fiscal year 2025, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 10 September 2025.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2025, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix C1 to the Listing Rules during the six months ended 30 June 2025, except for code provision C.2.1 as described below.

Code provision C.2.1 of the Code stipulates that the roles of chairman of the board (the "Chairman") and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive should be clearly established and set out in writing. The Company does not use the title "Chief Executive". The duty of the chief executive has been assumed by the president of the Company (the "President").

Mr. Li Zhenjiang has been both the Chairman and President. His responsibilities are clearly set out in writing and approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and President in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the relevant structure from time to time and shall consider any appropriate adjustments should new circumstances arise.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard set out in the Model Code. The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group’s senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry, all directors of the Company confirmed that they had complied with the required standard set out in the Model Code regarding securities transactions of the directors for the six months ended 30 June 2025.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management and external auditors the accounting principles and policies adopted by the Group and the unaudited consolidated results of the Group for the six months ended 30 June 2025.

INTERIM REPORT

The interim report of 2025 will be despatched to the shareholders of the Company and published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company’s website (www.shineway.com.hk) in due course.

We are delighted by the trust and support of our shareholders and those who care about the development of the Company. On behalf of the Board, we would like to take this opportunity to thank all of you, as well as our employees who made tremendous efforts.

By order of the Board
China Shineway Pharmaceutical Group Limited
Li Zhenjiang
Chairman

Hong Kong, 27 August 2025

As at the date of this announcement, the executive Directors are Mr. Li Zhenjiang, Ms. Xin Yunxia and Mr. Li Huimin; the non-executive Director is Mr. Zhou Wencheng and the independent non-executive Directors are Mr. Liu Shun Fai, Mr. Yew Yat On and Ms. Wang Guihua.