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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025

	For the year ended 31 December		
	2025	2024	Year-on-Year
	RMB'000	RMB'000	Change*
Revenue	1,737,487	2,214,783	(21.6)%
Gross profit	945,888	1,288,407	(26.6)%
Gross margin of the Group (%)	54.4%	58.2%	
Profit attributable to equity holders of the Company	17,290	95,212	(81.8)%
Basic and diluted			
Earnings per share (expressed in RMB per share)	RMB0.02	RMB0.11	(81.8)%
Final dividend per share	–	HK5.00 cents	(100)%
Total dividend per share	–	HK5.00 cents	(100)%

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

ANNUAL RESULTS

The board (the “Board”) of directors (“Directors”) of Zhongzhi Pharmaceutical Holdings Limited (the “Company”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2025 (the “Reporting Period”), together with the comparative figures for the year ended 31 December 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
REVENUE	4	1,737,487	2,214,783
Cost of sales		<u>(791,599)</u>	<u>(926,376)</u>
Gross profit		945,888	1,288,407
Other income and gains	4	28,511	38,504
Selling and distribution expenses		(793,615)	(988,737)
Administrative expenses		(100,249)	(105,745)
Other expenses		(55,409)	(74,438)
Impairment losses on financial assets, net		(760)	(4,100)
Finance costs		<u>(5,379)</u>	<u>(6,994)</u>
PROFIT BEFORE TAX	5	18,987	146,897
Income tax expense	6	<u>(1,285)</u>	<u>(50,750)</u>
PROFIT FOR THE YEAR		<u>17,702</u>	<u>96,147</u>
Attributable to:			
Owners of the parent		17,290	95,212
Non-controlling interests		<u>412</u>	<u>935</u>
		<u>17,702</u>	<u>96,147</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For profit for the year		<u>RMB0.02</u>	<u>RMB0.11</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2025*

	2025	2024
	RMB'000	RMB'000
PROFIT FOR THE YEAR	17,702	96,147
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	282	(899)
Change in fair value of equity investments, net of tax	515	–
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(1,337)	403
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(540)	(496)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	17,162	95,651
Attributable to:		
Owners of the parent	16,750	94,716
Non-controlling interests	412	935
	17,162	95,651

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		548,655	585,510
Investment properties		53,710	53,940
Right-of-use assets	9(a)	122,480	144,929
Prepayments for property, plant and equipment		1,301	2,343
Goodwill		1,628	1,628
Other intangible assets	10	8,378	11,845
Equity investments at fair value through profit or loss	11	41,788	37,696
Equity investments at fair value through other comprehensive income	12	21,650	–
Deferred tax assets		29,748	28,354
Pledged deposits		500	100,500
Other non-current assets		6,284	6,257
Total non-current assets		836,122	973,002
CURRENT ASSETS			
Inventories	14	280,588	345,352
Trade and notes receivables	13	441,763	439,569
Prepayments, deposits and other receivables		72,202	59,983
Cash and cash balances		174,420	167,103
Restricted cash		26,389	2,113
Total current assets		995,362	1,014,120
CURRENT LIABILITIES			
Trade and bills payables	15	261,599	295,959
Other payables and accruals		269,349	296,635
Interest-bearing bank borrowings		12,068	46,331
Lease liabilities	9(b)	31,280	35,428
Amounts due to related parties		8,786	8,786
Deferred income		2,300	3,516
Tax payable		36,155	44,909
Total current liabilities		621,537	731,564
NET CURRENT ASSETS		373,825	282,556
TOTAL ASSETS LESS CURRENT LIABILITIES		1,209,947	1,255,558

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		36,003	38,271
Deferred income		5,431	7,910
Lease liabilities	9(b)	50,662	68,573
Deferred tax liabilities		18,075	19,262
		<hr/>	<hr/>
Total non-current liabilities		110,171	134,016
		<hr/>	<hr/>
Net assets		1,099,776	1,121,542
		<hr/>	<hr/>
Equity			
Equity attributable to owners of the parent			
Issued capital		6,847	6,847
Reserves		1,087,875	1,109,675
		<hr/>	<hr/>
		1,094,722	1,116,522
		<hr/>	<hr/>
Non-controlling interests		5,054	5,020
		<hr/>	<hr/>
Total equity		1,099,776	1,121,542
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to IAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

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 in and the functional currencies of overseas subsidiaries for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to IFRS 9	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to IFRS 10 and IFRS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²
Annual Improvements to IFRS Accounting Standards – Volume 11	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7</i> ¹

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

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

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

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

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRSs. IFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from IFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to IFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

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

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the “own-use” requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity’s financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group’s financial statements.

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

Amendments to IAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation’s comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

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

- *IFRS 7 Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing IFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing IFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.
- *IFRS 9 Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

- *IFRS 10 Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *IAS 7 Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

- (a) Pharmaceutical manufacturing
- (b) Operation of chain pharmacies

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

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

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

Geographical information

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

Information about major customers

During each of the years ended 31 December 2025 and 2024, no revenue from transactions with a single customer accounted for 10% or more of the Group's sales.

Operating segment information for the year ended 31 December 2025:

Year ended 31 December 2025	Pharmaceutical manufacturing RMB'000	Operation of chain pharmacies RMB'000	Total RMB'000
Segment revenue:			
Revenue from external customers (<i>note 4</i>)	1,208,681	528,806	1,737,487
Intersegment sales	592,072	–	592,072
Total segment revenue	1,800,753	528,806	2,329,559
<i>Reconciliation:</i>			
Elimination of intersegment sales			(592,072)
Revenue			1,737,487
Segment results	762,355	183,533	945,888
<i>Reconciliation:</i>			
Other income and gains			28,511
Selling and distribution expenses			(793,615)
Administrative expenses			(100,249)
Other expenses			(55,409)
Impairment losses on financial assets, net			(760)
Finance costs			(5,379)
Profit before tax			18,987

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

4. REVENUE, OTHER INCOME AND GAINS

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

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers		
Sale of pharmaceutical products	<u>1,737,487</u>	<u>2,214,783</u>

(i) Disaggregated revenue information

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

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

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

	2025 RMB'000	2024 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of pharmaceutical products	<u>10,270</u>	<u>23,371</u>

(ii) Performance obligations

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

Sale of pharmaceutical products

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

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

	2025 RMB'000	2024 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	<u>11,591</u>	<u>10,270</u>

	<i>Note</i>	2025 RMB'000	2024 RMB'000
Other income			
Bank interest income		2,991	5,139
Dividend income from equity investments at fair value through profit or loss		–	56
Rental income		2,754	3,266
Sales of raw materials		3,149	3,840
Others		7,596	10,540
		<u>16,490</u>	<u>22,841</u>
Gains, net			
Government grants:			
Related to assets*		3,199	10,149
Related to income*		2,616	4,928
Gain on disposal of items of property, plant and equipment	5	377	548
Gain on disposal of equity investments at fair value through profit or loss	5	434	–
Fair value gains, net:			
Equity investments at fair value through profit or loss	5	4,092	–
Others		1,303	38
		<u>12,021</u>	<u>15,663</u>
		<u>28,511</u>	<u>38,504</u>

5. PROFIT BEFORE TAX

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

	Notes	2025 RMB'000	2024 RMB'000
Cost of inventories sold		791,599	926,376
Depreciation of property, plant and equipment and investment properties		56,767	46,999
Depreciation of right-of-use assets	9(a)	42,197	60,947
Research and development costs		41,460	57,011
Advertising, marketing and promotion expenses		191,954	272,243
Amortisation of other intangible assets*	10	3,517	3,475
Write-down of inventories to net realisable value		5,635	7,069
Lease payments not included in the measurement of lease liabilities	9(c)	6,245	237
Auditor's remuneration		2,380	2,400
Impairment losses on trade receivables	13	760	4,100
Gain on disposal of items of property, plant and equipment	4	(377)	(548)
(Gain)/loss on disposal of equity investments at fair value through profit or loss	4	(434)	519
Loss on derecognition of financial assets measured at amortised cost		1,712	1,747
Fair value (gains)/losses, net:			
Equity investments at fair value through profit or loss	4	(4,092)	3,383
Employee benefit expenses (including directors' remuneration:			
Wages and salaries		251,886	293,268
Pension scheme contributions (defined contribution scheme)**		22,435	19,528
Staff welfare expenses		17,757	19,133
Total		292,078	331,929

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

** At 31 December 2025, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2024: Nil).

6. INCOME TAX EXPENSE

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

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

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

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

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

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

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

	2025	2024
	RMB’000	RMB’000
Current – Chinese mainland profits tax		
Charge for the year	3,866	49,326
Deferred income tax (credit)/expense	(2,581)	1,424
	<hr/>	<hr/>
Total income tax expense	1,285	50,750
	<hr/>	<hr/>

In accordance with the PRC Tax Law effective on 1 January 2008, a 10% (or a lower rate if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. As at 31 December 2025, the Group recognised a deferred tax liability of RMB203,000 (2024: RMB10,377,000) in respect of the withholding tax on future dividends.

7. DIVIDENDS

	2025 RMB'000	2024 RMB'000
Proposed final – nil (2024: HK5 cents) per ordinary share	–	39,849
Total	–	39,849

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).

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

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 823,447,767 (2024: 845,428,938) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2025 and 2024.

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

	2025 RMB'000	2024 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>17,290</u>	<u>95,212</u>
Shares		
Weighted average number of ordinary shares in issue	<u>863,600,000</u>	863,600,000
Weighted average number of shares held for the share award plan	<u>(40,152,233)</u>	<u>(18,171,062)</u>
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	<u>823,447,767</u>	<u>845,428,938</u>

9. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Pharmacies and office premises RMB'000	Leasehold land RMB'000	Total RMB'000
As at 1 January 2024	114,538	51,211	165,749
Additions	40,127	–	40,127
Depreciation charge (note 5)	<u>(59,610)</u>	<u>(1,337)</u>	<u>(60,947)</u>
As at 31 December 2024 and 1 January 2025	95,055	49,874	144,929
Additions	19,748	–	19,748
Depreciation charge (note 5)	<u>(40,860)</u>	<u>(1,337)</u>	<u>(42,197)</u>
As at 31 December 2025	<u>73,943</u>	<u>48,537</u>	<u>122,480</u>

(b) Lease liabilities

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

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	104,001	124,845
New leases	19,748	40,127
Accretion of interest recognised during the year	3,432	4,360
Payments	<u>(45,239)</u>	<u>(65,331)</u>
Carrying amount at 31 December	<u>81,942</u>	<u>104,001</u>
Analysed into:		
Current portion	31,280	35,428
Non-current portion	<u>50,662</u>	<u>68,573</u>

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

	2025	2024
	RMB'000	RMB'000
Interest on lease liabilities	3,432	4,360
Depreciation charge of right-of-use assets	42,197	60,947
Expense relating to short-term leases (included in selling and distribution expenses)	6,245	237
	<hr/>	<hr/>
Total amount recognised in profit or loss	51,874	65,544
	<hr/>	<hr/>

The Group as a lessor

The Group leases its investment properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB2,754,000 (2024: RMB3,266,000), details of which are included in note 4 to the financial statements.

At 31 December 2025, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2025	2024
	RMB'000	RMB'000
Within one year	3,177	3,300
After one year but within two years	2,827	3,009
After two years but within three years	1,919	2,827
After three years but within four years	158	2,211
After four years but within five years	158	470
After five years	214	1,076
	<hr/>	<hr/>
Total	8,453	12,893
	<hr/>	<hr/>

10. OTHER INTANGIBLE ASSETS

	Software RMB'000	Patents and licences RMB'000	Total RMB'000
31 December 2025			
Cost at 1 January 2025, net of accumulated amortisation	11,657	188	11,845
Additions	50	–	50
Amortisation provided during the year (<i>note 5</i>)	(3,329)	(188)	(3,517)
	<u>8,378</u>	<u>–</u>	<u>8,378</u>
At 31 December 2025, net of accumulated amortisation			
At 31 December 2025:			
Cost	30,380	3,528	33,908
Accumulated amortisation	(22,002)	(3,528)	(25,530)
	<u>8,378</u>	<u>–</u>	<u>8,378</u>
Net carrying amount			
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	13,842	376	14,218
Additions	1,102	–	1,102
Amortisation provided during the year (<i>note 5</i>)	(3,287)	(188)	(3,475)
	<u>11,657</u>	<u>188</u>	<u>11,845</u>
At 31 December 2024, net of accumulated amortisation			
At 31 December 2024:			
Cost	30,330	3,528	33,858
Accumulated amortisation	(18,673)	(3,340)	(22,013)
	<u>11,657</u>	<u>188</u>	<u>11,845</u>
Net carrying amount			

11. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Equity investments at fair value through profit or loss		
Unlisted equity investment, at fair value	41,788	37,696
Total	<u>41,788</u>	<u>37,696</u>

The above equity investments at 31 December 2025 were classified as equity investments at fair value through profit or loss, as equity investments amounting to nil (2024: nil) were held for trading purpose, and equity investments amounting to RMB41,788,000 (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 DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RMB'000	2024 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value	21,650	–
Total	<u>21,650</u>	<u>–</u>

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

13. TRADE AND NOTES RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	335,671	324,698
Less: Impairment of trade receivables	<u>(8,721)</u>	<u>(7,961)</u>
Trade receivables, net	326,950	316,737
Notes receivable	<u>114,813</u>	<u>122,832</u>
Total	<u>441,763</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 and notes receivables relate to a large number of diversified customers with good track records, there is no significant concentration of credit risk. Trade and notes receivables are non-interest-bearing. The fair value of trade and notes receivables approximates to their carrying amount.

Notes receivables had no historical default and were categorised in stage 1 at 31 December 2025 and 2024. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the years ended 31 December 2025 and 2024, the Group estimated that the expected credit loss rate for notes receivables was minimal.

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

	2025	2024
	RMB'000	RMB'000
Within 1 month	140,036	117,521
1 to 3 months	85,648	120,240
3 to 6 months	57,447	50,698
6 to 12 months	37,838	22,078
Over 12 months	5,981	6,200
	<hr/>	<hr/>
Total	326,950	316,737
	<hr/>	<hr/>

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

	2025	2024
	RMB'000	RMB'000
At beginning of year	7,961	3,861
Impairment losses, net	760	4,100
	<hr/>	<hr/>
At end of year	8,721	7,961
	<hr/>	<hr/>

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

The notes receivables are settled within 270 days. No notes receivables were discounted as at 31 December 2025 and 2024. As at 31 December 2025, the Group continued to recognise endorsed notes receivables and the associated liabilities amounting to RMB15,531,000 (2024: RMB27,648,000). The directors considered that the Group has retained the substantial risks and rewards, which include default risks relating to such endorsed notes.

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

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

As at 31 December 2025

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.90%	30.08%	100.00%	2.60%
Gross carrying amount (RMB'000)	323,884	8,554	3,233	335,671
Expected credit losses (RMB'000)	2,915	2,573	3,233	8,721

As at 31 December 2024

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

14. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	62,874	87,582
Work in progress	24,381	28,786
Finished goods	193,333	228,984
Total	280,588	345,352

Inventories with a value of RMB24,370,000 (2024: RMB32,622,000) are carried at net realisable value, which is lower than cost.

15. TRADE AND BILLS PAYABLES

	2025	2024
	RMB'000	RMB'000
Trade payables	164,686	183,379
Bills payables	96,913	112,580
	<hr/>	<hr/>
Total	261,599	295,959
	<hr/>	<hr/>

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

	2025	2024
	RMB'000	RMB'000
Within 3 months	121,676	143,798
3 to 6 months	17,378	11,636
6 to 12 months	17,308	24,708
over 12 months	8,324	3,237
	<hr/>	<hr/>
Total	164,686	183,379
	<hr/>	<hr/>

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

MANAGEMENT DISCUSSION AND ANALYSES

BUSINESS OVERVIEW

During the year ended 31 December 2025 (the “Reporting Period”), the Group continued to engage principally in pharmaceutical manufacturing in the PRC and the operation of chain pharmacies in the Guangdong Province, the PRC. Revenue of the Group decreased by approximately 21.6% to approximately RMB1,737.5 million.

Profit attributable to owners of the parent decreased by approximately 81.8% to RMB17.3 million.

FUTURE AND OUTLOOK

In 2026, the Company will enhance the market share of its products by continuously expanding its distribution channels in the second and third terminals and save operating expenses through promoting digital management, for the purpose of realizing its operational guidelines of consolidating its foundation with revenue generation and cost savings while pursuing development through making breakthroughs in distribution channels. With the recovery of the consumer market and further consumption of existing inventory, coupled with the adjustment and optimisation of operational models, the Company’s operating performance will continue to improve.

Pharmaceutical Manufacturing Segment

Following the release of the Implementation Plan for the High-Quality Development of the Chinese Medicine Industry (2026-2030) (中藥工業高品質發展實施方案(2026–2030年)) by eight ministries, including the Ministry of Industry and Information Technology, the Company will continue to solidify the construction of high-standard production bases for traditional Chinese medicine raw materials and enhance the initial processing level at the source. It will also improve the intensive production level of traditional decoction pieces, promote the digital, intelligent and green development of the manufacturing of traditional Chinese medicine, and optimise the whole-process quality traceability system, with a view to creating high-quality Chinese patent medicines and developing superior single products of traditional Chinese medicine decoction pieces. Adhering to the application of traditional Chinese medicines in daily life, the Company will develop and promote more health care products based on traditional Chinese medicines.

Chain Pharmacies Segment

In response to the Opinions on Promoting the High-Quality Development of the Pharmaceutical Retail Industry (《關於促進藥品零售行業高品質發展的意見》) issued by nine ministries, including the Ministry of Commerce, which aim to strengthen the professional services, health promotion, and emergency supply assurance functions of the pharmaceutical retail industry, enabling pharmacies to serve as “Health Stations” that better meet the medical and health needs of the public, the Company will actively promote the construction of pilot “Health Stations”. It will also proactively expand health management services such as medication guidance and health consultation, and conduct health education campaigns on weight loss, smoking cessation and alcohol cessation. The Company will strive to establish linkage mechanisms with community neighbourhood committees and medical institutions to provide health care services tailored for the elderly, people with disabilities and children. By offering services related to traditional Chinese medicine retail, including traditional Chinese medicine health consultation and guidance and traditional Chinese medicine cultural experiences, the Company will always maintain its leading position in the industry.

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			% of total revenue for		
	the year ended 31 December	the year ended 31 December	Change	the year ended 31 December	the year ended 31 December	Change
	2025	2024		2025	2024	
	RMB'000	RMB'000	(%)	(%)	(%)	(%)
Pharmaceutical manufacturing	1,208,681	1,624,289	-25.6	69.6	73.3	-3.7
Operation of chain pharmacies	528,806	590,494	-10.4	30.4	26.7	3.7
	1,737,487	2,214,783	-21.6	100	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 25.6% to RMB1,208.7 million for the year ended 31 December 2025 (2024: RMB1,624.3 million) and accounted for 69.6% of the total revenue during the year (2024: 73.3%). The decrease in revenue was mainly attributable to the longer inventory consumption period of existing channels as a result of the decline in market consumption power, as well as the tightened market policies.

Operation of chain pharmacies

The Group has been operating chain pharmacies in Guangdong province under the brand “Zeus (中智)” for the sale of pharmaceutical products since 2001. As at 31 December 2025, the Group has 381 self-operated chain pharmacies in Guangdong province (2024: 403), of which 381 are medical insurance designated pharmacies (醫保定點藥店).

Segment revenue of the operation of chain pharmacies decreased by approximately 10.4% to approximately RMB528.8 million for the year ended 31 December 2025 (2024: RMB590.5 million) and accounted for 30.4% of the total revenue during the year (2024: 26.7%), which was mainly attributable to the pharmaceutical retail terminal facing competitive stress from many aspects, leading to a decrease in footfall.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year was RMB945.9 million, representing an decrease of RMB342.5 million or 26.6% as compared with RMB1,288.4 million for the year ended 31 December 2024. The analysis of gross profit by segment is as below:

	Gross profit for the year ended 31 December			Gross profit margin for the year ended 31 December		
	2025 RMB'000	2024 RMB'000	Change (%)	2025 (%)	2024 (%)	Change (%)
Pharmaceutical manufacturing	762,355	1,076,059	-29.2	63.1	66.2	-3.1
Operation of chain pharmacies	183,533	212,348	-13.6	34.7	36.0	-1.3
	945,888	1,288,407	-26.6	54.4	58.2	-3.8

Pharmaceutical manufacturing

The gross profit of pharmaceutical manufacturing segment decreased by approximately 29.2% to RMB762.4 million for the year ended 31 December 2025 (2024: RMB1,076.1 million). The gross profit margin of pharmaceutical manufacturing segment decreased to 63.1% for the year ended 31 December 2025 (2024: 66.2%). The decrease in gross profit margin was mainly due to the change in the structure of product mix.

Operation of chain pharmacies

The gross profit of chain pharmacies segment decreased by approximately 13.6% to RMB183.5 million for the year ended 31 December 2025 (2024: RMB212.3 million). The gross profit margin of the chain pharmacies segment decreased to 34.7% for the year ended 31 December 2025 (2024: 36.0%). The decrease in gross profit margin was mainly due to the changes in behaviours of customers at retail terminal and changes in the structure of products.

Other Income and Gains

Other income and gains mainly comprise of bank interest income, rental income and government grants. For the year ended 31 December 2025, other income and gains of the Group were approximately RMB28.5 million (2024: RMB38.5 million), representing an decrease of approximately RMB10.0 million as compared to the previous year, which was mainly attributable to the decrease in government grants income and the decrease in fair value gains.

Selling and Distribution Expenses

Selling and distribution expenses mainly consists of staff costs, promotional costs and amortization of right-of-use assets of the Group. For the year ended 31 December 2025, selling and distribution expenses amounted to approximately RMB793.6 million (2024: RMB988.7 million), representing an decrease of approximately 19.7% as compared to previous year. The selling and distribution expenses ratio against revenue increased to 45.7% for the year ended 31 December 2025 (2024: 44.6%), which is mainly due to the increase in investment costs through online channels and offline advertising expenses.

Administrative Expenses

Administrative expenses mainly consists of salaries and benefits of the administrative and management staff, amortization of right-of-use assets and professional services. For the year ended 31 December 2025, administrative expenses amounted to approximately RMB100.2 million (2024: RMB105.7 million), which basically remained stable compared to the previous year.

Other Expenses

Other expenses mainly represent research and development expenses. The research and development expenses mainly consist of various expenses incurred in the course of research and development of products, technologies, materials, crafts and standards. For the year ended 31 December 2025, research and development expenses amounted to approximately RMB41.5 million (2024: RMB57.0 million), representing an decrease of approximately 27.2% compared to that for the same period of previous year.

Finance Costs

Finance costs consist of interest on bank borrowings and interest on lease liabilities, which amounted to RMB5.4 million for the year ended 31 December 2025 (2024: RMB7.0 million), which was mainly due to the decrease in financing interests.

Income Tax Expense

Income tax expense amounted to RMB1.3 million for the year ended 31 December 2025 (2024: RMB50.8 million).

Profit attributable to owners of the parent

As a result of the factors discussed above, profit attributable to owners of the parent decreased by 81.8% to RMB17.3 million for the year ended 31 December 2025 (2024: RMB95.2 million). The Group's net profit margin amounted to 1.0% for the year ended 31 December 2025 (2024: 4.3%).

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The Group had net current assets of approximately RMB373.8 million as at 31 December 2025 (31 December 2024: RMB282.6 million). The Group's cash and bank balances increased from RMB167.1 million as at 31 December 2024 to RMB174.4 million (which consisted of cash and bank balances of RMB158.3 million and HK\$16.1 million denominated in RMB and HKD respectively) as at 31 December 2025. The current ratio of the Group was 1.6 for the year ended 31 December 2025 (31 December 2024: 1.4).

The equity attributable to shareholders of the Company as at 31 December 2025 amounted to approximately RMB1,099.8 million (31 December 2024: RMB1,121.5 million). The Group had outstanding unsecured borrowings of RMB48.1 million and HK\$0 million at a fixed interest rate as at 31 December 2025 (2024: RMB47.8 million and HK\$39.8 million).

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

As at 31 December 2025, the Group had available unutilized banking facilities of RMB440.4 million (31 December 2024: RMB174.2 million) and HK\$40.0 million (31 December 2024: HK\$0.2 million).

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

Financing

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

CAPITAL STRUCTURE

The shares of the Company (the "Share(s)") were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 July 2015. The capital of the Company comprises ordinary Shares and other reserves. As at 31 December 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 for the year of 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.

EMPLOYEES AND EMOLUMENTS POLICY

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

As at 31 December 2025, the Group had 2,284 employees (2024: 2,577) with a total remuneration of RMB292.1 million during the Reporting Period (2024: RMB331.9 million) (including wages and salaries, pension scheme contributions, staff welfare expenses, equity-settled share award expenses and others). The salaries of the employees are determined with reference to individual performance, work experience, qualification and current industry practices.

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

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

The Group's contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2024 and 31 December 2025, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2024 and 31 December 2025.

For each of the two years ended 31 December 2024 and 31 December 2025, the Group did not have any defined benefit plan.

SIGNIFICANT INVESTMENTS

Discloseable Transaction – Construction Contract

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

On 31 December 2025, the above Hengsheng Factory was transferred to fixed assets in May 2025 with a carrying value of approximately RMB138.0 million, which equals to their fair values, accounting for approximately 7.5% of the total assets of the Company. There was no realised or unrealised gains or losses during the Reporting Period.

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EVENT AFTER THE REPORTING PERIOD

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

CAPITAL COMMITMENT

As at 31 December 2025, the Group's capital commitment amounted to RMB7.6 million (2024: RMB18.0 million). The capital commitment is mainly related to purchasing of production equipment for the new factory of Zhongshan Honeson.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 December 2025 (2024: nil).

CORPORATE GOVERNANCE PRACTICES

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

AUDIT COMMITTEE

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

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

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Ernst & Young in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor on the preliminary announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the year ended 31 December 2025.

DIVIDEND

The Board does not recommend the payment of final dividend (2024: HK5 cents) for the year ended 31 December 2025.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 7 May 2026 to Wednesday, 13 May 2026, both days inclusive, during which period no transfers of shares shall be effected. The record date will be Wednesday, 13 May 2026. In order to qualify for attending and voting at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 6 May 2026.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.zeus.cn>). The annual report of the Company for the year ended 31 December 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 March 2026

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 Shang Heng and Mr. Zhou Dai Han.