



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

INTERIM REPORT **2024**

**LEADING**  
MODERN CHINESE MEDICINE  
**PROMOTING**  
HEALTH INDUSTRY



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Li Zhenjiang (*Chairman*)

Ms. Xin Yunxia

Mr. Li Huimin

### Independent Non-executive Directors

Mr. Liu Shun Fai

Mr. Yew Yat On

Ms. Wang Guihua

### Non-executive Director

Mr. Zhou Wencheng

## BOARD COMMITTEES

### Audit Committee

Mr. Liu Shun Fai (*Committee Chairman*)

Mr. Yew Yat On

Ms. Wang Guihua

### Remuneration Committee

Ms. Wang Guihua (*Committee Chairman*)

Ms. Xin Yunxia

Mr. Liu Shun Fai

### Nomination Committee

Mr. Li Zhenjiang (*Committee Chairman*)

Mr. Liu Shun Fai

Mr. Yew Yat On

## Corporate Social Responsibility and Sustainability Committee

Mr. Liu Shun Fai (*Committee Chairman*)

Ms. Xin Yunxia

Mr. Yew Yat On

Ms. Wang Guihua

## AUTHORIZED REPRESENTATIVES

Mr. Li Huimin

Mr. Lee Bun Ching, Terence

## COMPANY SECRETARY

Mr. Lee Bun Ching, Terence

## AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

## REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman KY1-1111

Cayman Islands

# CORPORATE INFORMATION

## HEAD OFFICE

Luan Cheng, Shijiazhuang  
Hebei Province, The People's Republic of China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3109, 31/F, Central Plaza  
18 Harbour Road, Wanchai, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3,  
Building D, P.O. Box 1586,  
Gardenia Court, Camana Bay,  
Grand Cayman, KY1-1100, Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited  
The Hongkong and Shanghai Banking Corporation Limited  
The Bank of East Asia, Limited  
Bank of China, Jin Zhu Xi Lu Branch Lhasa, Xizang  
China Construction Bank, Luan Cheng Branch,  
Shijiazhuang, Hebei Province

## LEGAL ADVISERS

*As to Hong Kong Law*  
Woo Kwan Lee & Lo

*As to Cayman Islands Law*  
Conyers Dill & Pearman, Cayman

## STOCK CODE

2877 (Main Board of  
The Stock Exchange of Hong Kong Limited)

## WEBSITES

[www.shineway.com.hk](http://www.shineway.com.hk)  
[www.shineway.com](http://www.shineway.com)

# INTERIM RESULTS HIGHLIGHTS

For the six months ended 30 June 2024 (the “Period”), the operating results of the Group were as follows:

- Turnover amounted to RMB2,086,695,000, a decrease of 13.0% as compared to the corresponding period of last year;
- Gross profit margin was 75.3% as compared to 75.2% of the corresponding period of last year;
- Profit for the Period amounted to RMB626,479,000, an increase of 27.5% as compared to the corresponding period of last year;
- Earnings per share amounted to RMB83 cents, an increase of 27.7% as compared to the corresponding period of last year;
- Net cash from operating activities was RMB564,116,000, an increase of 75.5% as compared to the corresponding period of last year;
- Declared 2024 second interim dividend of RMB11 cents per share;
- Net assets per share amounted to RMB8.87 (equivalent to HKD9.49); and
- Net cash per share amounted to RMB7.14 (equivalent to HKD7.64).

# COMPANY OVERVIEW

China Shineway Pharmaceutical Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in research and development, production and sales of modern Chinese medicines mainly in injections, soft capsules, granules formats and traditional Chinese medicine (“TCM”) formula granules. The Group’s products are primarily being sold in the People’s Republic of China (“PRC”) market.

During the first six months of 2024, the Group’s prescription and over-the-counter (“OTC”) medications accounted for approximately 88.9% and 11.1% of the Group’s turnover respectively. These medications are mainly categorized by curative effects into eight categories including cardiovascular and cerebrovascular medications, medications for respiratory system, medications for digestive system, pediatric medications, orthopedic medications, medications for strengthening the body, medications for the nervous system and gynecological medications.

The Group’s key products are as follows:

- Qing Kai Ling Injection: a widely used anti-viral medicine for treatment of viral diseases, including respiratory tract infection, viral hepatitis, cerebral haemorrhage and cerebral thrombosis, etc.
- Shu Xue Ning Injection: for treatment of cardio-cerebrovascular diseases
- Shen Mai Injection: for treatment of coronary heart disease, viral myocarditis and pulmonary heart disease
- Wu Fu Xin Nao Qing Soft Capsule: for prevention and treatment of coronary heart disease and cerebral arteriosclerosis
- Traditional Chinese medicine (TCM) formula granules
- Huo Xiang Zheng Qi Soft Capsule: for prevention and treatment of heat stroke, stomachache, nausea and diarrhoea, acclimatization sickness
- Pediatric Qing Fei Hua Tan Granule: for treatment of respiratory diseases in children
- Huamoyan Granule: for treatment of both acute and chronic synovitis and treatment after joint surgery
- Qing Kai Ling Soft Capsule: for treatment of high fever, viral influenza and respiratory tract infection

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS OVERVIEW

For the six months ended 30 June 2024 (the “Period”), the Group’s overall sales decreased by 13.0% to RMB2,086,695,000 as compared to the same period last year. Nonetheless, due to the increase of other income as well as the decrease of selling and distribution costs resulting from the Group’s efforts to control costs and strengthen efficiency, the Group’s net profit for the Period had risen by 27.5% to RMB626,479,000. Earnings per share also increased by 27.7% to RMB83 cents as compared to the same period last year.

The Group’s overall sales saw a negative growth during the Period. The main reason was attributable to a high comparable base originated from record high sales performance for various products in the first half of last year as a result of strong demand for medicines after the epidemic was brought under control and the active replenishment of inventories by medical institutions and retail pharmacies at that time. While comparing this high base with the weak current market demand and impact of centralised procurements of TCM products, the Group’s sales during the Period showed a decline.

On top of the increase in other income, the rise in net profit as compared to the same period last year was mainly attributable to the enhancement in net profit margin. During the Period, the Group made efforts to control costs and strengthen efficiency. Gross profit margin edged up slightly from 75.2% to 75.3%, and at the same time, selling and distribution costs decreased by approximately 20.3% as compared to the same period last year, resulting in an increase in net profit margin from 20.5% to 30.0%.

During the Period, the Group generated net cash from operating activities of RMB564,116,000, representing an increase of 75.5%. Capital expenditures including those for construction of factories and production lines as well as purchasing of equipment totalled approximately RMB74,498,000. As such, the Group’s free cash flow for the first half of 2024 amounted to approximately RMB489,618,000, which was equivalent to RMB0.59 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 2024 amounting to RMB11 cents per share. Together with the first interim dividend of 2024 (in lieu of the final dividend) amounting to RMB43 cents per share paid in May 2024, the total dividends paid to shareholders during the twelve months ending 31 December 2024 amounted to RMB54 cents per share.

As of 30 June 2024, the Group had bank balances and cash totalling RMB6,234,974,000 and bank borrowing totalling RMB330,000,000. The Group’s net cash per share amounted to HKD7.64, and net assets per share amounted to HKD9.49 based on the total issued shares of 827,000,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SALES OVERVIEW (BY DOSAGE FORM)

The Ministry of Finance of the PRC's recent announcement on the country's fiscal income and expenditures for the first half of 2024 showed that spendings on healthcare had decreased by 12.1% as compared to the same period last year. Meanwhile, sales of most of the Group's dosage forms had also encountered a decline during the Period. The table below illustrates the sales of each dosage form for the first half of 2024 as compared to the same period last year:

<i>RMB'000</i>	Sales First six months of 2023	Sales First six months of 2024	Period-on-period growth rate	Percentage of sales
Injection products	957,253	<b>779,238</b>	-18.6%	37.3%
Soft capsule products	352,066	<b>288,759</b>	-18.0%	13.8%
Granule products	331,191	<b>345,074</b>	4.2%	16.5%
TCM formula granules	628,658	<b>554,726</b>	-11.8%	26.6%
Other product formats	129,512	<b>118,898</b>	-8.2%	5.8%
Oral products	1,441,427	<b>1,307,457</b>	-9.3%	62.7%
Total sales	2,398,680	<b>2,086,695</b>	-13.0%	100.0%

The Group continued to focus on oral products as our key development strategy. In the first six months of 2024, oral products accounted for 62.7% of total sales, while injection products accounted for 37.3% of total sales.

Total sales of injection products decreased by 18.6% as compared to the same period last year, which was mainly due to the high comparable base of Qing Kai Ling Injection in the same period last year and the impact of centralized procurement of multiple injection products such as Guan Xin Ning Injection and Xiang Dan Injection by the National Procurement Alliance of Proprietary Chinese Medicine since the end of last year.

Total sales of soft capsule products decreased by 18.0% as compared to the same period last year, which was mainly due to the high comparable base of Qing Kai Ling Soft Capsule and Huo Xiang Zheng Qi Soft Capsule in the same period last year.

Total sales of granule products increased by 4.2% as compared to the same period last year, which was mainly due to the growth of the Group's exclusive oral products such as Huamoyan Capsule and Shu Jin Tong Luo Granule.

Sales of TCM formula granules decreased by 11.8% as compared to the same period last year, which was mainly due to the decline in sales of such products to grass-root medical institutions and hospitals in other provinces during the Period.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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, and medical institutions at all levels are required to follow the “1+X” protocol with essential drugs as the lead.

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.

During the Period, the overall sales of the Group’s regularly-manufactured medications listed on the National Essential Drugs List had decreased by 9.5% to RMB840,358,000, which accounted for 40.3% of the Group’s overall sales.

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 2024, the sales of the Group’s prescription and over-the-counter medications (“OTC medications”) accounted for approximately 88.9% and 11.1% of the Group’s total sales respectively. During the Period, the overall sales of prescription medications decreased by 9.9% as compared to the same period last year while the OTC medications recorded a 32.0% decline. The table below analyzes of the Group’s sales by medicine category and curative effect:

<i>RMB'000</i>	Sales First six months of 2023	Sales First six months of 2024	Period-on-period growth rate	Percentage of sales
TCM formula granules	628,658	<b>554,726</b>	-11.8%	26.6%
Respiratory system prescription medications	512,898	<b>504,343</b>	-1.7%	24.2%
Cardio-cerebrovascular injection prescription medications	498,150	<b>345,926</b>	-30.6%	16.6%
Exclusive oral prescription medications	229,793	<b>257,390</b>	12.0%	12.3%
Other prescription medications	187,350	<b>191,784</b>	2.4%	9.2%
Prescription medications	2,056,849	<b>1,854,169</b>	-9.9%	88.9%
OTC medications	341,831	<b>232,526</b>	-32.0%	11.1%
Total sales	2,398,680	<b>2,086,695</b>	-13.0%	100.0%

# MANAGEMENT DISCUSSION AND ANALYSIS

## TCM FORMULA GRANULES

The sales of the Group's TCM formula granules decreased by 11.8% to RMB554,726,000 during the Period, accounting for 26.6% 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 90.4% of the total sales of TCM formula granules, whereas hospitals in other provinces accounted for 0.9%. 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 8.7% of the total sales of TCM formula granules.

During the Period, the decrease in sales of TCM formula granules of the Group was mainly attributable to the negative growth in the sales of grass-root medical institutions as compared with the high comparable base in the same period last year, as well as the impact of remediation work in the pharmaceutical industry, and the centralized procurement of TCM formula granules by an inter-provincial alliance consisting of fifteen provincial units last year, which led to the slowdown of the Group's development of hospitals in other provinces and a slow progress in entering the national market for TCM formula granules.

In the second half of 2024, the Group's TCM formula granules business unit will strengthen the deployment of resources for provinces associated with the inter-provincial alliance, and patiently wait for suitable business environment and opportunity to cultivate hospitals in Beijing, Tianjin, Anhui, Shandong and the grass-root market across the country.

The Group's production capacity of TCM formula granules has reached an annual production value of RMB5 billion. The Group will continue to plan its production capacity expansion in accordance with the forthcoming market development status.

## RESPIRATORY SYSTEM PRESCRIPTION MEDICATIONS

The Group's respiratory system prescription medications recorded total sales of RMB504,343,000, decreasing by 1.7% over the same period last year and accounting for 24.2% of the overall sales of the Group. Among them, the sales of Qing Kai Ling Injection decreased by 8.6% to RMB366,322,000 during the Period, accounting for 17.6% of the overall sales of the Group.

As of the first half of 2024, data showed that the infection rate of influenza virus detection in the country had declined in both southern and northern provinces, while the activity of influenza virus was relatively low. Meanwhile, after the pandemic was brought under control, people and medical institutions procured a large number of influenza medications for stockpiles at the beginning of last year, resulting in a high comparable base that led to a slowdown in the sales of respiratory system medications in the first half of 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

Respiratory system diseases are common and prevalent diseases with relatively high morbidity and mortality rates, placing them among the major diseases. Accordingly, market demand for respiratory system proprietary Chinese medicine has been growing steadily. The market potential of respiratory system proprietary Chinese medicine has been bolstered by people's growing emphasis on health and the enhancement of the unique advantages of proprietary Chinese medicine in the treatment of respiratory system diseases. The national "14th Five-Year Plan" emphasizes the further development of TCM's roles in the prevention and treatment of infectious diseases and the response to public health emergencies, which has provided a strong support for the development of the market for respiratory system proprietary Chinese medicine. Relevant data shows that the market size of respiratory system proprietary Chinese medicine is continuously expanding, showcasing broad market prospects.

The Group has a rich product line for respiratory system diseases, covering a variety of therapeutic areas. Our products such as Qing Kai Ling Injection have good effects in the treatment of respiratory diseases, which are widely recognized by doctors and patients. 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 first 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 30.6% decrease in sales of a series of prescriptive injections for treating cardio-cerebrovascular diseases to RMB345,926,000, which approximated to 16.6% of the overall sales of the Group.

Among them, sales of Shen Mai Injection increased by 2.3% to RMB113,662,000, while sales of Shu Xue Ning Injection decreased by 2.9% to RMB91,780,000.

The decline in sales was comparatively higher for Guan Xin Ning Injection, Xiang Dan Injection and Huang Qi Injection. During the Period, their sales had decreased by 63.2%, 54.2% and 37.8% to RMB74,863,000, RMB13,899,000 and RMB12,985,000, respectively.

The Group's Qing Kai Ling Injection, Shen Mai Injection, Shu Xue Ning Injection, Guan Xin Ning Injection and Xiang Dan Injection won the bids of national and provincial centralized TCM procurement tenders respectively in recent years. As such, the "Centralized Procurement by the National Procurement Alliance of Proprietary Chinese Medicine" for Guan Xin Ning Injection and Xiang Dan Injection was carried out during the Period. The Group's production and sales strategies were then optimized to adapt the related changes of this market environment and the adjusted supply chain, leading to a drop in sales during the process.

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. Along with the support and promotion of TCM policy from the country, the National Healthcare Security Administration has been gradually lifting the medical insurance reimbursement restrictions on Chinese medicine injections, resulting in steady development in the usage of Chinese medicine injections in medical institutions.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EXCLUSIVE ORAL PRESCRIPTION MEDICATIONS

In the first six months of the year, most of the Group's products experienced negative growth. But the Group's exclusive oral prescription medications maintained their growth momentum in sales. Among them, sales of Huamoyan Granule, Qi Huang Tong Mi Soft Capsule, Jiang Zhi Tong Luo Soft Capsule, and Dan Deng Tong Nao Soft Capsule for the Period increased by 11.6%, 4.0%, 17.9% and 38.5% to RMB142,247,000, RMB39,542,000, RMB26,122,000 and RMB21,566,000 respectively as compared to the same period last year.

The Group has all along gained market reputation for its high-quality products and excellent services. The Group's exclusive oral products are recognized by doctors and patients for their clinical efficacy. Among them, Huamoyan Granule, as an innovative Chinese Medicine for treating knee joint synovitis, has been widely recognized for its efficacy. Its renown in the market impels a strong competitive edge of the Group's exclusive oral products. Likewise, Qi Huang Tong Mi Soft Capsule is the only next-generation modern Chinese medicine on the market for treating functional constipation in the elderly that is laxative without causing diarrhea, while also being continuously effective. Jiang Zhi Tong Luo Soft Capsule is the only lipid-regulating medication with a hepato-protective effect and can effectively and safely treat hyperlipidemia.

The Group will continue to actively strengthen evidence-based medical research, and expand the sales of the Group's exclusive oral products through boosting end customer engagement and academic promotion.

## OTC MEDICATIONS

The Group has a number of well-received OTC medications with high growth potential, 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 2024, the overall sales of OTC medications decreased by 32.0% period-on-period, of which sales of Huo Xiang Zheng Qi Soft Capsule and Qing Kai Ling Soft Capsule decreased by 40.6% and 25.8% 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 36.1% 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 in the first half of 2023 after the pandemic had been brought under control, resulting in a decrease in the sales of the Group's OTC medications in the first half of 2024 as compared with the high comparable base in the same period last year.

During the Period, the Group signed a strategic cooperation agreement with Baidu and Panguweb to jointly promote the development of the Group's OTC medications. Baidu has strong technical strengths, expertise, and resources in the field of medicine and health which will contribute to the rapid online marketing of Shineway's products as well as nationwide enhancement of its brand influence and the establishment of a new medical and healthcare ecosystem, thereby strengthening its competitiveness in the market. Panguweb, a professional intelligent marketing service provider acting as authorised marketing service centre under Baidu in Hebei, Liaoning and Jilin, provides the Group with intelligent and integrated marketing services based on Baidu's digital system, and precisely promotes intelligent marketing of OTC medications relying on Baidu's AI big data technology. Through digital marketing cooperation with Baidu, the Group can now make its high-quality OTC medications more accessible to people.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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. Their last patients concluded their treatments during the Period. 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 2.1% 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.

## 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. Classical prescriptions are TCM compound formulas originated from ancient classical prescriptions as recorded in ancient medical books, which are still broadly used nowadays with distinct efficacy. The Group is now modernizing such classical prescriptions through standardized and regulated research and development procedures with an aim to making them more acceptable and easier to use by people upon launching to market.

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. Preparations for Phase 2 clinical trials of "Yi Gong San Granules", a Class 1.1 new TCM independently developed by the Group, have commenced, and the target is to arrange qualified patients to be enrolled by the end of the year. "Yi Gong San Granules" which originate from the classical prescription of the Song Dynasty, has been used in clinical application for more than 900 years to treat anemia of chronic diseases. At present, there is no specific Chinese patent medicine for treating anemia of chronic disease on the market. Studies have demonstrated the clinical efficacy of "Yi Gong San Granules" in the treatment of anemia of chronic disease, especially in cases where EPO therapy with erythropoietin is ineffective on the patient.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## NATIONAL POLICIES SUPPORTING TCM

In June 2024, the government issued “*The Key Tasks for Deepening the Reform of the Medical and Healthcare System in 2024*”, which clearly outlines key tasks for promoting the inheritance and innovation of TCM. These key tasks include advancing the construction of national TCM inheritance and innovation centers and flagship hospitals for integrated Chinese and Western medicine; supporting leading enterprises in the TCM industry to establish full industry chain layouts; accelerating the construction of a full industry chain traceability system for TCM; improving the evidence system for TCM evaluation; speeding up the evaluation and approval of compound TCM preparations based on ancient classical prescriptions; and promoting the transformation of TCM preparations in medical institutions into new drugs. The implementation of these policies will help enhancing the overall level and competitiveness of the TCM industry and promote high-quality development in the TCM sector.

The ongoing support from national policies provides strong backing for the development of the Chinese medicine. Meanwhile, the TCM industry is also growing continuously through innovation and refinement, with more high-quality, safe, and effective TCM products offered to patients.

## FINANCIAL ANALYSIS

### Turnover

For the first six months of 2024, the Group continued to produce modern Chinese medicine products of good efficacy and high quality. The Group’s turnover decreased by 13.0% as compared to the corresponding period of last year. Sales of our injection products decreased by 18.6% to RMB779,238,000, accounting for 37.3% of the Group’s total turnover. Sales of soft capsule products decreased by 18.0% to RMB288,759,000, accounting for 13.8% of the Group’s total turnover. Sales of granule products increased by 4.2% to RMB345,074,000, accounting for 16.5% of the Group’s total turnover. Sales of TCM formula granules decreased by 11.8% to RMB554,726,000, accounting for 26.6% of the Group’s total turnover. The Group also sold RMB118,898,000 of medicines in other product formats which accounted for 5.8% of the Group’s turnover.

Sales of prescription and OTC medications of the Group for the first six months of 2024 were RMB1,854,169,000 and RMB232,526,000 respectively, which were equal to 88.9% and 11.1% of the Group’s turnover respectively.

### Cost of Sales

Cost of sales of the Group for the first six months of 2024 was RMB514,511,000, representing 24.7% of the Group’s turnover. In particular, direct materials, direct labour and other production costs accounted for 67.0%, 16.0% and 17.0% of the total production costs respectively (for the corresponding period of 2023: 68.2%, 14.6% and 17.2%).

### Gross Profit Margin

For the first six months of 2024, average gross profit margin of the Group’s injection products, soft capsule products, granule products and TCM formula granule products were 76.0% (for the corresponding period of 2023: 77.2%), 77.8% (for the corresponding period of 2023: 75.9%), 78.6% (for the corresponding period of 2023: 77.8%) and 72.9% (for the corresponding period of 2023: 73.8%) respectively. Overall gross profit margin was 75.3% as compared to 75.2% of the corresponding period of last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Income

Other income mainly included enterprise development funds of RMB162,297,000 (for the corresponding period of 2023: RMB8,812,000). 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 RMB116,556,000 (for the corresponding period of 2023: RMB52,486,000) and interest income from investments in financial products of RMB4,617,000 (for the corresponding period of 2023: RMB4,123,000).

## Other Gains and Losses

Other gains and losses mainly comprised of net exchange gain. The Group recorded a net exchange gain of RMB19,118,000 (for the corresponding period of 2023: net exchange gain of RMB7,054,000) for the first six months of 2024, which was 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 2024, respective impairment of RMB4,788,000 (for the corresponding period of 2023: RMB5,105,000) and reversal of impairment of RMB502,000 (for the corresponding period of 2023: impairment of RMB1,131,000) 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 2024 decreased by 20.3% from the corresponding period of last year and were equal to 39.2% (for the corresponding period of 2023: 42.7%) of the Group's turnover. The decrease was mainly due to the fact that the Group strengthened its cost control policy, 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 2024, the Group's administrative expenses increased by approximately 4.9% as compared to the corresponding period of last year, representing approximately 7.0% (for the corresponding period of 2023: 5.8%) 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 2.4% and 1.1% (for the corresponding period of 2023: 2.1% and 1.1%) of the Group's turnover respectively.

## Research and Development Costs

During the first six months of 2024, research and development costs accounted for approximately 2.1% (for the corresponding period of 2023: 2.0%) of the Group's turnover.

## Taxation

Taxation for the first six months of 2024 amounted to RMB235,604,000 (for the corresponding period of 2023: RMB179,823,000). The effective tax rate increased from 26.8% in the corresponding period of last year to 27.3%. This was mainly due to the withholding tax related to dividend distributions of subsidiaries in the PRC during the Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit for the Period

The Group's net profit for the first six months of 2024 was RMB626,479,000, representing an increase of 27.5% as compared to the corresponding period of last year. The rise in profit was mainly attributable to the increased other income and investment income during the Period and the decrease in selling and distribution costs as compared to the same 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 2024, 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 2024), which will be paid on 27 September 2024 to the shareholders whose names appear on the Company's register of members on 13 September 2024.

The above interim dividend will be payable in cash in Hong Kong dollars and will be converted from Renminbi at the telegraphic transfer exchange rate (RMB1=HK\$1.090) quoted by bank at 10:00 a.m. on 29 August 2024. Accordingly, the amount payable on 27 September 2024 will be HK\$0.120 per share.

## Capital Structure

For the six months ended 30 June 2024, there was no change in the capital structure and issued share capital of the Group as compared to those on 31 December 2023.

## Liquidity and Financial Resources

As at 30 June 2024, bank balances and cash of the Group amounted to RMB6,234,974,000 (31 December 2023: bank balances and cash and structured deposits totaling RMB5,908,776,000), among which RMB5,044,366,000 (31 December 2023: RMB5,068,088,000) was denominated in Renminbi. Others being equivalent to RMB215,533,000, RMB971,340,000 and RMB3,735,000 (31 December 2023: RMB23,191,000, RMB813,868,000 and RMB3,629,000) were denominated in Hong Kong dollars, Australian dollars and United States dollars respectively.

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.

## Trade Receivables and Trade Receivables backed by Bank Bills

Trade receivables and trade receivables backed by bank bills as at 30 June 2024 increased by 10.9% and decreased by 8.8% respectively from 31 December 2023. Turnover days of trade receivables and trade receivables backed by bank bills were 69.7 days and 41.9 days respectively (for the corresponding period of 2023: 54.1 days and 28.4 days respectively).

## Inventories

Inventories balance as at 30 June 2024 decreased by 7.5% from 31 December 2023. By inventory categories, raw materials, work in progress and finished goods respectively accounted for 19.4%, 48.1% and 32.5% of inventories as at 30 June 2024 (31 December 2023: 18.9%, 49.4% and 31.7% respectively).

Turnover days of finished goods in the first six months of 2024 were 98.0 days (for the corresponding period of 2023: 73.2 days).



# MANAGEMENT DISCUSSION AND ANALYSIS

## Property, Plant and Equipment

In the first six months of 2024, the Group acquired leasehold land of RMB7,854,000, leased/owned properties of RMB3,932,000, leased/owned plant and machinery of RMB28,995,000, leased motor vehicles of RMB3,658,000, office equipment of RMB1,446,000 and the addition to construction in progress amounted to approximately RMB40,518,000 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 RMB169,378,000, RMB4,019,000, RMB3,048,000 and RMB7,040,000 as at 30 June 2024.

For the six months ended 30 June 2024, depreciation for property, plant and equipment amounted to RMB75,634,000 as compared to RMB77,208,000 during the corresponding period of last year.

## Intangible Assets

Intangible assets represent patents and production licenses with finite useful lives. During the period under review, the amortisation of intangible assets was approximately RMB5,044,000.

## Goodwill

Goodwill is comprised of the Group's acquisition of the remaining 20% equity interests in the share capital of Shineway Pharmaceutical Sales Company Limited in 2005, the acquisitions of 100% equity interests of Shineway Pharmaceutical (Zhangjiakou) Co., Ltd and Shineway Pharmaceutical (Sichuan) Company Limited in 2010, and the acquisitions of 100% equity interest of Shineway Pharmaceutical Group (Shandong) Company Limited, Yunnan Shineway Spirin Pharmaceutical Company Limited and Shineway Pharmaceutical (Kunming) Company Limited in 2014, 2015 and 2021 respectively.

## Trade Payables

During the period under review, turnover days of trade payables were 167.2 days (for the corresponding period of 2023: 105.8 days).

## Bank Borrowing

As at 30 June 2024, the Group had bank borrowing of RMB330,000,000 (31 December 2023: RMB300,000,000) with interest at Loan Prime Rate minus 200 basis point per annum and is repayable within one year. The proceeds were used to finance the Group's daily operations. As at 30 June 2024, the Group's gearing ratio based on interest bearing debt was 4.5% (31 December 2023: 4.3%).

## Employees

As at 30 June 2024, the Group has 3,232 employees (31 December 2023: 3,436 employees). Remuneration of the employees was determined and reviewed by the Group based on fair principles with reference to market conditions and individual performance. The Group also provided other benefits to its employees, including medical insurance and retirement benefits. The Group's employees in Hong Kong were also enrolled in the Mandatory Provident Fund Scheme.

## Exposure to Fluctuations in Exchange Rates

A majority of the Group's business transactions and liabilities are denominated in Renminbi and Hong Kong dollars. The Group adopts a conservative financial policy and most of its bank deposits are in Renminbi, Hong Kong dollars and Australian dollars. The Group's exchange gain in the first half of 2024 represented the net exchange gain arising from the change in exchange rate among Renminbi, Hong Kong dollars and Australian dollars. As at 30 June 2024, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose.

## Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2024 (31 December 2023: Nil).

# OTHER INFORMATION

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2024, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Name of relevant company	Capacity	Number of shares	Approximate percentage of shareholding in the Company
Li Zhenjiang	Company	Founder of discretionary trust (Note)	546,802,990	66.12%
Li Huimin	Company	Beneficial owner	1,020,000	0.12%
Xin Yunxia	Company	Beneficial owner	540,000	0.07%

Note: These 546,802,990 shares of the Company ("Shares") are held by Forway Investment Limited ("Forway"). Forway is owned as to 100% by BH Corporate Services Ltd, a trust company, in its capacity as the trustee of The Li Family 2004 Trust. The Li Family 2004 Trust is a discretionary trust, the founder (as defined in the SFO) of which is Mr. Li Zhenjiang and the discretionary objects of which are family members of Mr. Li Zhenjiang (excluding Mr. Li Zhenjiang himself). Accordingly, Mr. Li Zhenjiang is deemed to be interested in the 546,802,990 Shares under the SFO.

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executives of the Company or their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Share Option Scheme" and "Employees' Share Award Scheme" below, at no time during the Period was or were the Company, its holding companies, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# OTHER INFORMATION

## SUBSTANTIAL SHAREHOLDERS

### Interest in the Company

As at 30 June 2024, interests of every person (other than a Director or chief executive of the Company as disclosed in the section “Directors’ and Chief Executives’ Interests in Shares” above) in the shares and underlying shares in the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of shares	Approximate percentage of shareholding in the Company
Forway (Notes 1 and 2)	Beneficial owner	546,802,990	66.12%
BH Corporate Services Ltd (Notes 1 and 2)	Trustee of discretionary trust	546,802,990	66.12%

Notes:

(1) Interests of Forway and BH Corporate Services Ltd in the Shares were duplicated.

(2) The entire issued share capital of Forway is owned by BH Corporate Services Ltd in its capacity as the trustee of The Li Family 2004 Trust, a discretionary trust, the founder (as defined in the SFO) of which is Mr. Li Zhenjiang and the discretionary objects of which are family members of Mr. Li Zhenjiang (excluding Mr. Li Zhenjiang himself).

Save as disclosed above, as at 30 June 2024, the Company had not been notified by any persons who (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 29 May 2015 (the “2015 Scheme”). The purpose of the 2015 Scheme is to provide the Company with a flexible means of incentivizing, rewarding, remunerating, compensating and/or providing benefits to the participants, and for such other purposes as the Board may approve from time to time. There are no outstanding options under the 2015 scheme at the beginning and the end of the Period. No option was granted, exercised, cancelled or lapsed under the 2015 Scheme during the Period. The 2015 scheme has a life of 10 years and will expire on 28 May 2025.

The maximum number of shares in respect of which options may be granted under the 2015 Scheme and any other share option schemes of the Company shall not in aggregate exceed 82,700,000 shares representing 10% of the shares in issue of the Company as at 29 May 2015 (being the date of the extraordinary general meeting approving the 2015 Scheme) and as at the date of this report. The number of options available for grant under the scheme mandate at the beginning and the end of the Period is 82,700,000 shares.

# OTHER INFORMATION

## **EMPLOYEES' 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 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 (which is also equal to the issued share capital of the Company as at the date of this report).

During the six months ended 30 June 2024 and 30 June 2023, there were no disposal or purchase of shares by the trustee. At the end of the reporting period, there are 71,600,000 shares held by the trustee. No shares were granted to eligible employees pursuant to the Scheme since its adoption.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the six months ended 30 June 2024, 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 2024, 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.

# OTHER INFORMATION

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted 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 2024.

## **CHANGES IN DIRECTOR'S INFORMATION**

During the six months ended 30 June 2024, there were no issues related to the directors of the Company that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **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 2024.

## **CLOSURE OF SHARE TRANSFER REGISTRATION**

The register of members of the Company will be closed from 12 September 2024 to 13 September 2024 (both days inclusive). In order to qualify for the second interim dividend for the fiscal year 2024, 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 11 September 2024.

By order of the Board

**China Shineway Pharmaceutical Group Limited**

**Li Huimin**

*Director*

Hong Kong, 29 August 2024

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte

# 德勤

**TO THE BOARD OF DIRECTORS OF  
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)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Shineway Pharmaceutical Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 22 to 36, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

29 August 2024

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	NOTES	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3	<b>2,086,695</b>	2,398,680
Cost of sales		<b>(514,511)</b>	(594,723)
Gross profit		<b>1,572,184</b>	1,803,957
Other income		<b>168,985</b>	22,177
Investment income	4	<b>121,173</b>	56,609
Other gains and losses		<b>14,206</b>	6,668
Impairment losses on financial assets under expected credit loss model, net of reversal	12	<b>(4,286)</b>	(6,236)
Selling and distribution costs		<b>(817,369)</b>	(1,025,150)
Administrative expenses		<b>(145,212)</b>	(138,368)
Research and development costs		<b>(44,746)</b>	(48,198)
Finance costs		<b>(2,852)</b>	(171)
Profit before taxation		<b>862,083</b>	671,288
Taxation	5	<b>(235,604)</b>	(179,823)
Profit and total comprehensive income for the period	6	<b>626,479</b>	491,465
Earnings per share	8		
Basic		<b>RMB83 cents</b>	RMB65 cents
Diluted		<b>RMB83 cents</b>	RMB65 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024



	NOTES	30.6.2024 RMB'000 (Unaudited)	31.12.2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	1,213,205	1,205,287
Intangible assets		27,746	32,790
Goodwill	10	165,956	165,956
Deferred tax assets		12,395	15,230
		<b>1,419,302</b>	1,419,263
Current assets			
Inventories		830,292	897,709
Trade receivables	11	840,813	758,205
Trade receivables backed by bank bills	11	457,950	502,162
Prepayments, deposits and other receivables		101,025	87,878
Structured deposits		–	20,000
Bank balances and cash		6,234,974	5,888,776
		<b>8,465,054</b>	8,154,730
Current liabilities			
Trade payables	13	460,685	484,791
Other payables and accrued expenses		1,432,205	1,400,857
Bank borrowing	14	330,000	300,000
Contract liabilities		45,387	51,560
Lease liabilities		8,679	971
Amounts due to related companies		13,784	13,784
Deferred income		75,857	75,842
Tax payable		68,297	105,913
		<b>2,434,894</b>	2,433,718
Net current assets		<b>6,030,160</b>	5,721,012
Total assets less current liabilities		<b>7,449,462</b>	7,140,275



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	<i>NOTE</i>	<b>30.6.2024</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2023 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		<b>12,377</b>	355
Deferred tax liabilities		<b>15,249</b>	16,264
Deferred income		<b>85,411</b>	88,888
		<b>113,037</b>	105,507
Net assets		<b>7,336,425</b>	7,034,768
Capital and reserves			
Share capital	15	<b>87,662</b>	87,662
Reserves		<b>7,248,763</b>	6,947,106
Total equity		<b>7,336,425</b>	7,034,768

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Share capital	Share premium	Merger reserve	Statutory surplus reserve fund	Discretionary surplus reserve fund	Share options reserve	Shares held for share award scheme	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note a)	(Note b)	(Note b)				
At 1 January 2024 (audited)	87,662	422,140	83,758	538,815	154,760	-	(578,649)	6,326,282	7,034,768
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	626,479	626,479
Transfers	-	-	-	(1,500)	-	-	-	1,500	-
Dividends paid (note 7)	-	-	-	-	-	-	-	(324,822)	(324,822)
At 30 June 2024 (unaudited)	87,662	422,140	83,758	537,315	154,760	-	(578,649)	6,629,439	7,336,425
At 1 January 2023 (audited)	87,662	422,140	83,758	495,614	154,760	-	(578,649)	5,717,241	6,382,526
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	491,465	491,465
Transfers	-	-	-	(14,925)	-	-	-	14,925	-
Dividends paid (note 7)	-	-	-	-	-	-	-	(234,174)	(234,174)
At 30 June 2023 (unaudited)	87,662	422,140	83,758	480,689	154,760	-	(578,649)	5,989,457	6,639,817

## Notes:

- (a) Merger reserve of China Shineway Pharmaceutical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") represents the difference between the net asset value of the subsidiaries and the nominal amount of the Company's shares which were issued as consideration for the subsidiaries at the time of the group reorganisation in preparation for the listing of the Company's shares.
- (b) Statutory surplus reserve fund and discretionary surplus reserve fund are appropriated each year by certain subsidiaries in the People's Republic of China (the "PRC") on the basis of 10% of the profit after taxation as determined by the board of directors of the relevant subsidiaries and at the rate decided by the shareholders annually in accordance with the Articles of Association ("Articles") of the relevant subsidiaries. According to the provision of the Articles, in normal circumstances, this reserve should only be used for making up losses, capitalisation into capital and expansion of production and operation.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash from operating activities	<b>564,116</b>	321,381
Investing activities		
Placement of financial products	<b>(250,000)</b>	(200,000)
Proceeds from redemption of financial products	<b>254,617</b>	204,123
Placement of structured deposits	<b>(500,000)</b>	–
Proceeds from redemption of structured deposits	<b>520,000</b>	20,230
Interest received	<b>126,645</b>	23,190
Purchase of property, plant and equipment	<b>(74,498)</b>	(49,149)
Purchase of land use right	<b>–</b>	(66,301)
Proceeds from disposal of property, plant and equipment	<b>2,595</b>	10,002
Government grants received	<b>232</b>	4,712
Net cash from (used in) investing activities	<b>79,591</b>	(53,193)
Financing activities		
New borrowings raised	<b>330,000</b>	300,000
Repayment of borrowing	<b>(300,000)</b>	–
Dividends paid	<b>(324,822)</b>	(234,174)
Interest paid	<b>(2,852)</b>	(171)
Repayment of lease liabilities	<b>(4,067)</b>	(3,175)
Net cash (used in) from financing activities	<b>(301,741)</b>	62,480
Net increase in cash and cash equivalents	<b>341,966</b>	330,668
Cash and cash equivalents at beginning of the period	<b>5,888,776</b>	5,026,265
Effect of exchange rate changes of cash and cash equivalents	<b>4,232</b>	7,643
Cash and cash equivalents at end of the period, representing bank balances and cash	<b>6,234,974</b>	5,364,576

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024



## 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 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

### **Application of amendments to International Financial Reporting Standards (“IFRS Standards”)**

In the current interim period, the Group has applied the following amendments to IFRS Standards 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 2024 for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the amendments to IFRS Standards 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Injections	779,238	957,253
Soft capsules	288,759	352,066
Granules	345,074	331,191
Traditional Chinese medicine formula granules	554,726	628,658
Others	118,898	129,512
	<b>2,086,695</b>	2,398,680

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

## 4. INVESTMENT INCOME

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on bank deposits	109,937	52,112
Interest on structured deposits (Note)	6,619	374
Investment income from financial products (Note)	4,617	4,123
	<b>121,173</b>	56,609

Note: The structured deposits and financial products are measured at fair value through profit or loss for both periods. The redemption amounts (including the return) of such products are linked to the performance of underlying debt instruments, equity instruments or foreign currencies. The investment income represents the difference between initial investment amounts and redemption amounts.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 5. TAXATION

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
PRC Enterprise Income Tax ("EIT"):		
Current tax	144,053	146,289
Underprovision (overprovision) in prior years	7,979	(4,153)
Withholding tax on distributed profits of subsidiaries operating in the PRC	81,752	32,077
	<b>233,784</b>	174,213
Deferred tax	1,820	5,610
	<b>235,604</b>	179,823

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 RMB3,788,190,000 (31 December 2023: RMB4,854,115,000) 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	5,044	8,894
Depreciation of property, plant and equipment	75,634	77,208
Enterprise development funds (included in other income) (Note)	(162,297)	(8,812)
Net exchange gain (included in other gains and losses)	(19,118)	(7,054)
Loss on disposal of property, plant and equipment (included in other gains and losses)	255	386

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 2024, enterprise development funds of (a) RMB158,603,000 (six months ended 30 June 2023: RMB5,405,000) 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) RMB3,694,000 (six months ended 30 June 2023: RMB3,407,000) represent recognition of deferred income upon completion of related research activities and development projects.

## 7. DIVIDENDS

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Dividends recognised as distribution during the periods:		
– 2024 first interim dividend of RMB43 cents per share	324,822	–
– 2023 first interim dividend of RMB31 cents per share	–	234,174
	324,822	234,174
Dividends declared subsequent to the reporting periods:		
– 2024 second interim dividend of RMB11 cents per share	83,094	–
– 2023 second interim dividend of RMB11 cents per share	–	83,094
	83,094	83,094

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024



## 7. DIVIDENDS (Cont'd)

The 2024 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 29 August 2024 and will be paid out on 27 September 2024, to the shareholders of the Company whose names appear on the register of the members of the Company on 13 September 2024. The aggregate amount of RMB83,094,000 (six months ended 30 June 2023: RMB83,094,000) has been calculated on the basis of 827,000,000 (2023: 827,000,000) shares in issue less 71,600,000 (2023: 71,600,000) shares held for share award scheme as at 30 June 2024.

## 8. 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share	<b>626,479</b>	491,465

	Six months ended 30 June	
	2024	2023
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	<b>755,400,000</b>	755,400,000

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group made additions to construction in progress of RMB40,518,000 (six months ended 30 June 2023: RMB10,523,000), and acquired other property, plant and equipment of RMB22,088,000 (six months ended 30 June 2023: RMB99,647,000). During the six months ended 30 June 2024, the Group also disposed of certain property, plant and equipment with carrying amount of RMB2,850,000 (six months ended 30 June 2023: RMB10,388,000) at net consideration of RMB2,595,000 (six months ended 30 June 2023: RMB10,002,000), resulting in a loss on disposal of RMB255,000 (six months ended 30 June 2023: RMB386,000).

During the current interim period, the Group entered into several lease agreements with lease terms of 3 years. On date of lease commencement, the Group recognised right-of-use assets of RMB23,797,000 and lease liabilities of RMB23,797,000.

## 10. GOODWILL

At 30 June 2024, the Group has goodwill with carrying amount of RMB165,956,000 (31 December 2023: RMB165,956,000) being allocated to one cash-generating unit of subsidiaries with principal activities of research and development, manufacturing and trading of pharmaceutical products.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 11. TRADE RECEIVABLES/TRADE RECEIVABLES BACKED BY BANK BILLS

	<b>30.6.2024</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2023 RMB'000 (Audited)
Trade receivables	<b>875,240</b>	787,844
Less: Allowance for expected credit loss ("ECL")	<b>(34,427)</b>	(29,639)
	<b>840,813</b>	758,205
Trade receivables backed by bank bills	<b>460,042</b>	504,756
Less: Allowance for ECL	<b>(2,092)</b>	(2,594)
	<b>457,950</b>	502,162
	<b>1,298,763</b>	1,260,367

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.

	<b>30.6.2024</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2023 RMB'000 (Audited)
Within 6 months	<b>1,038,283</b>	1,041,352
Over 6 months but less than 1 year	<b>175,510</b>	144,207
Over 1 year but less than 2 years	<b>73,458</b>	65,818
More than 2 years	<b>11,512</b>	8,990
	<b>1,298,763</b>	1,260,367

As at 30 June 2024, total bills received with carrying amount of RMB457,950,000 (31 December 2023: RMB502,162,000) 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 12. IMPAIRMENT LOSSES ON FINANCIAL ASSETS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Impairment losses recognised on trade receivables	4,788	5,105
Impairment losses (reversed) recognised on trade receivables backed by bank bills	(502)	1,131
	<b>4,286</b>	6,236

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 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

## 13. TRADE PAYABLES

	30.6.2024 RMB'000 (Unaudited)	31.12.2023 RMB'000 (Audited)
Trade payables	460,685	484,791

An aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30.6.2024 RMB'000 (Unaudited)	31.12.2023 RMB'000 (Audited)
Within 6 months	357,645	422,734
Over 6 months but less than 1 year	86,748	55,716
Over 1 year but less than 2 years	12,298	1,883
Over 2 years but less than 3 years	1,230	1,053
Over 3 years	2,764	3,405
	<b>460,685</b>	484,791

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

## 14. BANK BORROWING

During the six months ended 30 June 2024, the Group obtained new bank loans amounting to RMB330,000,000 (six months ended 30 June 2023: RMB300,000,000). The loans carry interest at Loan Prime Rate minus 200 basis point and are repayable within 1 year. The proceeds were used to finance the Group's daily operations.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 15. SHARE CAPITAL

	Number of shares '000	Amount '000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2023, 31 December 2023 and 30 June 2024	5,000,000	HK\$500,000
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 30 June 2024	827,000	HK\$82,700
		<b>RMB'000</b>
Shown in the financial statements as		87,662

There were no changes in the Company's authorised, issued and fully paid share capital during both periods.

## 16. 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. As at 30 June 2024, there is no outstanding share option under the share option scheme of the Company. During the period, no share options were granted under the share option scheme of the Company. Details are set out in the section "Other Information" in the 2024 interim report 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 16. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

### Share award scheme (Cont'd)

No shares were granted to eligible employees pursuant to the share award scheme. There were no disposal or purchase of shares by the trustee during the six months ended 30 June 2024 and 2023. At the end of the reporting period, there are 71,600,000 (31 December 2023: 71,600,000) shares held by the trustee.

## 17. 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	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Shineway Medical Science & Technology Co., Ltd. ("Shineway Medical")	Interest expenses on lease liabilities	412	105
	Service fee	5,916	5,525
	Hotel service fee	–	684
Shineway (Sanhe) Property Development Limited ("Shineway Sanhe")	Interest expenses on lease liabilities	68	25
	Service fee	1,353	1,354
Shijiazhuang Municipal Luancheng County Shineway Training School ("Shineway Training School")	Service fee	360	253

  

Name of related parties	Nature of balances	30.6.2024	
		RMB'000 (Unaudited)	31.12.2023 RMB'000 (Audited)
Shineway Medical	Lease liabilities	17,201	–
Shineway Sanhe	Lease liabilities	2,834	–

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 17. RELATED PARTY DISCLOSURES (Cont'd)

### 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:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Short-term benefits	<b>7,647</b>	6,421
Post-employment benefits	<b>17</b>	47
	<b>7,664</b>	6,468

## 18. CAPITAL COMMITMENTS

	<b>30.6.2024</b>	31.12.2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>214,139</b>	134,420