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KINGWORLD MEDICINES GROUP LIMITED

金活醫藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 01110)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

RESULTS HIGHLIGHTS

- Revenue increased by 12.6% to approximately RMB1,078,659,000 (2022: RMB957,701,000).
- Gross profit increased by 1.1% to approximately RMB280,665,000 (2022: RMB277,627,000).
- Gross profit margin decreased by 3.0 points to 26.0% (2022: 29.0%).
- Profit before taxation increased by 38.9% to approximately RMB93,886,000 (2022: RMB67,584,000).
- Profit for the year ended 31 December 2023 increased by 41.5% to approximately RMB61,594,000 (2022: RMB43,542,000).
- Profit attributable to owners of the Company increased by 67.5% to approximately RMB38,096,000 (2022: RMB22,741,000).
- Basic earnings per share increased by 71.7% to approximately RMB6.44 cents (2022: RMB3.75 cents).
- The Board recommended the distribution of a final dividend of HK3.38 cents per share for the year ended 31 December 2023 (2022: HK2.47 cents), subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting to be held on Wednesday, 29 May 2024.

The board (the "**Board**") of directors (the "**Directors**") of Kingworld Medicines Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Year Under Review**") and selected explanatory notes, together with the comparative figures of the corresponding year in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	**2023**	2022
		RMB'000	RMB'000
Revenue	4	**1,078,659**	957,701
Cost of sales		**(797,994)**	(680,074)
Gross profit		**280,665**	277,627
Other revenue and other income	5	**40,374**	21,545
Selling expenses		**(102,762)**	(100,452)
Administrative expenses		**(119,532)**	(104,573)
Amortisation of intangible assets		**(134)**	(13,569)
Valuation loss on investment properties		**(1,364)**	(7,300)
Impairment loss on trade receivables		**(441)**	(1,043)
Profit from operations		**96,806**	72,235
Finance costs	6(a)	**(11,519)**	(12,292)
Share of profit of a joint venture		**8,212**	7,673
Share of profit/(loss) of associates		**387**	(32)
Profit before taxation	6	**93,886**	67,584
Income tax	7	**(32,292)**	(24,042)
Profit for the year		**61,594**	43,542
Attributable to:			
Owners of the Company		**38,096**	22,741
Non-controlling interests		**23,498**	20,801
Profit for the year		**61,594**	43,542
Earnings per share	8		
Basic and diluted (RMB cents)		**6.44**	3.75

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	2023	2022
	RMB'000	RMB'000
Profit for the year	**61,594**	43,542
Other comprehensive loss for the year		
Items that will not be reclassified to profit or loss:		
Fair value loss on financial assets	**(17,885)**	(7,578)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the PRC	**3,924**	1,115
	(13,961)	(6,463)
Total comprehensive income for the year	**47,633**	37,079
Attributable to:		
Owners of the Company	**24,135**	16,278
Non-controlling interests	**23,498**	20,801
	47,633	37,079

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	**2023** **RMB'000**	2022 RMB'000
Non-current assets			
Right-of-use assets		**107,438**	117,370
Property, plant and equipment		**278,279**	182,524
Investment properties		**120,619**	114,500
Goodwill		**90,693**	90,693
Interests in associates		**9,667**	8,584
Interest in a joint venture		**66,582**	83,370
Other intangible assets		**–**	134
Financial assets at fair value through other comprehensive income		**68,576**	35,076
Financial assets at fair value through profit or loss		**7,180**	6,792
		749,034	639,043
Current assets			
Inventories		**117,628**	84,764
Trade and other receivables	9	**276,959**	283,389
Financial assets at fair value through profit or loss		**20,351**	14,012
Cash and cash equivalents		**173,678**	242,155
		588,616	624,320
Current liabilities			
Contract liabilities		**57,172**	57,538
Trade and other payables	10	**192,954**	188,405
Bank loans		**191,663**	271,285
Lease liabilities		**6,366**	8,006
Income tax payable		**15,377**	16,507
		463,532	541,741
Net current assets		**125,084**	82,579
Total assets less current liabilities		**874,118**	721,622

	Note	**2023**	2022
		RMB'000	RMB'000
Non-current liabilities			
Bank loans		**150,467**	–
Lease liabilities		**5,930**	11,385
Deferred income		**–**	600
Deferred tax liabilities		**18,369**	15,422
		174,766	27,407
NET ASSETS		**699,352**	694,215
CAPITAL AND RESERVES			
Share capital		**53,468**	53,468
Reserves		**565,566**	562,109
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**619,034**	615,577
NON-CONTROLLING INTERESTS		**80,318**	78,638
TOTAL EQUITY		**699,352**	694,215

1. GENERAL INFORMATION

Kingworld Medicines Group Limited (the "**Company**") was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 July 2008. The address of the Company's registered office and the principal place of business are disclosed in the corporate information in the annual report.

The Company is an investment holding company. The Company and its subsidiaries (together referred to as the "**Group**") are principally engaged in (i) distribution sale of branded imported pharmaceutical and healthcare products, and (ii) manufacturing and sales of electrotherapeutic, physiotherapeutic devices and general medical examination devices in the People's Republic of China (the "**PRC**") and Hong Kong.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Material accounting policy information adopted by the Group are disclosed below.

The HKICPA has issued certain new and amendments HKFRSs which are first effective or available for early adoption for the current accounting year of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries and the Group's interests in a joint venture and associates.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand except when otherwise indicated. The Company and other investment holding subsidiaries incorporated in the Cayman Islands, the British Virgin Islands (the "**BVI**") and Hong Kong have adopted Hong Kong dollar ("**HK$**") as their functional currency. The functional currency of the PRC subsidiaries is RMB. As the Group mainly operates in the Mainland China, RMB is used as the presentation currency of the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

– investment properties;

– derivative financial instruments;

– financial instruments classified as financial assets at fair value through other comprehensive income; and

– financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Expect for the below, the application of these new and amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has adopted the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements replace all instance of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information include in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that are accounting policy information may be material because of the nature of the related transactions, other events or conditions, is itself is material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

Amendments to HKFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

The Group has not adopted any new amendments to HKFRSs that is not yet effective for the current accounting period.

4. REVENUE

Revenue represents sales of branded imported pharmaceutical and healthcare products, electrotherapeutic and physiotherapeutic devices, and general medical examination devices at net invoiced value of goods sold, less value-added and sales taxes, returns and discounts, during the year.

	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– pharmaceutical products	**735,018**	593,606
– healthcare products	**102,562**	95,053
– medical devices	**241,079**	269,042
	1,078,659	957,701
Timing of revenue recognition		
At a point in time	**1,078,659**	957,701

5. OTHER REVENUE AND OTHER INCOME

	2023 **RMB'000**	2022 RMB'000
Other revenue:		
Total interest income on financial assets not at fair value through profit or loss:		
Bank interest income	**2,289**	1,347
Interest income from a shareholder loan	**106**	110
Gross rental income from investment properties	**2,745**	947
Dividend income from financial assets at fair value through other comprehensive income and through profit or loss	**9,126**	295
Promotional service income	**12,261**	15,656
	26,527	18,355
Other income:		
Government grants		
– HK (note i)	**369**	357
– PRC (note ii)	**4,087**	3,759
Change in fair value of financial assets at fair value through profit or loss	**12,937**	2,894
Exchange loss, net	**(4,966)**	(5,808)
Others	**1,420**	1,988
	13,847	3,190
	40,374	21,545

Note:

i) In 2023, the Group successfully applied for funding support from the Research and Development Cash Rebate Scheme, set up by the Hong Kong Government. The purpose of the funding is to encourage more research and development (R&D) investment in the private sector and encourage local enterprises to establish stronger partnership with designated local public research institutions. There was no unfulfilled condition attached to the grant.

In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. There was no unfulfilled condition attached to these grants.

ii) Government grants were awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development, production of epidemic prevention materials. There was no unfulfilled condition attached to these grants.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the following:

	2023 RMB'000	2022 RMB'000
a) Finance costs		
Total interest expense on financial liabilities not at fair value through profit or loss:		
– Interest on bank loans	**10,757**	11,477
– Interest on lease liabilities	**762**	815
	11,519	12,292
b) Other items		
Amortisation of other intangible assets	**134**	13,569
Auditor's remuneration		
– Audit service	**1,490**	1,416
– Non-audit services	**182**	221
Costs of inventories recognised as expense:		
– Cost of inventories sold	**797,994**	680,074
– Write-down of inventories	**8,283**	514
Impairment loss on trade receivables	**441**	1,043
Rental income from investment properties less direct outgoings of RMB156,000 (2022: RMB124,000)	**(2,589)**	(823)
Research and development costs	**18,840**	15,519

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Income tax in the consolidated statement of profit or loss represents:

	2023 **RMB'000**	2022 RMB'000
Hong Kong Profits Tax		
– Current year	**702**	440
– (Over-provision)/under-provision in prior year	**(312)**	242
PRC Enterprise Income Tax ("**EIT**")		
– Current year	**28,315**	23,544
– Under-provision in prior years	**640**	2,516
Deferred tax		
– Origination and reversal of temporary differences	**2,947**	(2,700)
	32,292	24,042

Note:

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

ii) The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

The provision for Hong Kong Profits Tax for 2023 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2023/24 subject to a maximum reduction of HK$3,000 for each business (2022: a maximum reduction of HK$6,000 was granted for the year of assessment 2022/23).

iii) The PRC Enterprise Income Tax charge of the Group during the years ended 31 December 2023 and 2022 represented mainly the PRC Enterprise Income Tax charge from the Group's PRC subsidiaries, Shenzhen Kingworld Medicine Company Limited ("**SZ Kingworld**"), Shenzhen Dong Di Xin Technology Company Limited ("**Dong Di Xin**") and are based on a statutory rate of 25% (2022: 25%), except for Dong Di Xin, which is chargeable at a preferential income tax rate of 15% (2022: 15%).

iv) Under the New EIT Law and its implementation rules, dividends receivable by non-PRC resident enterprises from PRC resident enterprises are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the Agreement between the Mainland China and Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, or Mainland China/HKSAR DTA, Hong Kong corporate tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced dividend withholding tax rate of 5%. Pursuant to CaiShui [2008] No. 1 Notice on Certain Preferential Enterprise Income Tax Policies, undistributed profits generated prior to 1 January 2008 are exempted from such withholding tax. Accordingly, dividends receivable by the Group's investment holding company in Hong Kong from the PRC subsidiaries in respect of profits earned since 1 January 2008 will be subject to 5% withholding tax.

8. EARNINGS PER SHARE

a) Basic earnings per share

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

	2023	2022
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**38,096**	22,741

	2023	2022
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue	**622,500**	622,500
Effect of shares repurchased and held under share award scheme	**(30,873)**	(15,784)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**591,627**	606,716

b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2023 and 2022 was the same as the basic earnings per share since there was no outstanding share options during the years ended 31 December 2023 and 2022.

9. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Trade receivables	**94,437**	79,818
Less: Allowance for lifetime expected credit losses (note (c))	**(7,179)**	(6,922)
	87,258	72,896
Bills receivables (note (e))	**65,276**	110,279
Other receivables	**46,216**	48,214
Amounts due from related parties (note (f))	**416**	398
Amounts due from associates (note (f))	**4,744**	4,855
Amount due from a joint venture (note (f))	**15,002**	2
Financial assets at amortised cost	**218,912**	236,644
Prepayments	**11,677**	13,801
Trade and other deposits	**7,914**	8,127
Trade deposits to related parties	**22,566**	24,817
Value-added tax recoverable	**15,890**	–
	276,959	283,389

Note:

a) All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

b) Ageing analysis of trade receivables

The ageing analysis of trade receivables (net of allowance for lifetime expected credit losses) based on invoice date at the end of the reporting period is as follows:

	2023	2022
	RMB'000	RMB'000
0-90 days	**87,093**	65,774
91-120 days	**–**	5,108
121-180 days	**105**	1,881
181-365 days	**60**	133
	87,258	72,896

The Group generally granted credit terms ranging from 30 days to 120 days to its customers. The Group does not hold any collateral over these balances.

c) **Impairment of trade receivables**

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movements in the allowance for lifetime expected credit losses during the year are as follows:

	2023	2022
	RMB'000	RMB'000
At 1 January	**6,922**	6,185
Impairment loss recognised during the year	**441**	1,043
Bad debt written off during the year	**(184)**	(306)
At 31 December	**7,179**	6,922

As at 31 December 2023, allowance for lifetime expected credit losses on trade receivables amounting to RMB7,179,000 (2022: RMB6,922,000) were determined according to the expected credit loss rates.

d) As at 31 December 2022, trade receivables amounted to RMB32,610,000 were pledged for a short-term bank loan of the Group amounted to RMB45,000,000.

e) Bills receivables represent the irrevocable bills with maturity within one year issued by the banks with high credit rating. The directors of the Company considered the default risk of these bank bills to be insignificant and no impairment was necessary at the reporting period end.

f) The balances with related parties, associates and a joint venture are unsecured, interest free and repayable on demand. The directors of the Company considered that there has been no significant change in the credit risk of these related parties and default risk for the amounts due from them was considered to be low.

10. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables (note (b))	**148,663**	138,787
Accruals	**6,683**	6,652
Other payables	**33,984**	38,624
Amounts due to related parties (note (c))	**3,624**	3,536
Financial liabilities measured at amortised cost	**192,954**	187,599
Value-added tax payable	**–**	806
	192,954	188,405

Note:

a) All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

b) **Ageing analysis of trade payables**

The ageing analysis of trade payables (presented based on invoice date) at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
0–90 days	**139,202**	134,188
91–180 days	**9,461**	4,599
	148,663	138,787

The credit terms granted by the suppliers were generally ranging from 45 days to 90 days.

c) The balances with related parties are unsecured, interest free and repayable on demand.

11. DIVIDEND

The Board recommended the distribution of a final dividend of HK3.38 cents per share for the year ended 31 December 2023 (2022: HK2.47 cents), subject to the approval of the Shareholders of the Company at the forthcoming annual general meeting to be held on 29 May 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND INDUSTRY REVIEW

In 2023, although most regions of the world emerged from the shadows of the COVID-19 pandemic, global geopolitical conflicts had intensified, and several economies worldwide faced serious inflationary issues, coupled with the persistent high-interest rates resulted in a continued lack of confidence in the overall consumer market. Following the phased and orderly withdrawal of epidemic prevention and control policies in China, the economy has steadily recovered. However, the confrontation between China and the United States continued to escalate. China's export trade is facing severe challenges, and the domestic youth employment statistics must catch up to expectations. Consequently, China's overall economic performance could have been better. China's GDP in 2023 reached RMB126.06 trillion, representing a year-on-year increase of approximately 5.2%. The national consumption surpassed RMB47.15 trillion, with a year-on-year increase of around 7.2%. The combined sales of traditional Chinese and Western medicines hit RMB671 billion, with a year-on-year increase of around 5.1%. In the first half of 2023, sales in the national retail pharmacy market reached RMB268.5 billion, representing an 8.2% growth compared to the same period of last year.

As for the pharmaceutical industry, the deepening of domestic medical insurance negotiations, volume-based procurement policies, and the rapid integration of digital technology into traditional pharmaceutical practices have led China's pharmaceutical industry to experience a significant transformation in both technology and management. The thorough implementation of national strategies, including the Belt and Road initiative and the Regional Comprehensive Economic Partnership Agreement ("**RCEP**"), has created new opportunities for global expansion for Chinese pharmaceutical companies.

As for the consumer market, the "Health First" concept in the post-pandemic era has notably influenced consumer behaviours, feeling consistent growth in the demand for healthcare products. Public awareness about enhancing immunity and preventing illness has increased. As a result, respiratory health products such as cough relieving medicine have seen a marked increase in sales. Meanwhile, as public interest in healthy lifestyles grows, more people are turning to exercise, thus boosting the market demand for healthcare and medical products associated with exercise recovery and health maintenance. Moreover, the "silver economy" driven by demographic aging has injected new vitality into the healthcare product market. As the proportion of the elderly population increases, health management and disease prevention for seniors have become a focal point for market development. Products tailored to meet the needs of the elderly, such as those designed for chewing, swallowing, and specific nutritional requirements, have seen a rapid uptick in demand, which reflects the growing societal emphasis on health management and the enhancement of life quality.

Anti-corruption governance and the upgrade of the health insurance system promote the industry's transition to more efficient development

During the Year Under Review, the pharmaceutical and healthcare industry faced major restructuring, corporate transformation and upgrades. Since the second half of 2023, ten ministries/commissions of China have jointly launched a year-long intensive campaign against corruption in the national pharmaceutical sector. The campaign has instituted comprehensive and systematic governance in critical links of the pharmaceutical industry, including production, supply, sales, usage, and reimbursement processes. The campaign aims to catalyze reforms in the healthcare system, tackle corruption problems that significantly impact public interests, and increase public confidence in the healthcare system.

On 15 February 2023, the National Healthcare Security Administration issued the "Notice on Further Implementation of Incorporating Designated Retail Pharmacies into Outpatient Coordination Management", which officially incorporated designated retail pharmacies into the outpatient coordination management system. By the end of 2023, most regions in China had improved this coordination mechanism, including about 160,000 retail pharmacies. It is estimated that by 2024, with the full connection to the national health insurance system and the application of the electronic prescription circulation system, retail pharmacies will see an increase in customer traffic, which will achieve the goal of having "diagnoses at hospitals and medication purchases at pharmacies" and improve the efficiency and quality of medical services while providing convenience to patients and ensuring public health. This measure is a pivotal component of national healthcare system reforms, aiming to enhance the accessibility and convenience of public medical services and complement the governance system of the pharmaceutical industry. With its network of about 220,000 retail outlets, the Group has been dedicated to developing a robust supply chain and increasing retail pharmacy traffic over the years.

China accelerates integration with the global pharmaceutical industry

In 2023, Chinese pharmaceutical companies significantly increased their overseas investments, with the total investment reaching USD14.3 billion. Chinese pharmaceutical companies have been vying to expand abroad as "going overseas" has become an important development strategy, demonstrating the global competitiveness and innovation capabilities of Chinese pharmaceutical firms. These endeavors have not only opened new market opportunities for Chinese companies but have also fostered international exchanges and collaborations in technology, products, and services, laying a solid foundation for the long-term development of China's pharmaceutical industry. China has also strongly advocated for homegrown innovative medicines to "go overseas". After joining international organizations such as the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use ("**ICH**"), the International Medical Device Regulators Forum ("**IMDRF**"), and the Global Harmonization Working Party ("**GHWP**"), the National Medical Products Administration is striving to join the Pharmaceutical Inspection Co-operation Scheme ("**PIC/S**") to create an excellent international setting for the industry's high-quality development.

During the year, China sped up its efforts to join PIC/S. This action underscores China's resolve to align with international pharmaceutical standards and practices, thereby enhancing the global recognition and influence of Chinese pharmaceuticals. Joining PIC/S will allow China to actively contribute to formulating and implementing international Good Manufacturing Practices ("**GMP**") standards, benefit from shared resources and training opportunities, and avoid duplication of effort in regulation. Moreover, the successful accession to PIC/S reflects China's dedication to modernizing its pharmaceutical industry and meeting international standards of drug quality and safety. China's participation will unlock further international cooperation opportunities for China and enable it to play a more significant role in the global pharmaceutical arena.

Volume-based procurement becomes routine while traditional Chinese medicine innovation progresses

During the Year Under Review, the pharmaceutical industry in China has seen positive momentum from the regularized implementation and widening scope of volume-based procurement policies. Through centralizing purchases, volume-based procurement has increased procurement efficiency and lowered drug costs, giving more patients access to the medications they need at reduced prices. Implementing this policy has improved drug cost-effectiveness, promoted the healthy growth of the pharmaceutical industry, and encouraged pharmaceutical companies to intensify their research and development ("**R&D**") efforts to deal with market competition.

Meanwhile, China has increased support for preserving and innovating traditional Chinese medicine. The government has not only emphasized the standardized cultivation of traditional Chinese medicine raw materials but also supported the innovative R&D, review, and launch of traditional Chinese medicine. These measures are instrumental in forging a modern, innovative traditional Chinese medicine industry system and promoting the traditional Chinese medicine industry's development and global reach. The key laboratories for traditional Chinese medicine established by the National Medical Products Administration have become significant scientific and technological platforms for traditional Chinese medicine regulation and innovative progress. This has not only strengthened the scientific regulation of traditional Chinese medicine but also promoted its legacy and forward-looking development, thus advancing the scientific and modern aspects of traditional Chinese medicine.

We believe that these policies and measures collectively foster the growth of China's pharmaceutical industry. They are conducive to improving the industry's overall standard and enhancing Chinese medicine's image in the global market. These policies also reflect China's long-term planning for the pharmaceutical sector and its profound commitment to public health.

BUSINESS REVIEW

I. Business review of pharmaceutical distribution segment

As the domestic and overseas markets rebounded, the Group's pharmaceutical distribution business experienced satisfactory growth, and among the drugs distributed by the Group, Nin Jiom Pei Pa Koa stood out with the best sales performance. During the Year Under Review, the pharmaceutical distribution segment's sales recorded approximately RMB735,018,000, representing a significant increase of 23.8%. In the beginning of 2023, the post-COVID group (i.e. people who have recovered from COVID-19) showed a keen demand for medications that alleviate phlegm, relieve cough, soothe asthma, and enhance the respiratory system. This demand significantly propelled the sales of Nin Jiom Pei Pa Koa, which notably boosted the brand's influence.

Another flagship drug the Group distributes is Taiko Seirogan, a household essential medicine for families of all sizes that aids digestion and promotes intestinal health, for which the market demand has been strong for a long time. However, due to supply and demand imbalances of raw materials in Japan, there were delivery delays, causing prolonged periods of the product being in short supply in China. Therefore, its sales declined slightly year-on-year. Driven by the people's need to live a healthy life and pursue sports to improve health, Kingworld Imada Red Flower Oil, another flagship drug in the Group's portfolio, which is reputable for activating blood circulation and relieving pain, has successfully established brand influence and awareness among sports groups and reinforced engagement with health-conscious consumer groups thanks to the Group's vigorous promotion in the sports market.

During the Year Under Review, through its own efforts, the Group obtained a three-year cooperation authorization for Fortune Coltalin in five provinces/cities, including Shanghai, Henan, Anhui, Shaanxi and Gansu. Sales have progressed smoothly in the above regions. As a globally recognized cold medicine, Fortune Coltalin, has been the top-selling brand in Hong Kong, China for 24 consecutive years and sells well in Europe and the United States. In the future, the Group will further intensify the brand promotion efforts for Fortune Coltalin. In addition, the drugs for cold symptoms in the Group's portfolio include Pu Ji Kang Gan Granules, produced by Hong Kong Yuen Tai Pharmaceutical Limited, an affiliate of the Group, for effectively combating flu and soothing respiratory discomfort. During the Year Under Review, the medicine was sold via cross-border pharmaceutical e-commerce for the first time, benefiting mainland consumers.

The Group's two prescription drug products, namely Enalapril Maleate and Folic Acid Tablets ("**Enalapril**") and Fengbao Jianfu Capsule, fall into two major categories – cardiovascular diseases and female infertility. During the Year Under Review, the Group was dedicated to organizing offline events and working with pharmacists in chain pharmacies and doctors to educate the elderly and those with high blood pressure about the link between hypertension and stroke, enhancing the general public's understanding of these conditions and health management. The Group partnered with chain pharmacies and explored the sales of prescription drug products through OTC. During Year Under Review, the number of customers of Enalapril continue to increase. Although Enalapril was impacted by the easing of post-pandemic hospital dispensing rules that directed the patients' consumption back to hospital pharmacies, with the Group's strong marketing efforts, Enalapril's year-on-year sales still rose by 9%.

During the Year Under Review, the Group has adopted the following marketing strategies for the pharmaceutical segment:

1. ***Expanding coverage of offline sales terminals while enhancing customer acquisition through online group engagement***

   In response to new opportunities brought by the market resurgence, the Group proactively optimized its business layout and introduced a series of innovative measures to broaden its market reach. In addition to expanding the coverage of the offline sales terminal network, the Group increased online publicity and e-commerce promotion to attract a younger customer base, thus bolstering sales. During the Year Under Review, the Group actively expanded its business and worked with more reputable commercial partners to enhance market coverage, reaching 418 cities with nearly 100,000 independent pharmacies, over 120,000 chain pharmacies, more than 30,000 primary healthcare institutions, nearly 20,000 clinics, and almost 2,000 hospitals, as well as supermarkets and convenience stores.

   The Group continued to deepen its collaboration with Key Accounts (KAs) by establishing and fortifying its connections with more major clients and setting up dedicated KA follow-up teams. This strategy improved client retention and satisfaction. Senior management from the headquarters frequently visited regional KAs to gather feedback and build a broader customer market with clients.

   The Group leveraged short-video platforms like Douyin and Kuaishou to create communication and interaction platforms with young consumers for products such as Kingworld Imada Red Flower Oi. The consumer-led product promotion resonates with more like-minded audiences so that they can better understand the product's effectiveness. For Taiko Seirogan, the Group optimized the product advertising images on e-commerce platforms, launched search direct cards, and hosted creative events such as the Taiko Seirogan innovative display. Through social media and these innovative marketing approaches, the Group extended its communication reach, attracting more consumers and transforming them from passive to active brand participants and communicators. The Group has also been dedicated to understanding and assessing brands and products from the consumer's point of view. By leveraging various channels, including becoming the title sponsor of high-traffic shows, self-media posts, articles on encyclopedia websites, trending topics of press releases, online media displays, influencer content, and short video creation, the Group has significantly enhanced product acceptance and favorability across diverse consumer groups.

In the post-pandemic era, with relaxed government policies on drugs and a shift in market demand, the Group has astutely seized market expansion opportunities following the easing of regulatory oversight for the anti-pyretic, cough relief, antibacterial, and antiviral medications. Actively collaborating with channel partners and employing precise marketing strategies and sales management, the Group has effectively and flexibly responded to market order demand and devised accurate distribution tactics, ensuring rapid market delivery of the products to satisfy consumer needs. With the joint efforts of our partners, we ushered in a boom in the sales of our two flagship products, the Nin Jiom product series and the Taiko Seirogan, with the former achieving a substantial year-on-year increase. The Group has implemented the SMART system to closely monitor the market for any unreasonable pricing and promptly intervene when shipment prices do not align with the pricing policy, requiring partners to adjust accordingly. This ensured that the public could obtain the urgently needed medications at reasonable prices to alleviate their ailments.

2. *Actively diversifying product development and promptly seizing market trends*

The Group reassessed the market prospects of the Kingworld series and relaunched products closely related to healthcare, including Kingworld American Ginseng Capsule and Zhuang Yao Jian Shen Pian. With an aging population and growing emphasis on health, the market share of tonic products that replenish Qi, nourish Yin, clear heat, and stimulate the production of body fluids will increase accordingly. According to Sinohealth CMH, in 2023, the nutritional supplements products, such as circulation enhancement products and Qi-deficiency products, have grown rapidly in physical pharmacies (including O2O). In 2023, the sales of circulation enhancement products in the domestic retail market have reached RMB6.77 billion, representing a year-on-year increase of 20%. The American ginseng capsules produced by Shenzhen Kingworld Lifeshine Pharmaceutical, an affiliate of the Group, have pure ingredients that can replenish Qi, nourish Yin and promote body fluid. It can be used for cough and asthma, irritability and fatigue, dry mouth and throat caused by Qi deficiency and Yin deficiency. Shenzhen Kingworld Lifeshine Pharmaceutical has a citronella demonstration planting base in Luhe. In addition to extracting raw materials for red flower oil, it is also developing citronella essential oil products to cover more consumer groups. The launch of a series of private brands of Kingworld and the extension of existing mature products, such as red flower plaster, are making solid progress. In addition, the Group has noticed that the aging society will have a considerable demand for cardiovascular disease-related and thus actively pursued collaborations with renowned domestic enterprises to prepare for the launch of dual-brand products, such as Foci Kingworld An Gong Niu Huang Wan. The demographic of Chinese citizens aged 65 and above currently accounts for 15.4% of the population, indicating that China has entered a moderately aging society by international standards. This figure is projected to reach 20.3% by 2030, at which point China will essentially be a deeply aged society, home to the largest elderly population in the world. This age group is particularly prone to diseases, notably cardiovascular and cerebrovascular conditions, which currently afflict over 300 million individuals in China. With the acceleration of aging, the prevalence of these diseases and the demand for related medications are expected to rise significantly. An Gong Niu Huang Wan, a product with a century-long history known for its heat-clearing, detoxifying, convulsion-calming and spirit gate-opening effects, has garnered considerable consumer acclaim in recent years, with impressive sales figures. Data from Menet.com.cn shows that sales of An Gong Niu Huang Wan in physical pharmacies across Chinese cities surpassed RMB4 billion in 2022 and exceeded RMB3 billion in the first half of 2023.

3. Targeting different consumer segments with "dynamic", "approachable", and "sporty" brand images

The Group has paid close attention to market dynamics and consumer behaviours, striving to comprehensively understand and cater to consumer needs through a mix of online and offline branding promotional initiatives. We are dedicated to enhancing consumer interaction across multiple channels to closely align with and address their preferences. By employing a holistic approach to brand promotion, we anticipate strengthening consumers' awareness and recognition of our products, boosting our market presence and brand value.

During the Year Under Review, Nin Jiom undertook an assertive marketing strategy, promoting the brand across several high-profile film and television productions. In addition to being the title sponsor of "The Knockout" on iQIYI, which gained one billion views and of the variety show "Come Sing with Me" on Hunan Satellite TV, Nin Jiom made a significant investment in advertising during the early episodes of the urban drama "Blossoms Shanghai" on Tencent, which is the first TV series directed by the world-renowned director Wong Kar-wai and its peak single-day online viewership hit 145 million. Such exposure across these hot-ticket programs, both nationally and internationally, significantly bolstered the Nin Jiom brand in resonating with diverse audiences, reinforcing and broadening consumer affection for the products. During the Year Under Review, Nin Jiom secured 18th place in the 16th CPEO's "2023 Healthcare Industry Brand Value Ranking" with a brand value of RMB4.815 billion, up by four spots from the previous year. As for offline marketing, the Group carried out promotional activities in various forms such as brand promotion, outdoor advertising, elevator advertising, and community activities, for example, the Nin Jiom Filial Piety Project, the Lung Nourishing Carnival, celebrity meet-and-greets, and the "Nin Jiom • New Voice" National Youth Singing Competition. These efforts have engaged more consumers to participate in our events and directly experience our commitment to social responsibility and product excellence.

The core value of our products is inseparable from providing a healthier lifestyle and physical well-being for our consumers. During the Year Under Review, the Group's Kingworld Imada Red Flower Oil actively engaged in major sporting events to support the public in building a healthy, sporty life while enabling a wider range of potential users to directly experience the product's benefits. Therefore, the brand was involved in the Shenzhen Wutong Mountain Leisure Run, Shenzhen Baoan Marathon, Hangzhou Xiang Lake Half Marathon, Meizhou Marathon, Nanchang Marathon, Shaoxing Marathon, Shenzhen Marathon, and the Shenzhen-Hong Kong-Macao Youth Tennis Team Invitational. These marathons drew over 20,000 participants, with Kingworld Imada Red Flower Oil as the official external medicinal oil. Its massage services in the post-race stretching areas received high praise from runners, some of whom expressed their commendations on radio broadcasts. Such outdoor activities that bolster physical health and social connections have amplified consumer support for our products.

Red Flower Oil continued to promote the spirit of solidarity and compassion by partnering with the Shenzhen Project Care Foundation to organize activities for veterans, providing them with massage services that have been highly praised by the retired military community. During the Year Under Review, Taiko Seirogan, one of the products distributed by the Group, participated in the assistance program for college entrance exams and hosted the gastrointestinal health tour across cities in Guangdong and Fujian. These efforts aimed to foster product image that prioritizes the health and wellness of our consumers both physically and mentally.

4. ***Advancing market education for prescription medications and boosting product trust***

The Group has two prescription drugs, Enalapril and Jianfu Capsule. Enalapril, utilized for cardiovascular and cerebrovascular treatments, plays a significant role in enhancing the quality of life for the elderly, while Jianfu Capsule, an innovative product tailored towards women's health, helps solve the issue of infertility. As demographic aging accelerates and infertility rates climb, the demand for these two product categories continues to rise, revealing a vast growth potential. The Group has consistently met societal needs by partnering with medical specialists to launch educational activities, enhancing public knowledge and preventive awareness for these health issues, and further solidifying the products' market presence.

During the Year Under Review, the Group collaborated with pharmacists from chain pharmacies and doctors to host several seminars on hypertension, actively communicating the risks associated with H-type hypertension and elevating public awareness, particularly among seniors and hypertension sufferers, of the correlation between H-type hypertension and stroke. We are dedicated to fostering broader societal engagement with health topics through public education on effective prevention and health management. Enalapril has also been involved in charitable activities such as complimentary screenings for H-type hypertension.

Moreover, the Group has been proactively exploring the OTC sales model for prescription drugs, aiming to make these vital health management drugs more readily accessible to consumers. During the Year Under Review, the brand awareness of Enalapril improved and its sales have increased. As for clinical research of Jianfu Capsule, the Group has substantiated the product's efficacy in addressing infertility through clinical data and research papers by partners and doctors, such that more healthcare professionals are aware of the product and offer solutions to patients' concerns.

II. Business review of healthcare and daily chemical distribution segment

As the Group's second largest business segment, the healthcare and daily chemical products include Culturelle Probiotics, the No. 1 best seller of probiotics in the United States; Life's DHA, the pioneering algae oil; and the Carmex lip balm endorsed by the United States' No. 1 pharmacist and internet celebrities, which had a selling record of "selling 170 items per minute globally, popular in over 50 countries and regions". During the Year Under Review, the Group capitalized on a post-pandemic surge in public concern for personal and family health, the burgeoning health and beauty economy, and a trend towards higher consumer expectations for brand quality and cost-effectiveness. As a result, the health and daily chemical business saw a significant year-on-year increase. The sales from the health and daily chemical distribution segment recorded a growth of 7.9% to approximately RMB102,562,000.

Culturelle Probiotics emerged as a significant growth driver among the Group's healthcare products, registering a year-on-year increase of 46.6%. The algae oil brand Life's DHA initially showed promising growth but ultimately recorded only a slight increase due to substantial price adjustments by the manufacturer in the second half of the year. During the Year Under Review, targeting the Hong Kong market, the Group focused on Culturelle Probiotics as its flagship product and introduced new offerings, such as probiotics for females. Leveraging a stronger sales team and deploying online and offline marketing strategies tailored to meet market demands, the Group actively maintained and strengthened the constituents of market channels in Hong Kong and Macao, including distributors, chain stores, wholesalers, supermarkets, and pharmacies. Capitalizing on the resurgence of tourism in Hong Kong, the division also experienced record growth.

During the Year Under Review, the Group adopted the following important development strategies for healthcare and daily chemical products:

1. Consolidating new marketing channels to strengthen market awareness of brands

During the Year Under Review, the Group continued to consolidate its marketing channels and developed new ones, with the number of first-tier customers in the Hong Kong and Macao markets growing by over 10%. Culturelle Probiotics stabilized its presence in Hong Kong and Macao pharmacy chains such as Watsons, Mannings, SaSa, and CRcare, with an increased repurchase rate and lead products being the powdered probiotics for kids, the health & wellness capsules for adults, and women's probiotic. In addition, the Group boosted market and consumer awareness of Culturelle Probiotics through diverse marketing approaches, including in-store displays, advertising on buses, newspapers and TVB Jade channel, and participation in the large-scale Eugene Baby Expo. Culturelle Probiotics also won the Top Popularity Award of H.K. Pharmacies 2022-2023 during the Year Under Review. As for the mainland's offline sales channels, the Group introduced the Carmex lip balm series into new outlets such as Hema Xiansheng, new retail and department stores, CS, and Pang Dong Lai.

During the Year Under Review, the Group actively fine-tuned promotional strategies on platforms such as Tmall International, JD.com, Kaola, Vipshop, and Ali Health, achieving desirable sales outcomes. Life's DHA, the global leading DHA brand, has been well-received by consumers for its superior brand impact and product quality. Through ongoing marketing campaigns and consumer education, we reinforced Life's DHA's standing among consumers. Through collaboration with health professionals and nutritionists, we further elevated Life's DHA's market visibility, ensuring consumers recognize the health benefits of DHA. The Life's DHA series was featured on JD.com's 618 Dark Horse Brand List during the year.

The Group also meticulously selected quality live streamers from Kuaishou and Taobao based on market demands, utilizing content-based short videos to facilitate product education, which successfully led to increased sales. The Group focused on nurturing a professional maternal and infant product platform by combining content-driven promotion with e-commerce to enhance engagement with mother communities and strengthen collaborations with existing influencers. The Group achieved satisfactory outcomes through publicity, promotion, and marketing efforts around targeted customers to increase sales conversion.

2. ***Capitalizing on personalization and omnichannel integration and optimizing sales gross profit in e-commerce***

With AIGC enhancing the consumer shopping experience and sales nowadays, successful e-commerce operations must use big data analytics to provide a personalized shopping experience. Over the past years, the Group has utilized data to understand customer behaviors and preferences to implement precise personalized marketing strategies for product recommendations, promotions, and content. The Group's Kingworld e-commerce aimed to build a complete marketing eco-chain, from influencing potential customers in public domains, promoting products to customers in private domains, and patient education on medical platforms to generating greater GMV on the e-commerce platform through the empowerment of the Kingworld Medicines Group. The chain is now in its embryonic form. The Group will focus on creating an information-sharing, mutually beneficial supply chain and sales ecosystem.

In addition, the trend of seamless omnichannel integration, both online and offline, continues to proliferate in healthcare products. The Group is establishing a system capable of presenting a unified customer perspective across various touchpoints. Adapting to the new normal of consumption upgrades, the Group is comprehensively constructing a new Kingworld retail ecosystem that spans both online and offline realms. During the Year Under Review, the core e-commerce channels have enhanced the product conversion rates, including Culturelle Probiotics and Life's DHA, through marketing campaigns such as loyalty programs for members, especially repeat customers, member bonuses, and exclusive discounts for bulk purchases. These initiatives have effectively consolidated the brand's customer base, in addition to targeted SMS outreach and professional customer service to facilitate high-efficiency conversions. Moreover, the Group's domestic e-commerce department has ventured into reaching more patients through internet-based chronic disease management platforms and carried out in-depth collaboration with JD Health for the first time, launching redemption of products across various brands that significantly boosted product visibility and conversion rates.

The Group's long-established SMART system has been instrumental in providing the marketing team with extensive market data for predictive analysis, offering valuable insights into product trends, demands, and consumer behaviors. This has helped the Group to proactively make decisions and optimize inventory management, pricing strategies, and marketing campaigns. During the Year Under Review, the cross-border business of Kingworld Health Home, through operational adjustments to the product mix and support for high-margin and Kingworld specialty products, has created seven distinctive Kingworld brands and over 20 stock keeping units ("**SKUs**"). Certain individual products achieved first place in sales on Tmall's cross-border platform, and the store's monthly sales gross profit was optimized.

The Group has trialed a quasi-business unit approach for e-commerce. By increasing the average customer spending, conversion rates, and market share by applying big data, we have seen improvements in gross profit margins and customer satisfaction. This has spurred increased stakeholder engagement and fueled revenue and profit growth. During the Year Under Review, the Group actively organized major promotional events such as creating viral products and innovative campaigns for occasions like the 618 shopping festival, establishing a firm foundation for the sustainable development of the e-commerce quasi-business unit.

3. *Expanding presence in both domestic and international markets and broadening the range of healthcare products*

The Group's Kingworld Health Home overseas flagship store is among the pioneering batch of cross-border pharmaceutical e-commerce. It meticulously selects superior overseas pharmaceutical brands and products to cater to consumers' demand for high-quality international OTC family medicines. During the Year Under Review, the store adopted the strategy of broadening the product range, and the SKU count exceeded 100, encompassing regions such as Hong Kong, China, Japan, the United States, Germany, and Southeast Asia, including a total of 7 brands distributed or owned by Kingworld.

During the Year Under Review, the Group entered into a strategic cooperation with Shanghai Goldpartner Biotech Co., Ltd. ("**Goldpartner**"). The Kingworld-Goldpartner crossover Glucosamine product was launched as a nutrient supplement designed for Chinese people and their needs. With the finest raw materials and scientifically balanced formulations, it aims to become a good partner for Chinese consumers, particularly the elderly, in health. The Radix Paeoniae Alba Calcium capsule launched by Goldpartner is presented as a glucosamine capsule for joint health, rolled out in pharmacies nationwide in the fourth quarter of 2023. The product, with a fusion of Chinese and Western formulae, features glucosamine and extracts of Radix Paeoniae Alba and has been validated in animal experiments as an effective healthcare product in enhancing bone density and improving immunity. Given the accelerating aging trend, the product is embracing a promising prospect.

During the Year Under Review, the Group collaborated with Innopharm in France and based on the advantages of Europe's leading biotechnology and pharmaceutical fields, and combined with the latest scientific research results, we have created a high-end natural nutrition brand in France through the use of global high-quality raw materials. The brand of Innopharm was founded in 1983. The founder, Dr. Jacques Noury, has participated in the formulation research and development and clinical trials of many popular pharmaceuticals and healthcare products (such as star oral nutritional supplements and cosmetics) in Europe for 40 years. At present, we have developed and launched two high-end fish oils representing the ceiling (top) quality of fish oil, with a purity of up to 95%, high absorption rate and high blending ratio, which have obtained a number of international quality certifications such as IFOS, FDA, FOS, HALAL, NSF and MSC, which have been launched to the market in 2024. Additionally, the Group is expediting the development of a series of products, such as grape seed extract and coenzyme Q10.

III. Business review of medical devices and equipment division

As a global developer and manufacturer of electrophysical therapy and rehabilitation equipment and a national high-tech enterprise, Dong Di Xin, a non-wholly owned subsidiary of the Group, has been dedicated to electrophysical therapy and rehabilitation equipment since its establishment in 2000. Its products span two primary fields, namely physical rehabilitation physiotherapy instruments and general diagnostic devices. The product lineup includes five major categories: infrared thermometers, handheld electrophysical therapeutic products, professional medical electrophysical therapeutic equipment, biofeedback and therapeutic products, and accessories and spare parts, and are mainly sold to the European and American markets.

During the Year Under Review, with the revival of the global economy, particularly the escalated purchasing power in the European and American markets and the steady increase in demand for medical equipment after the pandemic, Dong Di Xin achieved a satisfactory overall sales performance and had met its annual sales goal. During the Year Under Review, the sales from the medical devices segment amounted to approximately RMB241,079,000, representing a year-on-year decrease of about 10.4%.

Sales of infrared thermometers resumed to pre-pandemic levels as the COVID-19 restrictions were lifted worldwide. Products with high gross margins, such as professional desktop therapeutic devices, saw a considerable year-on-year sales increase. The key clients, especially those in Europe, sustained stable growth, providing robust backing for fulfilling the year's sales targets. Through vigorous marketing efforts, the market share of flagship products recorded a substantial year-over-year increase, thereby boosting the segment's gross profit margin.

The Group maintained stable growth in the European and American markets and proactively developed other potential markets such as the Middle East, Southeast Asia, and Hong Kong, China. By engaging in local medical equipment expos, the Group enhanced direct customer interactions and secured orders, effectively broadening the international reach of its product portfolio.

During the Year Under Review, the Group adopted the following essential development strategies for the medical devices and equipment business:

1. Upgrading smart production and quality services in line with global expansion

Dong Di Xin consistently reinforces its commitment to the management model of "Lean Production 6S" to pursue excellent operations. In addition, the Company significantly increased investments in upgrading and transforming the precision machining center while intensifying employee training. These measures have optimized organizational processes and notably elevated the Company's standard of production management.

In the SMT intelligent manufacturing system field, Dong Di Xin implemented a suite of optimization measures tailored to industrial manufacturing needs, effectively lowering labor costs, enhancing production efficiency, and significantly reducing manual errors. These measures support the core production management principle of "doing things right at one time".

Furthermore, the Company has continued to enhanced its product quality system, the after-sales service framework, and the risk event control mechanism, which are the crucial components of its production management strategy. It has also established emergency systems for medical accidents and protocols for information confidentiality to ensure stable sales performance. These initiatives demonstrate Dong Di Xin's efforts to establish an effective global high-quality service operational model, providing a solid foundation for sustained sales achievements.

2. Cultivating proprietary brands to improve product gross profit

The Company has always attached great importance to the cultivation of its own brand, NU-TEK, and has continued to increase investment in marketing. During the Year Under Review, sales from the proprietary brand accounted for more than 10% of total sales, with an annual growth rate of over 10%. The brand successfully penetrated the markets in China, Europe, and the United States, with sales in China surpassing RMB10 million, reaching over 30 provinces and cities, and collaborating with 194 clients.

In addition, the Company entered into a strategic partnership with ZIMMER from Germany, with Dong Di Xin taking on the contract manufacturing for three ZIMMER products registered in China. During the Year Under Review, three batches of products were successfully delivered. The Company continued to strengthen cooperation with such renowned international physical rehabilitation therapeutic enterprises. This sales model featuring "domestic registration, global supply", which benefits from the national import substitution policy, has paved the way for Dong Di Xin's products to penetrate further into medical institutions and grow sales in the future.

3. Enhancing scientific research and leading product development

In March 2023, the Industry and Information Technology Bureau of Shenzhen Municipality released the list of "Shenzhen's Professional, Refined, Specialised and New Small and Medium-sized Enterprise" and Dong Di Xin was successfully selected, highlighting the Group's innovation capacity and professional spirit in the industry. As of of 2023, Dong Di Xin had filed a total of 67 patents, including 10 invention patents, 48 utility model patents, and 9 design patents. It also secured 13 software copyrights, showcasing its scientific research capacities and accomplishments. As for scientific research collaboration, the Company has strengthened technological exchanges with Sun Yat-sen University and its affiliated hospital, jointly developing a treatment device for dysphagia. Furthermore, Dong Di Xin has collaborated with Guangzhou University of Chinese Medicine and its affiliated hospital, focusing on the technological advancement and clinical application of third-generation physical rehabilitation therapeutic devices.

IV. Review of other business

1. Longde Health Industrial Park has successfully passed inspection, and new developments are on the horizon

To promote the opening up and integration of traditional Chinese medicine between Shenzhen and Hong Kong, innovate the international layout of traditional Chinese medicine, and strengthen the establishment of the university-industry-research integration platform in Shenzhen and Hong Kong, the Group has been dedicated to constructing the Kingworld • Longde Life and Health Industrial Park. This is a critical strategic move within Kingworld's strategies of the Fifth Five-Year Plan to propel scientific research and innovation. The industrial park is designed to offer specialized biopharmaceutical hardware and shared equipment platforms. On the software front, it aims to establish integrated industry-academia-research platforms such as the "landing port for Hong Kong-based pharmaceutical products", the "Shenzhen-Hong Kong Chinese medicine in-hospital preparation center" and the "biopharmaceutical science and technology innovation training camp", to provide innovative ecological partners of traditional Chinese medicine with multi-module services, such as "R&D planning, production and distribution", "brand planning and patent layout", and "macro trends and financing".

During the Year Under Review, government officials from various levels of Shenzhen Municipality and Longgang District visited the industrial park to learn about the Group's needs and offered guidance. During the Year Under Review, the Group has completed the overall construction and preparation for operations of Longde Industrial Park in Longgang District, Shenzhen. The park was recognized as one of the "2023 Longgang District Major Projects", and merchant solicitation work is in full swing.

2. ***Through investment and financing in the healthcare industry to lead sustainable business growth***

The Group is committed to the long-term development of the pharmaceutical and healthcare industry. Relying on the capital market advantages as a listed company, the Group has taken a multi-dimensional approach combining capital operations, brand influence, and strategic cooperation to establish cooperation or alliances with upstream and downstream companies along the industry chain. In doing so, the Group can share resources with partners and bring its brands and management strengths into collaborations, achieving mutual benefits and win-win success and spurring rapid growth for both the enterprise and its partners.

In April and August 2023, the Group subscribed for 2,178,400 shares and 1,007,500 shares, respectively, of Taiko Pharmaceutical Co., Ltd. (stock code: 4574.JP) ("**Taiko Pharmaceutical**"), with the total shareholding representing approximately 6.42% of the enlarged issued share capital of Taiko Pharmaceutical as at 17 August 2023. Taiko Pharmaceutical is the supplier of Taiko Seirogan, one of the pharmaceutical products distributed by the Group. The investment in Taiko Pharmaceutical is in line with the Group's industrialization strategy, which will help promote business synergy and strengthen cooperation, and also help the Group expand new product business to promote traditional Chinese medicine and serve public health.

The Group strengthened cooperation with Hong Kong Fat Chi, and the sales of Hong Kong Fat Chi products soared in market share, laying a sound foundation for promoting authentic Long medicine. Both the Board and the board of directors of Hong Kong Fat Chi have confirmed matters relating to further developing new products and industrial cooperation in the future. During the Year Under Review, the Group signed a strategic cooperation framework agreement with Shaanxi Pharmaceutical Holding Group Chinese Medicine Investment Co., Ltd. The agreement prioritizes collaborative efforts in marketing, R&D, and production, which include expanding market reach through exhibition and sales cooperation, furthering sales collaboration, leveraging Hong Kong, China as a hub for import and export business, and developing products sourced from authentic Shaanxi medicinal materials. By doing so, the two sides aim to promote the traditional Chinese medicine culture featuring authentic "Qin medicine" in Shaanxi and contribute to building a healthier China.

The Group has adhered to investment and financing within the pharmaceutical and healthcare sectors. It has strived to retain its leading position in the highly competitive pharmaceutical and healthcare sector while providing robust support for its long-term development. During the Year Under Review, the capital system team of the Group has evaluated dozens of projects, primarily in areas such as innovative drugs, cell therapy, and healthcare equipment, of which healthcare and ophthalmology equipment projects accounted for more than one-third.

3. Share incentive scheme boosts morale, leading to a notable increase in performance

Following the initial grant of awards on 21 January 2022, the Group granted 3,504,000 incentive shares at nil consideration to 79 selected participants on 6 April 2023 under the Share Award Scheme adopted by the Company on 27 August 2019. Of these, 1,044,000 incentive shares were granted to 14 selected participants who are connected grantees and 2,460,000 to 65 selected participants who are not connected grantees (the "**Second Grant of Award**"). This action represents the Group's concrete steps to further actualize its Share Award Scheme, acknowledging and rewarding the essential contributions of excellent employees. It aims to inspire continued commitment to the Group's overall ongoing operations and growth while attracting more top-tier talent to propel advancement. The execution of this scheme has greatly uplifted morale. The Group's sales performance experienced a year-on-year increase of approximately 12.6%.

V. Corporate culture and sustainable development

1. Embracing corporate sustainable development and ethical practices to serve the community

The Group continued to uphold the corporate mission of "Serving the community and benefiting the world", actively fulfilling its corporate social responsibility and striving to build a harmonious and graceful community of human beings. During the Year Under Review, the Group focused on contributing to society in crucial areas such as rural revitalization, national health, personnel education and training, support for veterans, environmental protection, and caring for monks' health. During the Year Under Review, the Group donated a total of nearly RMB10 million in cash and in kind, and was honored with titles including the "Health Industry Charity Award", the "Public Welfare Education Support Unit", and the "Veterans Care Community".

During the Year Under Review, in response to natural disasters, the Group generously donated RMB800,000 in cash and RMB250,000 in disaster relief supplies, totaling RMB1.05 million, to the Beijing-Tianjin-Hebei flood victims through the Shenzhen Charity Federation and the One Foundation. These funds aided flood control, rescue efforts, and post-disaster reconstruction in the affected areas. Following the earthquake in Jishishan County, Linxia Prefecture, Gansu, at the end of December 2023, the Group collaborated with Lanzhou Foci to donate medicines and supplies to the earthquake victims. The Group ordered urgently RMB600,000 worth of military-style cotton coats and delivered them overnight to the affected areas.

In addition, the Group's Kingworld Healthcare Foundation and the Shenzhen Project Care Foundation continued to carry out the community activities of "Caring for the Veterans with the Red Power of Shenzhen" under the guidance of the Shenzhen Veterans Affairs Bureau. Activities were organized in Shenzhen's Longgang and Nanshan districts to care for veterans and assist vulnerable groups. Kingworld Imada Red Flower Oil was used to enhance massage awareness and alleviate common ailments, and services such as H-type hypertension screening, stroke risk genetic testing, mental health assessments, and disease prevention education were provided to veterans.

The Group continued to hold the large-scale public welfare activity “Vassa Summer Retreat”. During the monks’ meditation period, the Group donated Kingworld Imada Red Flower Oil, Nin Jiom Chuan Bei Pei Pa Koa and Pu Ji Kang Gan Granules and other medicines to hundreds of famous mountain monasteries in provinces and cities across China to care for the health of monks and the believers and to pray for common citizens. During the Year Under Review, the Group participated in environmental protection activities held by The Nature Conservancy and the Paradise International Foundation to protect green waters and mountains and donated patrol kits with Kingworld Imada Red Flower Oil and Pu Ji Kang Gan Granules to the rangers of six nature reserves under the Paradise International Foundation.

2. Emphasizing training for employees to enhance their professionalism and overall capabilities

The Group adhered to the people-oriented philosophy and was committed to deepening the corporate culture and strengthening the cohesion in the enterprise to foster a work environment full of positive energy and a sense of belonging. We emphasize our employees’ personal growth and learning spirit, nurturing a corporate culture that encourages employees to learn and helps them find joy in learning. We believe that continuous learning and effort can not only drive personal development but also facilitate the collective advancement of the enterprise.

To realize this goal, the Group conducted dozens of training sessions for over a thousand participants during the Year Under Review. These sessions cover aspects such as product knowledge, intellectual property protection, marketing strategy, and new employee orientation. These sessions aimed to sharpen employee expertise and market acumen, enhance their thinking and broaden their perspectives.

The Group and Guangdong Food and Pharmaceutical Vocational College have organized the innovative “Kingworld Class” for over ten years, providing Kingworld with various excellent entry-level employees. In July 2023, the Food and Drug Vocational College awarded the “Teacher-Enterprise Practice Mobile Station” plaque to Kingworld.

3. Rigorous risk management and agile market response

In a dynamic business environment with numerous challenges, the Group is dedicated to enhancing internal management and refining workflow processes. Through the proactive adoption of IT tools such as WeChat Work and mini programs, we have improved approval processes and increased the speed and transparency of information flow, ensuring a swift response to market shifts and effectively reducing operational risks. Moreover, we have bolstered the management of goods and receivables, particularly by making significant efforts in risk control.

During the Year Under Review, despite market uncertainties, the Group managed to keep accounts receivable within a reasonable timeframe with no bad debts, ensuring the stable operations of the Group. By taking these measures, the Group has not only effectively responded to the complex market landscape but also improved the management standards and risk control capabilities of the Group, providing a firm foundation for our ongoing stable growth.

4. Advancing with the times: building a digital and intelligent marketing platform

During the Year Under Review, the Group leveraged digital tools to streamline processes and systems. Projects such as the single sign-on system, the SAP reporting system, the data cockpit, and the intelligent marketing management robot (mobile app) were launched and put into use, playing a pivotal role in smart management and providing multi-dimensional visual data for informed decision-making of the Group. For the construction and application of the digital and intelligent marketing platform on the SMART system, the Group established the "customer value-added service application platform" for regions and key clients based on the philosophy of mutual benefit and the principles of marketing management. Through the real-time self-service application, this platform facilitates one-to-one, detailed management of key clients to solidify regional/channel/product sales. In line with the "digital intelligence marketing" concept, the Group fully utilizes the IT platform to empower marketing efforts and develop tools such as a sales team performance assessment evaluation system. The results of the digital and intelligent marketing platform during the year have played a significant role in the Group's management, personnel motivation, customer services, and regional management. Furthermore, the Group follows the trend and plans to explore digital personas for media communications.

HONOURS

For the Year Under Review, the Group received the following honors and awards:

- In January 2023, the Group was awarded the "Shenzhen Time-Honored Brand" (深圳老字號) (Re-examination);

- In March 2023, Shenzhen Dong Di Xin Technology Company Limited, a subsidiary of the Group, was successfully selected as "Shenzhen's Professional, Refined, Specialized and New Small and Medium-sized Enterprise" (深圳市專精特新中小企業);

- In March 2023, Nin Jiom Chuan Bei Pei Pa Koa, distributed by the Group, won the award of the "2022 China Pharmacy Clerks' Most Recommended Brand" (2022年度中國藥店店員推薦率最高品牌), marking its 17th consecutive year on the list;

- In March 2023, the Group won the "Health Industry Charity Award" (健康產業慈善公益獎) and the "Consumer Trust Brand Award in the Health Industry" (健康產業消費者信賴品牌獎);

- In March 2023, Ms. Chan Lok San, an executive director of the Company, was featured in the Nanfang Daily's "High-quality Development in Shenzhen with Women Power" (高質量發展深圳她力量) character series, and was finally selected as the "Most Graceful Woman Power" (最美她力量);

- In May 2023, the Group won the honor of "Shenzhen Top Brand" (深圳知名品牌) 2023-2025;

- In May 2023, Mr. Zhao Li Sheng, Chairman of the Board, was appointed as the chief president of the Federation of HK Shantou Community Organizations (香港汕頭社團總會);

- In June 2023, Kingworld Health Care Foundation was awarded the title of "Public Welfare Education and Dedication Unit 2022" (2022年度公益助學奉獻單位);

- In June 2023, Mr. Zhao Li Sheng, Chairman of the Board, assumed the position of Honorary Director at the celebration of the "26th anniversary of Hong Kong's handover to the mainland, the 34th anniversary of the establishment of the Friends of Hong Kong Association Ltd. and the inauguration of the 9th Board of Directors (慶祝香港回歸祖國26週年、香港友好協進會成立34週年暨第九屆董事會就職典禮晚會)";

- In June 2023, the Group won the Shenzhen Business Development Co-creation Award (深商發展同創獎);

- In June 2023, the Group was selected as a key enterprise in Shenzhen (深圳市骨幹企業);

- In June 2023, Nin Jiom, which the Group distributes, was listed in the "Top 100 Chinese Medicine Enterprises (中國中藥企業TOP100排行榜)";

- In June 2023, Life's DHA, distributed by the Group, was included in JD.com's 618 Dark Horse Brand List (京東618黑馬品牌榜);

- In June 2023, Mr. Zhao Li Sheng, Chairman of the Board, was appointed as the honorary chairman of the organizing committee of the 16th World Chinese Entrepreneurs Conference (第16屆世界華商大會);

- In August 2023, Nin Jiom secured the 18th place in the CPEO's "2023 Healthcare Industry Brand Value Ranking" (2023健康產業品牌價值榜) with a brand value of RMB4.815 billion, and continued to lead the category of cough relief and phlegm alleviation medicines;

- On 16 September 2023, the "2022 Shenzhen Charitable Donation List" (2022年度深圳慈善捐贈榜) was released, and Kingworld donated RMB8.3689 million, ranking 18th on the corporate donor list, while Kingworld Health Care Foundation received RMB9.9158 million, placing 62nd on the donation recipient list;

- In September 2023, Shenzhen Kingworld Medicines Co., Ltd. was listed among the "2023 Top 500 Enterprises in Shenzhen" (2023深圳企業500強榜單);

- In October 2023, Mr. Zhao Li Sheng, Chairman of the Board, assumed the position of Honorary Vice President of the First Council of the Hong Kong China Friendship Association;

- In October 2023, Mr. Zhao Li Sheng, Chairman of the Board, assumed the position of Honorary Chairman of the 8th Supervisory Board of the Shenzhen Overseas Chinese International Association;

- In November 2023, Longde Life and Health Industrial Park was selected as a major project in Longgang District for 2023;

- In November 2023, Zhao Kin Wai, assistant to the Chairman of the Group, was recognized as a leader in Shenzhen's high-quality development for 2023;

- In November 2023, Mr. Zhao Li Sheng, Chairman of the Board, Zhao Kin Wai (assistant to the Chairman), and Zhao Weiying (assistant to the Chairman) were elected as Vice President, Executive Director, and Director, respectively at the first council meeting of the eighth session of the Shenzhen Overseas Friendship Association (深圳海外聯誼會);

- In November 2023, Mr. Zhao Li Sheng, Chairman of the Board, was appointed as the Honorary Chairman of the 10th International Teochew Youth Convention (第十屆國際潮青聯誼年會);

- During the Double Eleven festival in 2023, Nin Jiom was ranked first in the "Most Popular Products in Livestreaming" (直播最受歡迎品) on JD Health for cold and cough family medicines, second in the "Top 10 Essential Products for Users" (用戶常備TOP10單品), and second in the "Top Brands for Respiratory System Medicines" (呼吸系統用藥TOP品牌); and

- From October to December 2023, Imada Red Flower Oil was the designated external medicinal oil for the Meizhou Marathon, Nanchang Marathon, Shaoxing Marathon, and Shenzhen Marathon.

FINANCIAL REVIEW

1. Revenue

Revenue of the Group for the Year Under Review was approximately RMB1,078,659,000, representing an increase of approximately RMB120,958,000 or 12.6% from approximately RMB957,701,000 for the year ended 31 December 2022. The increase was mainly a result of the increase in revenue from the sales of Nin Jiom Chuan Bei Pei Pa Koa. The increase was mainly due to the gradual recovery of market demand due to the infection control and better understanding of the Pandemic during the Year Under Review as compared to the year ended 31 December 2022. Such increase was partially off-set by the decrease in sales of medical devices, including infrared thermometer, manufactured by Dong Di Xin. These Pandemic preventive products were in great demand during the year ended 31 December 2022.

2. Cost of sales and gross profit

For the Year Under Review, cost of sales for the Group amounted to approximately RMB797,994,000, representing an increase of approximately RMB117,920,000 or 17.3% from approximately RMB680,074,000 for the year ended 31 December 2022. The increase in cost of sales was in line with the increase in sales volume. Gross profit for the Year Under Review was approximately RMB280,665,000 representing an increase of approximately RMB3,038,000 or 1.1% from approximately RMB277,627,000 for the year ended 31 December 2022. Gross profit margin decreased from 29.0% for the year ended 31 December 2022 to 26.0% for the year ended 31 December 2023. Such decrease is a result of the decrease in proportion of revenue from products with relatively higher gross profit margin to total revenue, in particular the medical device products from Dong Di Xin, during the Year Under Review.

3. Other revenue and other income

Other revenue and other income mainly included exchange difference, promotional service income, rental income, government grant, interest income and dividend income. For the Year Under Review, other revenue and other income amounted to approximately RMB40,374,000, representing an increase of approximately RMB18,829,000 or 87.4% from approximately RMB21,545,000 for the year ended 31 December 2022. The increase was mainly due to the increase in change in fair value of financial assets at fair value through profit or loss and dividend income through other comprehensive income and through profit or loss.

4. Selling and distribution costs

For the Year Under Review, selling and distribution costs amounted to approximately RMB102,762,000, representing an increase of approximately RMB2,310,000 or 2.3% from approximately RMB100,452,000 for the year ended 31 December 2022. This increase was primarily attributable to the increase in delivery cost, storage expense and bonus.

5. Administrative expenses

For the Year Under Review, administrative expenses amounted to approximately RMB119,532,000, representing an increase of approximately RMB14,959,000 or 14.3% from approximately RMB104,573,000 for the year ended 31 December 2022. This increase was mainly due to the increase in research and development costs and bonus.

6. **Finance costs**

For the Year Under Review, finance costs amounted to approximately RMB11,519,000, representing a decrease of approximately RMB773,000 or 6.3% from approximately RMB12,292,000 for the year ended 31 December 2022. The decrease was mainly due to the decrease in interest charged on bank loans as a result of a decrease in average interest rate for borrowing.

7. **Profit before taxation**

For the Year Under Review, profit before taxation for the Group amounted to approximately RMB93,886,000, representing an increase of approximately RMB26,302,000 or 38.9% from approximately RMB67,584,000 for the year ended 31 December 2022. The increase in profit before taxation was mainly due to the increase in profit from operations.

8. **Income tax**

For the Year Under Review, income tax expenses for the Group amounted to approximately RMB32,292,000, representing an increase of approximately RMB8,250,000 or 34.3% from approximately RMB24,042,000 for the year ended 31 December 2022. The increase was mainly due to the increase in profit before taxation. The effective tax rate for the Year Under Review was 34.4%, compared to 35.6% for the year ended 31 December 2022. The details are set out in Note 7 to the consolidated financial statements in this announcement.

9. **Profit for the year**

As a result of the foregoing, the Group recorded a net profit for the Year Under Review of approximately RMB61,594,000, representing an increase of approximately RMB18,052,000 or 41.5% when compared to approximately RMB43,542,000 for the year ended 31 December 2022.

10. **Profit for the year attributable to owners of the Company**

For the Year Under Review, profit for the year attributable to owners of the Company amounted to approximately RMB38,096,000, representing an increase of approximately RMB15,355,000 or 67.5% from approximately RMB22,741,000 for the year ended 31 December 2022. The increase in profit for the year attributable to owners of the Company was mainly due to the increase in profit for the year.

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

1. Trade and other receivables

Trade receivables of the Group include credit sales to the Group's distributors. Other receivables of the Group include prepayments, deposits and other receivables. Trade and other receivables of the Group as at 31 December 2023 amounted to approximately RMB276,959,000, representing a decrease of approximately RMB6,430,000 or 2.3% from approximately RMB283,389,000 as at 31 December 2022. The decrease was mainly due to the increase in cash received from our customer during the Year Under Review.

2. Inventories

As at 31 December 2023, inventories owned by the Group amounted to approximately RMB117,628,000, representing an increase of approximately RMB32,864,000 or 38.8% when compared to that of RMB84,764,000 as at 31 December 2022. The main reason for the increase in inventories was the increase in finished goods.

3. Right-of-use assets

As at 31 December 2023, right-of-use assets amounted to approximately RMB107,438,000. As at 31 December 2022, right-of-use assets of the Group amounted to approximately RMB117,370,000. The decrease was mainly due to the amortisation in buildings held for own use during the Year Under Review.

4. Property, plant and equipment

Property, plant and equipment owned by the Group include building, leasehold improvements, furniture, fixtures and office equipment, machinery, motor vehicles and construction-in-progress. As at 31 December 2023, the net book value of property, plant and equipment owned by the Group amounted to approximately RMB278,279,000, representing an increase of approximately RMB95,755,000 or 52.5% from approximately RMB182,524,000 as at 31 December 2022. The increase in property, plant and equipment was mainly due to the addition of construction-in-progress and purchase of a building during the Year Under Review.

5. Trade and other payables

Trade and other payables of the Group mainly include trade and bill payables, prepayments from customers, other payables and accrued expenses. As at 31 December 2023, trade and other payables of the Group amounted to approximately RMB192,954,000, representing an increase of approximately RMB4,549,000 or 2.4% from approximately RMB188,405,000 as at 31 December 2022. The increase was mainly due to the increase in trade payables.

CAPITAL STRUCTURE

1. Indebtedness

The total indebtedness of bank loans of the Group, which will be due within one year as at 31 December 2023, was approximately RMB191,663,000 (31 December 2022: approximately RMB271,285,000). The bank loans which will be due over one year as at 31 December 2023, was approximately RMB150,467,000 (31 December 2022: RMB Nil). During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with the lenders.

2. Gearing ratio

As at 31 December 2023, the Group's gearing ratio, calculated as total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant year, was approximately 24.1% (31 December 2022: approximately 4.2%). The increase was mainly due to the increase in bank borrowings.

3. Pledge of assets

As at 31 December 2023, the Group had pledged investment properties, right-of-use assets and property, plant and equipment to certain banks in the amount of approximately RMB99,990,000, RMB95,810,000 and RMB16,618,000, respectively. As at 31 December 2022, the Group pledged investment properties, right-of-use assets, property, plant and equipment and trade receivables to certain banks in the amount of approximately RMB100,480,000, RMB97,174,000, RMB17,709,000 and RMB32,610,000, respectively.

4. Capital expenditures

The capital expenditures of the Group primarily included purchases of plant, equipment, leasehold improvements and other costs for acquisition of right-of-use assets and land. The Group's capital expenditures amounted to approximately RMB115,640,000 and RMB114,058,000 for the years ended 31 December 2023 and 31 December 2022, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long-term and short-term bank borrowings. For the Year Under Review, the effective interest rate for the Group's bank loans ranged from 3.00% to 8.54%. Taking into account the cash flow generated from operations and the long-term and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this announcement.

As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB173,678,000 (31 December 2022: approximately RMB242,155,000) which was mainly generated from operations of the Group.

CAPITAL COMMITMENT

As at 31 December 2023, the Group had capital commitment of approximately RMB141,678,000 (31 December 2022: approximately RMB232,785,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

During the year ended 31 December 2023, the Group did not make any material acquisition or disposal.

LITIGATION

As at 31 December 2023, the Group did not have any material legal proceedings or potential proceedings.

References are made to the paragraph headed "Litigation" in the 2015 Annual Report, the 2016 Annual Report, the 2017 Annual Report, the 2018 Annual Report, the 2019 Annual Report, the 2020 Annual Report, 2021 Annual Report and 2022 Annual Report of the Company, the paragraph headed "Contingent liabilities, legal and potential proceedings" in the 2016 Interim Report, the 2017 Interim Report, the 2018 Interim Report, the 2019 Interim Report, the 2020 Interim Report, the 2021 Interim Report, 2022 Interim Report and 2023 Interim Report of the Company, the announcement of the Company dated 24 October 2016 (the "**Announcement**"), the announcement of the Company dated 31 October 2016 (the "**Second Announcement**"), the announcement of the Company dated 10 August 2018 (the "**Third Announcement**"), the announcement of the Company dated 2 August 2019 (the "**Fourth Announcement**") and the announcement of the Company dated 17 January 2022 (the "**Fifth Announcement**") in relation to update on litigation. Unless otherwise defined, capitalised terms used in this paragraph shall have the same meanings as those defined in the Announcement, the Second Announcement, the Third Announcement, the Fourth Announcement and the Fifth Announcement. Based on the judgment (the "**2021 Judgment**") handed down by the Intermediate Court on 31 December 2021, the Intermediate Court ruled to dismiss all claims of the plaintiff of the first instance that the Substantial Shareholder shall not be required to transfer his 15% equity interest in Dong Di Xin to the plaintiff of the first instance, and Dong Di Xin shall not be required to undertake relevant assistance obligations.

The Company confirms that the 2021 Judgment did not and will not have any material adverse impact on the ordinary operations and financial positions of the Company and its subsidiaries. Please refer to the Fifth Announcement for further details. In June 2022, the Company received notification that the plaintiff applied to High People's Court of Guangdong Province for re-trial. As at the date of this announcement, the Guangdong Province Shenzhen Municipal People's Procuratorate (廣東省深圳市人民檢察院) had approved the request for re-trial.

FUTURE OUTLOOK

According to a McKinsey industry research report, the global health market will reach USD1.8 trillion by 2024. The increase is primarily attributed to a higher demand for healthy living among millennials and generation Z than older consumers. AIGC aligns with consumer needs, providing targeted delivery of personalized health-related information. Besides, consumers have a greater demand for healthcare products backed by scientific evidence and professional endorsements from doctors. In 2022, China's healthcare food market size reached RMB394.68 billion, with a year-on-year growth of 3.0%. According to the Media Research, the market of healthcare products in China will further expand to RMB423.7 billion by 2027. Despite the global and Chinese economies are still facing a slowdown in external economic growth, geopolitical uncertainties, and various uncertainties within the domestic macroeconomic environment in 2024, there are still significant market growth prospects in the global health industry.

Looking to the future, we will work with our employees and partners in the following key areas to achieve more abundant results:

1. **Upholding the strategies of the Fifth Five-Year Plan and leading the business to "go global" for greater expansion**

   Building on the excellent performance of 2023, the Group will continue to pursue the strategies of the Fifth Five-Year Plan. Guided by the development philosophy of "highlighting core business and fostering diversity", the Group will persistently enhance the operational quality of its core business in medicine and health. In 2024, the Group will expedite collaborations with Southeast Asia and other countries along the "Belt and Road" and intensify product promotion in the European market. By implementing the "going global" development path, the Group will solidify its international presence. Looking ahead, we will leverage our extensive domestic and international sales networks to secure agency rights for globally recognized healthcare medicines, expanding our product lines to provide diverse health options for consumers worldwide. The Group is also committed to seeking out businesses with potential for acquisition and investment, such as innovative drugs, cell therapy, and health and medical equipment, which have excellent growth potential. These products can benefit a diverse demographic, from children and millennials to the elderly, thus creating multiple growth drivers for the Group.

2. **Grasping the development of AIGC and improving the strength from marketing to product R&D**

The rapid development of AIGC has affected the ecological development of industries worldwide, and the pharmaceutical industry is no exception. From a marketing perspective, the Group will implement omnichannel online and offline marketing strategies in the future. It is indispensable to combine the most advanced technologies and grasp market trends, social hot spots, health trends, etc., in real time to conduct precise marketing. The Group will use AIGC to empower the upgrade and transformation of e-commerce marketing. This will bring consumers a different feel and experience of products. By accurately understanding the health needs that consumers focus on, the Group can provide personalized product information, improve sales efficiency, and create more buying demand. Meanwhile, the global medical product industry will also actively apply AIGC to drive creative production. This will help reduce costs and increase efficiency for the development and innovation of medical devices, thereby creating products that meet the human body's needs more effectively. The Group will invest resources to develop in related fields, train more tech talents, and elevate the Group's capabilities to another level.

3. **Accelerating corporate expansion through product introduction, sales terminals upgrading, and exogenous development**

With the Group's successful track record of achieving satisfactory sales results for many stellar products in China and other regions over the years, we will enhance our product introduction capabilities and terminal distribution intensity by selecting more high-quality business partners on both the product supply and sales sides. The Group has maintained friendly and cooperative relationships with its business partners over the years, enabling the Group to continue to obtain products favored by consumers. The Group will continue to increase the variety of medicines, health products, and medical devices to expand the market. Meanwhile, the Group will actively seek suitable investment and financing projects, and introduce more pharmaceutical products with roots in ancient Chinese medicine and Long Yao Foci products through equity participation and investment. The nearly century-old Foci Group, known for its authentic raw medicinal materials, holds many approvals for traditional Chinese-prepared medicines. Based on an in-depth market study, the Group will work with Foci Pharmaceuticals to jointly develop a blockbuster product that embodies the essence of Chinese medicine culture and establishes an ideal healthy life for people. The Group will also tap into the demand for health products generated by an aging population and develop effective pharmaceutical and health products and medical device products for seniors. With the attainment of the distribution right for Fortune Coltalin, the Group plans to leverage the strong marketing channels established by Nin Jiom, also a cold symptom relief product, to quickly expand the sales of Fortune Coltalin. The Group believes it can bring synergistic effects to both sales, thereby enhancing overall sales.

4. **Longde Health Industrial Park: A national-level incubator and investment promotion base for the pharmaceutical industry in the Greater Bay Area**

Following the successful acceptance inspection on 18 January 2024, the Longde Life and Health Industrial Park is progressing smoothly with its investment promotion activities. The industrial park is anticipated to commence operations in November 2024. The Group is dedicated to building the industrial park into a national-level incubator and investment promotion base for the pharmaceutical industry in the Greater Bay Area. This initiative aligns with the region's vision of fostering a healthy city, encompassing the R&D of health and medical products, technological innovation, modern logistics, and industrial finance services. As cross-border movement between the mainland and Hong Kong increases, there will be an enormous demand for medical services across the border in the Greater Bay Area, and primary healthcare and rehabilitation services might become essential growth areas. According to the Chief Executive's 2023 Policy Address of the Hong Kong SAR, the Elderly Health Care Voucher Greater Bay Area Pilot Program is set to broaden the applicability of elderly health care vouchers to select medical facilities within the Greater Bay Area by 2024, which will help create concrete commercial opportunities in the area. Looking ahead, the Group plans to leverage the unified market of the Greater Bay Area to enhance the cross-border flow and development of medical resources and data and accelerate the development of the Longde Health Industrial Park.

HUMAN RESOURCES AND TRAINING

As at 31 December 2023, the Group had a total of 1,002 employees, of whom 142 worked at the Group's headquarters in Shenzhen, and 431 were stationed in 34 regions mainly responsible for sales and marketing, and 429 worked at Dong Di Xin. The total staff cost for the Year Under Review amounted to approximately RMB149,535,000 (2022: approximately RMB146,497,000). The Group releases an annual sales guideline on a yearly basis, setting out the annual sales targets and formulating quarterly sales strategies to provide sales and marketing guidelines for all representative offices and their staff. The Group has a management team with extensive industry experience (including the sales directors and product managers), which is responsible for coordinating front-line sales and marketing teams to meet the annual sales targets.

During the Year Under Review, the Group adopted a "people-oriented" management concept to have its staff closely involved in the management and development of the Group. The Group implements a strict selection process for hiring employees and adopts a number of incentive mechanisms to enhance the productivity of employees. The Group conducts periodic performance review with employees, and revises their salaries and bonuses accordingly. In addition, the Group has established a business college and cooperates with higher education institutions to bring in teaching resources for EMBA and EDP courses to its employees.

The Company has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including eligible employees of the Group, who have contributed to the success of the Group.

The Company has also adopted a share award scheme in August 2019 (the "**Share Award Scheme**") for the purpose of recognising the contributions made by certain participants and providing incentives in retaining the participants for the continual operation and development of the Group and attracting suitable personnel for future development of the Group.

DIVIDENDS

To extend the Company's gratitude for the support of our Shareholders, the Board has recommended the distribution of a final dividend for the year ended 31 December 2023 of HK3.38 cents per share to Shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2024, amounting to approximately HK$21,041,000 (equivalent to approximately RMB19,049,000), subject to the approval of the Shareholders at the Company's forthcoming annual general meeting to be held on Wednesday, 29 May 2024. Total dividend payout ratio is approximately 50.0% of the profit for the year attributable to owners of the Company.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends, the above-mentioned final dividend is expected to be paid on or before Sunday, 30 June 2024.

CLOSURE OF THE REGISTER OF MEMBERS

To be eligible to attend and vote in the forthcoming annual general meeting

The register of members of the Company will be closed from Friday, 24 May 2024 to Wednesday, 29 May 2024 (both days inclusive) during which period no transfer of shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 23 May 2024.

To qualify for the proposed final dividends

The register of members of the Company will be closed from Wednesday, 5 June 2024 to Tuesday, 11 June 2024 (both days inclusive) during which period no transfer of shares will be registered. To be qualified for receiving the proposed final dividends, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 4 June 2024.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants, including directors, eligible employees, consultants, suppliers, customers, and shareholders of any member of the Group or associated company or any of their respective associates, who contributed to the success of the Group. The Share Option Scheme was conditionally approved by a written resolution of the shareholders of the Company dated 5 November 2010. Details of the Share Option Scheme are set out in the Prospectus. Upon the expiration of the Share Option Scheme on 4 November 2020, on 20 August 2021, the Company has adopted the new share option scheme (the "**New Share Option Scheme**") to provide incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are available to the Group. For details of the New Share Option Scheme, please refer to the circular of the Company dated 27 July 2021.

The principal terms of the New Share Option Scheme are summarised as follows:

(a) The maximum number of the Company's shares issuable upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the all issued shares of the Company as at the date of the adoption of the New Share Option Scheme (that is, 20 August 2021, the "**Adoption Date**") (which were 622,500,000 shares) unless shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

    As at the date of this announcement, the total number of shares available for issue under the New Share Option Scheme is 62,250,000 shares, which represents 10% of the issued shares as at the Adoption Date and the date of this announcement.

(b) The total number of shares issued and to be issued upon the exercise of options granted to each participant (including both exercised and outstanding options) under the New Share Option Scheme and any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue.

(c) The subscription price of a share in respect of any particular option granted under the New Share Option Scheme shall be a price solely determined by the Board and notified to the relevant participant and shall be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's shares on the date of grant of the option.

(d) An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period as the Board may determine, which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

(e) Any grant of an option to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of the option).

(f) The New Share Option Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date (that is, 20 August 2021).

All share options granted under the Share Option Scheme were lapsed as at 31 December 2021. No share option was granted under the New Share Option Scheme during the Year Under Review.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on 27 August 2019 for the purpose of recognising the contributions made by certain participants and providing incentives in retaining the participants for the continual operation and development of the Group and attracting suitable personnel for future development of the Group. Participants of the Share Award Scheme include (i) any full time or part time employee (including any executive directors) of the Company or any subsidiary of the Company; (ii) any non-executive director (including independent non-executive directors) of the Company or any subsidiary of the company; and (iii) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Details of the Share Award Scheme are set out in the announcement of the Company dated 27 August 2019 (the "**August Announcement**").

In accordance with the announcement of the Company date 29 March 2022, the maximum entitlement of each participant (i.e. the increased Individual limit) of the Share Award Scheme in any 12-month period shall not exceed 0.1% of the issued share capital of the Company immediately preceding such allocation and award.

The Share Award Scheme shall be subject to the administration of the Board in accordance with the Award Scheme Rules (as defined in the August Announcement). The trustee (the "**Trustee**") shall hold the shares of the Company granted under the Share Award Scheme and any income derived from them in accordance with the terms of the trust deed entered into and among the Company and the Trustee. The total number of shares to be awarded under the Share Award Scheme shall not exceed 16,000,000 shares of the Company (subject to adjustment in the event of sub-division of Shares, consolidation of Shares or bonus issue in accordance with the Award Scheme Rules) unless otherwise determined by the resolution of the Board.

As disclosed in the announcement of the Company dated 13 July 2022, the Board has resolved to further increase the Scheme Limit to 46,000,000 Shares, being approximately 7.39% of the issued share capital of the Company as at the date of this announcement (subject to adjustment in the event of sub-division of Shares, consolidation of Shares or bonus issue in accordance with the Award Scheme Rules) with effect from 13 July 2022. Please refer to the announcement of the Company dated 13 July 2022 for further details.

At the beginning and the end of the financial year ended 31 December 2023, the number of Shares available for grant under the scheme mandate of the Share Award Scheme were 46,000,000 and 46,000,000 respectively.

Up to 31 December 2022 and during the year ended 31 December 2023, the Trustee has purchased in aggregate of 24,484,000 and 10,624,000 shares of the Company, respectively, from the market for the purpose of the Share Award Scheme. The Board resolved to grant the Award with an aggregate of 3,504,000 Awarded Shares on 6 April 2023 to 79 Selected Participants under the Share Award Scheme at nil consideration, among which 1,044,000 Awarded Shares were granted to 14 Selected Participants who are Connected Grantees and 2,460,000 Awarded Shares were granted to 65 Selected Participants who are Non-connected Grantees. The Awarded Shares represent approximately 0.56% of the total issued share capital of the Company as at the Date of Grant (being 622,500,000 Shares). The closing price of the Shares on the Date of Grant was HK$0.740 per Share and the average closing price of the Share for the five business days immediately preceding the Date of Grant was HK$0.624 per Share. Subject to the acceptance by the Grantees, the Awarded Shares shall be vested in the Grantees on 6 April 2023. As such, at the beginning and the end of the financial year ended 31 December 2023, the Trustee holds 22,928,000 and 30,048,000 shares on trust for the Share Award Scheme, respectively. Please refer to the announcement of the Company dated 6 April 2023 and table below for further details.

Name of Grantee/a description of the category of the Grantee	Date of Grant	Number of awards granted in 2023	Vesting Period	The closing price of the shares immediately before the date on which the awards were granted (HK$ per share)	Number of awards vested in 2023	The number of awards cancelled in 2023 together with the purchase price of the cancelled awards	The number of awards which lapsed in accordance with the terms of the scheme in 2023
Directors							
Mr. Zhao Li Sheng (趙利生)	6 April 2023	156,000	6 April 2023	0.740	156,000	nil	nil
Ms. Chan Lok San (陳樂燊)	6 April 2023	132,000	6 April 2023	0.740	132,000	nil	nil
Mr. Zhou Xuhua (周旭華)	6 April 2023	88,000	6 April 2023	0.740	88,000	nil	nil
Mr. Zhang Jianbin (張建斌)	6 April 2023	72,000	6 April 2023	0.740	72,000	nil	nil
Mr. Duan Jidong (段繼東)	6 April 2023	72,000	6 April 2023	0.740	72,000	nil	nil
Mr. Wong Cheuk Lam (黃焯琳)	6 April 2023	72,000	6 April 2023	0.740	72,000	nil	nil
Employees/Other Grantees (Excluding the Directors)							
Employees/Other Grantees	6 April 2023	2,912,000	6 April 2023	0.740	2,912,000	nil	nil

The Share Award Scheme was adopted before the effective date (being 1 January 2023) of the new Chapter 17 of the Listing Rules. The adoption date of the Share Award Scheme was 27 August 2019. As such, the Share Award Scheme (effective for a term of six years commencing on the adoption date) shall remain valid and effective until 26 August 2025.The Company will comply with the new Chapter 17 in accordance with the transitional arrangement provided for the existing share schemes. Where any grant of the Awarded Shares (as defined in the August Announcement) is proposed to be made to any person who is a connected person of the Company, the Company shall comply with the relevant provisions of the Listing Rules.

GOING CONCERN

Based on the current financial position and the available financing facilities, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the Financial Statements were prepared on a "going concern" basis.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the Year Under Review and up to the date of this announcement, at least 25% of the issued shares of the Company was held by public shareholders.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "**CG Code**") in force during the Year Under Review as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and adopted various measures to enhance the internal control system, the Directors' continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Year Under Review, the Company complied with the code provisions as set out in the CG Code, in force during the Year Under Review other than code provision C.2.1 of the CG Code.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zhao Li Sheng is the Chairman of the Board and the chief executive officer. The Board is in the opinion that having Mr. Zhao to carry out both roles can bring about strong and consistent leadership for the Group, and can be more effective in planning and implementing long-term business strategies. The Board also considers that since members of the Board include competent and independent non-executive Directors, this structure will not impair the balance of power and authority between the Board and its management in the business of the Group. The Board is in the opinion that the structure described above will be beneficial to the Company and its business.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (which has been re-numbered to Appendix C3 with effect from 31 December 2023) to the Listing Rules (the "**Model Code**") as its own code governing securities transactions of the Directors. Each of the Directors has confirmed his/her compliance with the Model Code during the Year Under Review. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. The senior management, who, because of their office in the Company, is likely to be in possession of unpublished inside information, has been requested to comply with the provisions of the Model Code and the Company's code of conduct regarding securities transactions by Directors. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company during the Year Under Review.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 5 November 2010 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. The Audit Committee has three members, namely Mr. Duan Jidong, Mr. Zhang Jianbin and Mr. Wong Cheuk Lam, who are Independent Non-executive Directors. Mr. Wong Cheuk Lam has been appointed as the chairman of the Audit Committee.

The primary duties of the Audit Committee are (among other things) to provide an independent review and supervision of financial reporting, and examine the effectiveness of the internal controls and risk management systems of the Group and to ensure the external auditor are independent and the audit process is effective. The Audit Committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls, risk management and financial reporting. The Audit Committee also serves as a channel of communication between the Board and the external auditor. External auditor and the Directors are invited to attend the committee meetings as and when necessary.

During the Year Under Review, the Audit Committee had held two meetings and all the members attended the meetings. The work performed by the Audit Committee during the Year Under Review included reviewing the audited consolidated financial statements of the Group for the year ended 31 December 2022, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2023 and the effectiveness of the internal control practices of the Group. The Audit Committee has also reviewed the audit plan and approach of the external auditor and monitored the progress and results of the audit regularly.

The Audit Committee also carried out corporate governance functions during the Year Under Review, including developing and reviewing the Company's policies and practices on corporate governance and other duties prescribed under the CG Code.

The Audit Committee has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements for the year ended 31 December 2023, this results announcement, the annual report, the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group for the Year Under Review, and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this results announcement complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

There is no material event after the reporting period as at the date of this announcement.

DISCLOSURE OF INFORMATION

This results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.kingworld.com.cn) under "Investor Relations". The annual report for the year ended 31 December 2023 containing all necessary information as required by the Listing Rules will be sent to the Shareholders in due course, and will be published on the website of the Stock Exchange (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.kingworld.com.cn) under "Investor Relations".

By order of the Board
Kingworld Medicines Group Limited
Zhao Li Sheng
Chairman

Hong Kong, 26 March 2024

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhao Li Sheng, Ms. Chan Lok San and Mr. Zhou Xuhua, and three independent non-executive Directors, namely Mr. Duan Jidong, Mr. Zhang Jianbin and Mr. Wong Cheuk Lam.