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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)

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

## FINANCIAL HIGHLIGHTS

| | **Six months ended 30 June** | | |
|---|---|---|---|
| | **2024** | 2023 | % Changes |
| | **(unaudited)** | (unaudited) | Increase/ |
| | **RMB'000** | RMB'000 | (Decrease) |
| Revenue | **526,088** | 553,017 | (4.9)% |
| Cost of sales | **(388,828)** | (398,328) | (2.4)% |
| Gross profit | **137,260** | 154,689 | (11.3)% |
| Gross profit margin | **26.1%** | 28.0% | (1.9)% points |
| Profit for the period | **45,620** | 47,701 | (4.4)% |
| Profit attributable to owners of the Company | **30,716** | 37,727 | (18.6)% |
| Basic earnings per share (RMB cents) | **5.20** | 6.38 | (18.5)% |

The board (the "**Board**") of directors (the "**Directors**") of Kingworld Medicines Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2024 (the "**Reporting Period**") together with the comparative figures for the six months ended 30 June 2023 with the selected notes as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

| | Note | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2024** | 2023 |
| | | **(unaudited)** | (unaudited) |
| | | **RMB'000** | RMB'000 |
| **Revenue** | 4 | **526,088** | 553,017 |
| Cost of sales | | **(388,828)** | (398,328) |
| **Gross profit** | | **137,260** | 154,689 |
| Other revenue | 7(a) | **6,483** | 6,317 |
| Other income and other losses, net | 7(b) | **(2,261)** | (1,987) |
| Selling and distribution costs | | **(48,565)** | (54,662) |
| Administrative expenses | | **(42,708)** | (47,347) |
| Amortisation of intangible assets | | **–** | (135) |
| Valuation gain on investment properties | | **7,720** | 3,330 |
| **Profit from operations** | | **57,929** | 60,205 |
| Finance costs | 8(a) | **(9,316)** | (9,460) |
| Share of profit of a joint venture | | **6,391** | 6,576 |
| Share of profit of an associate | | **462** | 334 |
| **Profit before taxation** | 8 | **55,466** | 57,655 |
| Income tax | 9 | **(9,846)** | (9,954) |
| **Profit for the period** | | **45,620** | 47,701 |
| **Attributable to:** | | | |
| Owners of the Company | | **30,716** | 37,727 |
| Non-controlling interests | | **14,904** | 9,974 |
| Profit for the period | | **45,620** | 47,701 |
| **Earnings per share** | 11 | | |
| Basic (RMB cents) | | **5.20** | 6.38 |
| Diluted (RMB cents) | | **5.20** | 6.38 |

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

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(unaudited)** | (unaudited) |
| | **RMB'000** | RMB'000 |
| **Profit for the period** | **45,620** | 47,701 |
| **Other comprehensive income for the period** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Fair value gain on financial assets | **9,537** | – |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation of financial statements of entities outside the PRC | **2,186** | 13,767 |
| | **11,723** | 13,767 |
| **Total comprehensive income for the period** | **57,343** | 61,468 |
| **Attributable to:** | | |
| Owners of the Company | **42,439** | 51,494 |
| Non-controlling interests | **14,904** | 9,974 |
| Total comprehensive income for the period | **57,343** | 61,468 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024 - UNAUDITED

| | Note | **30 June 2024 (unaudited) RMB'000** | 31 December 2023 (audited) RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Right-of-use assets | | **110,049** | 107,438 |
| Property, plant and equipment | | **350,458** | 278,279 |
| Investment properties | | **128,339** | 120,619 |
| Goodwill | | **90,693** | 90,693 |
| Interest in a joint venture | | **72,973** | 66,582 |
| Interests in associates | | **9,773** | 9,667 |
| Financial assets at fair value through other comprehensive income | | **80,152** | 68,576 |
| Financial assets at fair value through profit or loss | | **7,180** | 7,180 |
| | | **849,617** | 749,034 |
| **Current assets** | | | |
| Inventories | | **118,209** | 117,628 |
| Trade and other receivables | 12 | **241,691** | 276,959 |
| Financial assets at fair value through profit or loss | | **14,864** | 20,351 |
| Cash and cash equivalents | | **287,235** | 173,678 |
| | | **661,999** | 588,616 |
| **Current liabilities** | | | |
| Contract liabilities | | **56,126** | 57,172 |
| Trade and other payables | 13 | **276,507** | 192,954 |
| Bank loans | | **220,531** | 191,663 |
| Lease liabilities | | **6,420** | 6,366 |
| Income tax payable | | **15,099** | 15,377 |
| | | **574,683** | 463,532 |
| **Net current assets** | | **87,316** | 125,084 |
| **Total assets less current liabilities** | | **936,933** | 874,118 |

| | Note | 30 June 2024 (unaudited) RMB'000 | 31 December 2023 (audited) RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank loans | | **154,930** | 150,467 |
| Lease liabilities | | **6,541** | 5,930 |
| Deferred tax liabilities | | **18,767** | 18,369 |
| | | **180,238** | 174,766 |
| **NET ASSETS** | | **756,695** | 699,352 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **53,468** | 53,468 |
| Reserves | | **608,005** | 565,566 |
| **TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **661,473** | 619,034 |
| **NON-CONTROLLING INTERESTS** | | **95,222** | 80,318 |
| **TOTAL EQUITY** | | **756,695** | 699,352 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024 - UNAUDITED

### 1. GENERAL INFORMATION

Kingworld Medicines Group Limited 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 lslands on 10 July 2008. The Company is an investment holding company whereas its subsidiaries are principally engaged in (i) distribution sales of branded imported pharmaceutical and healthcare products, and (ii) manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices in the People's Republic of China (the "**PRC**") and Hong Kong.

### 2. BASIS OF PREPARATION

The unaudited interim results announcement has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Hong Kong Accounting Standard 34 Interim Financial Reporting (the "**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The preparation of an unaudited interim results announcement in conformity with the HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The unaudited interim results announcement contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which term collectively includes HKASs and Interpretations issued by the HKICPA.

The interim results announcement is unaudited, but has been reviewed by the Company's audit committee.

### 3. MATERIAL ACCOUNTING POLICIES AND DISCLOSURES

Other than new accounting policies resulting from application of amendments to HKFRS, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's consolidated financial statements for the year ended 31 December 2023.

In the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024, for the preparation of the Group's condensed consolidated interim financial statements:

| | |
|---|---|
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5# and Non-current Liabilities with Covenants* |
| Amendments to HKAS 7 and HKFRS 7 | *Supplier Finance Arrangements* |
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback* |

The Group has not applied any new standard or amendment that is not yet effective for the current accounting period. Except as described below, the application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

## 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 Reporting Period.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2024** | 2023 |
| | **(unaudited)** | (unaudited) |
| | **RMB'000** | RMB'000 |
| Sales of | | |
| – pharmaceutical products | **356,306** | 366,196 |
| – healthcare products | **55,876** | 77,850 |
| – medical devices | **113,906** | 108,971 |
| | **526,088** | 553,017 |
| Timing of revenue recognition | | |
| A point in time | **526,088** | 553,017 |

## 5. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's director, i.e., the chief operating decision-makers, for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Distribution sales of pharmaceutical and healthcare products: this segment distributes and sells branded imported pharmaceutical and healthcare products primarily in Hong Kong and the PRC.

– Manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices: this segment manufactures and sells electrotherapeutic and physiotherapeutic devices and general medical examination devices. Currently, the Group's activities in this regard are primarily carried out in the PRC.

### (a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the chief operating decision-makers for the purposes of resource allocation and assessment of segment performance for the Reporting Period is set out below.

| | Distribution sales of pharmaceutical and healthcare products | | | | Manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Hong Kong | | PRC | | PRC | | | |
| For the six months ended 30 June | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Revenue from external customers | **15,621** | 25,627 | **396,561** | 418,419 | **113,906** | 108,971 | **526,088** | 553,017 |
| Inter-segment revenue | **1,794** | 2,943 | **4,968** | 5,242 | **—** | — | **6,762** | 8,185 |
| Reportable segment revenue | **17,415** | 28,570 | **401,529** | 423,661 | **113,906** | 108,971 | **532,850** | 561,202 |
| Reportable segment profit/(loss) (adjusted EBITDA) | **(1,872)** | 579 | **59,829** | 61,323 | **30,634** | 29,307 | **88,591** | 91,209 |
| | **30 June 2024** | 31 December 2023 | **30 June 2024** | 31 December 2023 | **30 June 2024** | 31 December 2023 | **30 June 2024** | 31 December 2023 |
| | **(unaudited)** | (audited) | **(unaudited)** | (audited) | **(unaudited)** | (audited) | **(unaudited)** | (audited) |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Reportable segment assets | **55,521** | 49,448 | **611,773** | 544,851 | **392,029** | 349,144 | **1,059,323** | 943,443 |
| Reportable segment liabilities | **34,175** | 28,896 | **376,045** | 317,951 | **75,126** | 63,521 | **485,346** | 410,368 |

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' emoluments and auditors' remuneration and other head office or corporate administration costs.

### (b) Reconciliations of reportable segment profit or loss

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(unaudited)** | (unaudited) |
| | **RMB'000** | RMB'000 |
| Reportable segment profit derived from the Group's external customers and joint venture | **88,591** | 91,209 |
| Depreciation and amortisation | **(19,026)** | (18,791) |
| Finance costs | **(9,316)** | (9,460) |
| Unallocated head office and corporate expenses | **(4,783)** | (5,303) |
| Consolidated profit before taxation | **55,466** | 57,655 |

## 6. SEASONALITY OF OPERATIONS

The Group's business in distribution sale of pharmaceutical and healthcare products and manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices had no special seasonality factor.

## 7. OTHER REVENUE, INCOME AND OTHER LOSSES, NET

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(unaudited)** | (unaudited) |
| | **RMB'000** | RMB'000 |
| ***(a) Other revenue*** | | |
| Total interest income on financial assets not at fair value through profit or loss: | | |
| Bank interest income | **779** | 734 |
| Gross rental income from investment properties | **1,064** | 1,248 |
| Dividend income from financial assets at fair value through other comprehensive income | **141** | 145 |
| Promotional service income | **4,499** | 4,190 |
| | **6,483** | 6,317 |
| ***(b) Other income and other losses, net*** | | |
| Government grants (note) | **3,196** | 816 |
| Change in fair value of financial assets at fair value through profit or loss | **(6,048)** | (1,610) |
| Exchange loss, net | **(546)** | (303) |
| Others | **1,137** | (890) |
| | **(2,261)** | (1,987) |
| Total | **4,222** | 4,330 |

Note: 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. There was no unfulfilled conditions attached to these grants.

## 8. PROFIT BEFORE TAXATION

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

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | **2023** |
| | **(unaudited)** | (unaudited) |
| | **RMB'000** | RMB'000 |
| ***(a) Finance costs*** | | |
| Total interest expense on financial liabilities not at fair value through profit or loss: | | |
| Interest on bank loans | **8,990** | 9,044 |
| Interest on lease liabilities | **326** | 416 |
| | **9,316** | 9,460 |
| ***(b) Other items*** | | |
| Amortisation of other intangible assets | — | 135 |
| Cost of inventories sold | **388,828** | 398,328 |
| Staff costs | **66,559** | 73,441 |
| Depreciation of property, plant and equipment | **5,826** | 6,289 |
| Amortisation of right-of-use assets | **5,218** | 5,098 |
| Rental income from investment properties less direct outgoings of RMB159,000 (six months ended 30 June 2023: RMB173,000) | **(905)** | (1,075) |
| Research and development cost | **6,742** | 6,433 |
| Payment for share award scheme expense | **3,509** | 2,330 |

## 9. INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(unaudited)** | (unaudited) |
| | **RMB'000** | RMB'000 |
| Hong Kong Profits Tax | | |
| Current period | **(884)** | (938) |
| PRC Enterprise Income Tax | | |
| Current period | **9,930** | 10,892 |
| | **9,846** | 9,954 |

Notes:

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) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the six months ended 30 June 2024 and 2023.

iii) The PRC Enterprise Income Tax charge of the Group during the six months ended 30 June 2024 and 2023 represented mainly the PRC Enterprise Income Tax charge on the Group's PRC subsidiaries, Shenzhen Kingworld Medicine Company Limited, and Shenzhen Dong Di Xin Technology Company Limited ("**Dong Di Xin**") are based on a statutory rate of 25% (six months ended 30 June 2023: 25%), except for Dong Di Xin, which is based on a preferential income tax rate of 15% (six months ended 30 June 2023: 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.

## 10. DIVIDENDS

The Company's directors did not recommend the payment of an interim dividend for the six months ended 30 June 2024 and 2023.

## 11. 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:

(i) *Profit attributable to owners of the Company*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(unaudited)** | (unaudited) |
| | **RMB'000** | RMB'000 |
| Profit for the period attributable to owners of the Company | **30,716** | 37,727 |

(ii) *Weighted average number of ordinary shares*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(unaudited)** | (unaudited) |
| Weighted average number of ordinary shares in issue | **622,500,000** | 622,500,000 |
| Effect of shares repurchased and held under share award scheme | **(31,688,791)** | (31,143,425) |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **590,811,209** | 591,356,575 |

### (b) *Diluted earnings per share*

Diluted earnings per share for the six months ended 30 June 2024 and 2023 was the same as the basic earnings per share because that the exercise price of the share options granted was higher than the weighted average market price of the Company's shares during the six months ended 30 June 2024 and 2023. As the conversion or exercise of the share options would have an anti-dilutive effect on earnings per share, the calculation of diluted earnings per share does not assume conversion or exercise of potential ordinary shares of the share options.

## 12. TRADE AND OTHER RECEIVABLES

The Group generally granted credit terms ranging from 30 days to 120 days to its customers. As of the end of the Reporting Period, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

| | **At 30 June 2024 (unaudited) RMB'000** | At 31 December 2023 (audited) RMB'000 |
|---|---|---|
| 0-90 days | **75,212** | 87,093 |
| 91-120 days | **8,183** | – |
| 121-180 days | **68** | 105 |
| 181-365 days | **35** | 60 |
| Total trade receivables, net of allowance for doubtful debts | **83,498** | 87,258 |
| Bills receivables | **62,822** | 65,276 |
| Other receivables | **39,475** | 46,216 |
| Amount due from a related party | **158** | 416 |
| Amount due from an associate | **3,037** | 4,744 |
| Amount due from a joint venture | **11,434** | 15,002 |
| Financial assets at amortised cost | **200,424** | 218,912 |
| Prepayments | **9,208** | 11,677 |
| Trade and other deposits | **7,239** | 7,914 |
| Trade deposits to related parties | **18,747** | 22,566 |
| Value-added tax recoverable | **6,073** | 15,890 |
| | **241,691** | 276,959 |

## 13. TRADE AND OTHER PAYABLES

The credit terms granted by the suppliers were generally 45 days to 90 days. Ageing analysis of trade payables is presented based on invoice date as of the end of the Reporting Period as follows:

| | **At 30 June 2024 (unaudited) RMB'000** | At 31 December 2023 (audited) RMB'000 |
|---|---|---|
| 0-90 days | **142,622** | 139,202 |
| 91-180 days | **9,693** | 9,461 |
| Total trade payables | **152,315** | 148,663 |
| Accruals | **7,087** | 6,683 |
| Amount due to an associate | **–** | 158 |
| Amounts due to related parties | **3,712** | 3,624 |
| Other payables and customer deposits | **102,039** | 33,826 |
| Dividend payable | **11,354** | – |
| | **276,507** | 192,954 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET AND INDUSTRY REVIEW

During the six months ended 30 June (the "**Reporting Period**"), China's economy has operated generally steadily, with stable growth in market sales, but weak domestic demand, and a slowdown in investment and consumption growth. During the review period, the national consumer price index rose by 0.1% year-on-year, with medical and healthcare prices rising by 1.4%. However, the international political and economic environment is complex, China's economic foundation is still in the consolidation stage, and domestic effective demand still needs to be strengthened. According to statistics from the China Pharmaceutical & Healthcare Products Importers & Exporters Association, China's exports of pharmaceutical products in the global market in the first half of 2024 amounted to $52.579 billion, a year-on-year increase of 1.91%. Among them, the export value of traditional Chinese medicine (TCM) products was $2.657 billion, with varying degrees of growth in the European Union, the United States, Latin America, India, Africa, and Russia.

In recent years, the central government has continued to promote the reform of the "three medical linkages" centered on medical care, medicine, and medical insurance. Among them, the anti-corruption efforts in the pharmaceutical industry have been further deepened and expanded to the off-hospital market, such as physical pharmacies, focusing on cracking down on problems such as drug substitution, excessive prescriptions, and the irregular sale of prescription drugs in retail pharmacies. The medical insurance department's supervision of retail pharmacies has become regularized. At the same time, domestic drug price governance policies have been successively implemented, such as the National Healthcare Security Administration's special action to "go online, check drug prices, compare data, and grasp governance", and local medical insurance departments have successively launched "drug price comparison" systems, which will affect the traditional operating model of "relying on scale to drive performance" for asset-heavy pharmacies.

The Government Work Report delivered by Li Qiang, the Premier of the State Council in 2024 indicated that greater efforts will be made to attract foreign investment into China, with an open attitude to promote mutually beneficial development, and continue to reduce the negative list for foreign investment access, with the liberalization of the service industry, including the medical sector, as an important measure. Therefore, under the dual driving force of policies and capital, more investment entering the industry is an important driving force for the direct development of the health industry. According to data from the Arterial Orange Industry Research Institute, China's health industry market size reached 5.5 trillion yuan in 2023, and is expected to exceed 11.0 trillion yuan by 2030. This is mainly due to the enhanced health awareness of residents and the increase in health consumption expenditure. According to data released by the National Bureau of Statistics, China's per capita medical and healthcare consumption expenditure was 2,460 yuan in 2023, an increase of 16% year-on-year.

In terms of domestic health food, according to data from JD Health, in the first half of 2024, consumers' attention to health food has been continuously increasing, and nutrient-balanced coarse grains and zero-added, healthy and nutritious products are more favored by consumers. The continuous increase in China's online retail share is also an important driver for the growth of medical and health products. In the first half of 2024, China's online retail sales reached 7.0991 trillion yuan, a year-on-year increase of 9.8%. Among them, the online retail sales of physical goods reached 5.9596 trillion yuan, representing an increase of 8.8%, accounting for 25.3% of the total retail sales of consumer goods.

**Continued Growth in the Traditional Chinese Medicine Market and Rising Raw Material Prices**

According to the "2023-2028 China TCM Industry Project Research Analysis and Market Prospect Forecast Evaluation Report", the TCM market experienced stable growth in the first half of 2024, with a market size reaching nearly RMB500 billion. It is expected to maintain stable growth in the second half of the year, with the annual market size likely to exceed RMB500 billion. The innovative traditional medicine sector also showed vigorous development in the first half of the year, with six new traditional medicine drugs approved for market by the end of June 2024.

In the first half of 2024, the export value of TCM products was USD2.657 billion, a slight decrease of 6.99% year-on-year. However, looking at the whole year, with the recovery in market demand and the strengthening of policy support, the total export value of traditional medicine products is expected to grow. In particular, the exports of proprietary TCM and healthcare products, which have strong market competitiveness, are anticipated to increase by more than 30% year-on-year. The government has introduced a series of supportive policies, which highly emphasize the development of the TCM industry. These policies have facilitated the further expansion of the TCM market and the innovative development of enterprises.

However, during the Reporting period, the TCM market faced supply shortages due to the depletion of wild resources as well as the impact of floods and rainy weather in many parts of southern China, resulting in a "non-off-season" price surge in TCM materials this year, with prices of many TCM materials rising sharply, leading to multiple price adjustments of domestic TCM products to maintain profitability. To alleviate the supply-demand imbalance for traditional medicine raw materials, the National Medical Products Administration and the General Administration of Customs plan to implement a pilot policy for specific TCM raw materials, in order to stabilize the market price of natural medicinal materials and alleviate the cost pressure on enterprises.

**E-commerce as a Major Channel for Pharmaceutical Retail Growth**

According to data from Menet, the sales scale of China's pharmaceutical retail terminal reached RMB923.3 billion in 2023, with a growth rate of 5.8%, the lowest in years. In the first quarter of 2024, the overall market scale of prescription drugs declined slightly, with the offline market showing negative growth, while the online market maintained double-digit growth. Affected by policies such as individual account, outpatient reimbursement, "four identities" + "immediate price", and other price governance measures, the nationwide pharmacy retail market has entered a "small ice age". China Monitor Health's statistics show that, the retail market scale of Chinese pharmacies was approximately RMB217.8 billion of 2024, representing a year-on-year decrease of 3.7% from January to May 2024.

From the perspective of the physical pharmacy market, according to Menet data, in the first five months of 2024, drugs accounted for 81.6% of pharmacy sales, up 5.7% from the same period in 2023. In addition to drugs, the share of decoction pieces, instruments, health products and other categories has shrunk to varying degrees compared to the same period last year.

Consumers buying medicines online has become a common trend, and the medical and pharmaceutical O2O business is developing rapidly. With the introduction of the "Measures for the Supervision and Administration of Online Drug Sales" and the continuous expansion of the coverage of online medical insurance payment services, various major e-commerce giants have entered the medical and pharmaceutical e-commerce business. According to statistics, more than 1,300 pharmacies in 7 cities in Guangdong have opened the "takeaway medicine" service on Alipay; pharmacies in Beijing, Guangdong, Shanghai and other places have explored online medical insurance drug purchases through cooperation with third-party platforms such as Meituan, JD.com, and Ele.me, or through self-built platforms. As of May 2024, the market size of O2O direct delivery pharmacy drugs was close to 4.1 billion yuan, with a year-on-year sales growth of 21%.

In addition, according to the data disclosed by JD Health, the number of products participating in JD Health's 618 promotion increased by more than two digits year-over-year, and the number of new products increased by more than 4 times. Among them, the sales of sleep improvement, health drinks, and eye care nutrition products grew at an exponential rate.

Although the market growth rate has slowed down, and the saturation of physical pharmacies has gradually increased, the "Internet + pharmaceutical circulation" trend is reshaping the ecological layout of the pharmaceutical distribution industry. Consumers' health awareness has been enhanced, and health consumption has become more diversified and refined, with further increased demand for health preservation and self-care.

The company is also actively seizing the opportunity in the aging market and the chronic disease treatment demand market, it is accelerating the development of a full-category TCM business. In terms of business layout, it is focusing on the TCM and health industry, accelerating the development of multi-category TCM business, and forming core advantages in the TCM field.

## BUSINESS REVIEW

### I. Pharmaceutical Distribution Division Business Review

In early 2024, amidst the prevalence of various respiratory diseases, the number of coughing patients surged, with an estimated 853 million adults expected to be affected by coughs in 2024. The demand for cough treatment has been increasing significantly. In the first quarter of 2024, the overall customer traffic in retail pharmacies slightly exceeded the same period last year, with notable demand for lung-moistening and cough-suppressing medications.

The flagship drug that our Group distributed, Nin Jiom Pei Pa Koa, leveraging its high-quality herbal ingredients and efficacy, coupled with continuous brand promotion and comprehensive channel coverage strategy, has deeply resonated with consumers, and recorded significant growth in sales.

We also concern about those affected by the job nature of their occupation such as, individuals in the education and training sector frequently use their voices, leading to vocal cord fatigue and throat irritation, resulting in a relatively higher rate of cough issues. Another product from our Group, Nin Jiom Herbal Candy, retains the excellent herbal formula of Nin Jiom Pei Pa Koa and has been improved for convenience. Therefore, our Group has continuously built the brand image of “One Voice, One Teacher for Life” in collaboration with brand ambassadors and retail stores.

Another flagship agency product, Taiko Seirogan, a household essential for digestive health, has consistently enjoyed strong market demand due to its high quality and quick effectiveness. However, due to supply-demand imbalances in raw materials in Japan, the product has been in short supply domestically, leading to a decline in sales. In the long term, changes in lifestyle habits, dietary structures, and disease patterns are driving the development of the gastrointestinal medication market, which is continually expanding. Taiko Seirogan will benefit from the increasing market capacity. In the first quarter of 2024, the market size of gastrointestinal medications in China was approximately RMB7.5 billion. With the fundamental problems of imbalance between the supply and demand of raw materials in Japan resolved, it is expected that the supply of Taiko Seirogan will become more stable, and the sales will resume its stable growth.

Under the influence of the new lifestyle of "health", "New Chinese-style," and "sports," the public increasingly favors traditional proprietary Chinese medicines. Another flagship product of our Group, Kingworld Imada Red Flower Oil, containing precious Chinese medicinal ingredients such as safflower and dragon's blood, is effective in promoting blood circulation and pain relief. During the Reporting Period, the Group continued to collaborate with well-known sports events and expanded the scope of cooperation to markets with a large target consumer base. We continually enhance and consolidate our brand influence and recognition among sports enthusiasts, guide them in the proper use of products, increase product usage frequency, and reduce the extent and frequency of injuries.

The Group's two prescription drug products, namely Enalapril Maleate and Folic Acid Tablets ("**Enalapril**") and Fengbao Jianfu Capsule, which cater to cardiovascular diseases and female infertility, respectively. During the Reporting Period, the Group continued to organize offline activities and collaborated with professional pharmacists and doctors in chain pharmacies to help the elderly and hypertensive patients better understand and to enhance their stroke-related knowledge, raising awareness about disease prevention and enhancing health management. However, due to the impact of healthcare policies, the guiding retail price fell by 38%, severely disrupting the existing pricing system and affecting sales performance.

During the Reporting Period, the Group adopted the following marketing strategies for the pharmaceutical division:

***1. Targeting Wide Coverage and Optimizing Channel Layout***

In response to the slowing economic growth and increased industry regulation, the Group remains committed to its mission of "serving the community and benefiting all lives", and to provide safe, effective, and high-quality products and services to our partners while ensuring reasonable profits for all levels of partners. Guided by this philosophy, the Group actively selects outstanding partners in the management process, uses data-driven methods to manage partners' inventory and sales data, and, based on this data, jointly formulates coverage targets and terminal sales strategies with our partners. During the Reporting Period, we increased the number of covered outlets by 9,128 stores compared to last year, totaling approximately 162,719 chain pharmacies, 23,165 primary medical institutions, over 12,570 hospitals and clinics, as well as 39 convenience stores and supermarkets.

To extend high-quality product services to more consumers, the Group established the-third-terminal organizational structure, hiring marketing talent experienced in the third terminal to further expand our marketing network coverage. Currently, our products, including Kingworld American Ginseng Capsules, Kingworld Zhuang Yao Jian Shen Pian (Strengthening Kidney Tablets), and Kingworld Gan Mao Qing Jiao Nang (Cold Relief Capsules), have entered the third-terminal network for sales.

As the market share of B2C e-commerce in the OTC retail market has been expanding, its growth potential and market vitality are robust, with a compound annual growth rate (CAGR) of 47.1% over three years through to 2023. The Group continues to strengthen collaboration with mainstream e-commerce platforms such as JD Health and Alibaba Health, leveraging the platforms' high traffic volumes, the company will collaborate with professional physicians and health & wellness experts to hold seminars focused on the products and health-related knowledge.

***2. Strengthening Deep Cooperation with Top 100 Chains and Regional Chains to Boost Sales***

The proportion of chain pharmacies in the OTC retail market and their sales figures have been increasing. The Group continues to enhance cooperation with top 100 chains and leading regional chains by signing annual cooperation agreements, integrating resources, improving product displays, hosting membership events, and providing value-added services. We also focus on empowering store employees with enhanced professional knowledge and skills, jointly developing marketing plans to drive sales growth.

With the rise of the "lazy economy" and rapid development of home delivery services, especially following the pandemic, the growth of medical e-commerce O2O (Online-to-Offline) has been swift. As of March 2024, data from China Monitor Health shows that the O2O pharmaceutical market size is nearly RMB3.2 billion, up 25% year-on-year. Among them, direct delivery store scale grew by 41%, and its importance in offline retail pharmacy channels increased to 4.3%. The Group has responded to this marketing model shift by enhancing market promotion and standard management of O2O channels through search keyword ads, website banner advertisements, and other methods to empower partners and boost sales.

### 3. *Capitalizing on the Consumption Trends of "She Economy," "New Chinese-Style," and "Self-Care" to Diversify Promotional Approaches and Enhance Brand Penetration*

Over the past decade, the "She Economy" in China has experienced higher growth trend compared to other categories, with emerging new women-centric consumer terms such as "New Chinese-Style," "Flower Picking," and "Self-Care" showing even higher growth.

The Group has closely observed consumer trend changes and actively embraced them in brand promotion strategies. We have set up a brand account on Xiaohongshu with a professional operation company, enhancing online interaction with consumers. Additionally, we have hosted online and offline experiential theme activities to strengthen brand recognition and encourage consumers to share their experiences, further extending our brand influence to participants and their social circles.

During the Reporting Period, the Group collaborated with top 100 chains across the country to conduct themed activities such as "International Women's Day Flower Arrangement", "Mother's Day Buy-and-Gift", "Dragon Boat Festival Dumpling Competition", "Country Fair", and "Flower Picking", which were well-received by consumers, attracting large crowds and increased store sales.

### 4. *Forming Strong Partnerships to Expand Brand Influence*

The Group actively monitors social hotspots and influential TV shows to further expand brand influence through major IPs. Nin Jiom has engaged in brand promotion across several popular TV programs. Apart from sponsoring iQIYI's "Rising Star" with over one billion views and Hunan TV's "I Want to Sing with You," we also invested in Tencent's platform to launch a major ad campaign for the period drama "Blossoms Shanghai" directed by world-renowned Wong Kar Wai, achieving a peak daily online viewership of 145 million.

In the first half of 2024, we also sponsored highly popular programs both domestically and internationally, significantly enhancing Nin Jiom's brand preference across various consumer groups. During the Reporting Period, Nin Jiom ranked 18$^{th}$ in the 16$^{th}$ Xipu Health Industry Brand Value List, with a brand value of RMB4.815 billion, leaping four places from 2022. In terms of offline promotion, the Group has conducted various promotional activities such as the Nin Jiom Filial Piety Project, Healthy Lung Carnival, Celebrity Meet-and-Greet, and "Nin Jiom•New Voices" National Youth Singing Contest, engaging more consumers and showcasing corporate social responsibility and product quality.

The core value of our products lies in promoting healthier lifestyles and physical well-being. During the Reporting Period, Kingworld Imada Red Flower Oil actively participated in various types of sports events, through product experience, to enhance brand awareness and expand usage scenarios. In the first half of the year, the Group participated in the Shenzhen Five Parks Connected Hiking Event (深圳五園連通歡樂徒步活動), the Zhuzhou Marathon (株洲馬拉松), the Second Street Football Match of Shenzhen (深圳第二屆街道足球賽) and other events, providing pre-event massage warm-ups and post-event muscle fatigue relief to the participators to promoting healthy exercise among the public.

### *5. Optimizing Product Structure and Focusing Resources on New Product Categories*

During the Reporting Period, after extensive development efforts in Shanghai, Henan, Anhui, Shaanxi, and Gansu provinces, the market penetration and sales rate of Fortune Coltalin, saw significant improvements. However, due to strategic adjustments, the Group amicably agreed with the domestic operation team of Fortune Coltalin to end the collaboration earlier.

As aging population problems deepen, cardiovascular and cerebrovascular diseases have increased, with stroke becoming the leading threat to health. In China, stroke is one of the leading causes of disability and death. An Gong Niu Huang Wan, a renowned TCM for stroke treatment, is widely recognized and accepted by consumers. Data from Sinohealth Data shows that the cardiovascular and cerebrovascular category ranks third in the offline market, with sales increasing annually, reaching RMB8.401 billion in the first quarter of 2024. The An Gong Niu Huang Wan category alone achieved sales of over RMB5 billion in 2023, with expectations to exceed RMB8 billion in 2024, maintaining a steady growth trend and expanding market capacity. During the Reporting Period, Foci Kingworld An Gong Niu Huang Wan has completed packaging design, product registration, and procurement of raw materials and will be launched in the second half of the year. With Foci's long history, excellent manufacturing process, modern technology-enhanced Niu Huang, and unique Kingworld marketing model, Foci Kingworld An Gong Niu Huang Wan is poised for significant future development.

Concurrently, the Group has reintroduced several products, including Kingworld American Ginseng Capsules, Kingworld Zhuang Yao Jian Shen Pian (Strengthening Kidney Tablets), and Kingworld Gan Mao Qing Jiao Nang (Cold Relief Capsules), and Kingworld Safflower Plasters, which are now available to consumers.

## II. Health and Personal Care Distribution Division Business Review

As the Group's second-largest business segment, the Health and Personal Care Distribution division has prominently introduced two brand-new Innopharm Heart Health Fish Oil products. These feature 95% Omega-3, top-quality rTG fish oil, with an EPA golden ratio of 3:2, making them an excellent choice for safeguarding family health. Additionally, the hot selling products lineup of this business segment includes Life's DHA, the pioneering algae oil; and the Carmex lip balm, developed by Alfred Woelbing in the early 1930s to treat dry and cracked lips, becoming the No. 1 recommended lip balm by pharmacists and influencers, with a record of "selling 170 units globally per minute and being sold in more than 50 countries and regions". During the Reporting Period, the Group's collaboration with Culturelle came to an end and will now focus its resources on operating the high-end French natural nutrition brand Innopharm Heart Health Fish Oil series.

During the Reporting Period, the Group's Health and Personal Care products primarily adopted the following significant development strategies:

***1 Targeted Investment to Improve Conversion Rates***

The Group actively optimized promotional strategies on e-commerce platforms such as Tmall International, JD.com, Kaola, Vipshop, and Alibaba Health. We focused on utilizing platform promotional tools like keyword advertising, Gravity Cube, Wanxiangtai, and Jingzhun, partnering with influencers who have previously collaborated with Life's DHA and have a strong fan base. This approach aimed to enhance ROI conversion and achieved certain results.

***2 Embracing Personalization and Omnichannel Integration Operation Trends, Recorded Desirable Results in Revenue and Gross Profit***

In the era of AI-driven AIGC technologies enhancing consumer shopping experiences and the evolution of Web 3.0, successful e-commerce operations now necessitate big data analysis to provide customers with personalized shopping experiences as a leading prerequisite. Over the past years, the Group has utilized data to understand customer behaviors and preferences, implementing precision marketing strategies for product recommendations, promotions, and content. Through public and private domain traffic promotion, and educational content on medical platforms, Kingworld E-commerce has empowered its brand platform to drive GMV on e-commerce platforms, creating a comprehensive marketing ecosystem that is in its early stages. Future efforts will focus on developing an information-sharing, mutually beneficial supply chain and sales ecosystem.

***3 Developing Innopharm Heart Health Fish Oil Operations to Create Best-Selling Products***

Innopharm Heart Health Fish Oil, a product under the Group's French subsidiary Innopharm S.A. ("**Innopharm**"), includes two products: deep-sea fish oil for adult and fish oil for brain. Both products have five times the premium DHA fish oil for replenishing brain power and intelligence. They also possess 95% purity Omega-3, providing 500mg of DHA per capsule, added premium content rTG fish oil as well as offering a refreshing orange flavor.

As people age, the demand for DHA increases, as DHA is a critical element for the growth and maintenance of nerve cells, comprising 60% of the brain and 40% of the retina, and essential for cognitive and visual development.

To drive the sales of of Innopharm Heart Health fish oil, the Group has strategically planned and established brand flagship stores on Tmall, JD.com, Douyin, and Xiaohongshu. We are also leveraging the 2024 Paris Olympics to boost marketing efforts, focusing on social media channels popular with young and high-end consumers to highlight the product's features, selling points, and benefits.

Innopharm Heart Health Fish Oil will be listed on major offline channels in Hong Kong, such as Mannings and Watsons, and online channel, HKTVmall, creating a comprehensive domestic and international, online and offline channel network to concentrate resources on driving the sales of the product.

### *4 Focusing on Key Products to Enhance Store Conversion Rates and Create Distinctive Stores*

During the Reporting Period, under the intense competition in the e-commerce industry, some merchants engage in loss-making strategies to attract traffic, resulting in price wars for certain products. The Kingworld's Health Home overseas flagship store carefully selected high-quality overseas pharmaceutical brands and products to meet consumers' demand for quality OTC household medicine from abroad. Under the strategy of continuously enriching product categories, it also selected products with controllable sources and price maintenance, especially the Group's exclusively distributed products like the Foci Minshan series. The Group noticed that after the pandemic, the public's attention to health has increased, and the demand for Chinese patent medicines and cardiovascular drugs has grown. Therefore, the Group's cross-border OTC flagship store and Hong Kong offline channels joined forces to vigorously promote the Tianwang Buxin Dan, achieving sales growth and driving the flagship store to become a distinctive one. Additionally, with increasing logs for Xiaoyao Wan on Xiaohongshu and after thorough research, the Group recognizes its development potential and has intensified marketing efforts. The product, noted for its quality and effectiveness, has also received the Hong Kong Pharmacy's Most Popular Brand Award. Moving forward, the Group will continue to refine its marketing strategies, integrating domestic and international, online and offline channels to enhance the distinctive nature of Kingworld's Health Home overseas flagship store.

## III. Medical Devices and Equipment Division Business Review

As a global R&D and manufacturing enterprise for electrotherapy and rehabilitation equipment and a national high-tech enterprise, the Group's non-wholly-owned subsidiary, Shenzhen Dong Di Xin Technology Company Limited ("**Dong Di Xin**"), has been dedicated to electrotherapy and rehabilitation equipment since its establishment in 2000. Dong Di Xin's product portfolio spans two main areas: physical rehabilitation therapy devices and general diagnostic instruments. The product categories include infrared thermometers, handheld electrotherapy devices, professional medical electrotherapy equipment, biofeedback and therapeutic products, and accessory components. These products are primarily sold in the European and American markets.

Despite varying economic conditions globally, the demand for medical supplies remains strong due to the aging population and the rising prevalence of chronic diseases. According to The Business Research Company, the medical device market is projected to grow at a CAGR of 8.6%, reaching USD107.76 billion by 2028, presenting significant growth opportunities. During the Reporting Period, Dong Di Xin's domestic and international sales continued to rise, with overall sales performance meeting expectations.

By product segment, during the Reporting Period, infrared thermometer sales performance showed steady growth. The sales of high-margin products, such as the professional tabletop therapy devices, recorded an increase compared to last year. Core customers, particularly in Europe, continued to show steady growth, providing solid support for achieving the annual sales targets. Through active marketing efforts, the market share of key products significantly improved compared to last year, thereby increasing the division's gross profit margin. The new product developed and launched at the end of last year – the Itch Relief Device – has achieved a sales breakthrough in the European market and shows potential to become another flagship product for Dong Di Xin based on early sales performance.

Dong Di Xin has not only maintained stable growth in the European and American markets but has also actively engaged with clients in various regions under the “Going Out” policy. The Company has expanded its presence into potential markets such as the Middle East, Southeast Asia, and Hong Kong, participating in local medical device exhibitions, enhancing direct communication with customers, and securing multiple future orders, thus broadening the international footprint of its products. Additionally, Dong Di Xin has hosted numerous international clients at its facilities, employing multiple marketing channels and intensifying promotional efforts. In the first half of 2024, the Company hosted no fewer than ten international client visits. These effective marketing strategies have ensured that the customer agreement targets for 2024 are met as scheduled.

During the Reporting Period, the Group’s Medical Devices and Equipment division adopted the following key development strategies:

***1、 Advancing Smart Production and Quality Services to Support Global Expansion***

In the first half of 2024, Dong Di Xin continued to enhance its digital intelligent manufacturing systems, collaborating with domestic AI research institutes. Key personnel were sent to leading companies for hands-on learning to advance the intelligent iteration of products. Dong Di Xin remains committed to the “6S of Lean Production” management model, significantly increasing investments in the upgrade of precision machining centers, expanding employee training, and optimizing organizational processes, which has substantially improved production management standards.

In the field of SMT intelligent manufacturing systems, the Company’s management team provided direct oversight to strengthen procurement and supervision across various product stages. This approach effectively reduced labor costs and increased production efficiency in minimizing human errors and supporting the core production management principle of “getting it right the first time” while actively meeting gross profit margin targets.

Additionally, the Company remains resolute in enhancing its product quality systems, after-sales service structure, and risk control frameworks, viewing these as critical components of its production management strategy. The establishment of emergency medical incident protocols and information confidentiality systems has ensured stable sales performance. Through relentless effort, Dong Di Xin has developed a robust global quality service operation model, providing a solid foundation for sustained sales success.

### *2、 Fostering Proprietary Brands to Enhance Product Margins*

The cultivation of the proprietary brand NU-TEK has been a top priority for Dong Di Xin, with ongoing increases in market promotion investment. During the Reporting Period, sales from the proprietary brand as a percentage to total sales continued to increase. The brand achieved strong sales performance in both the Chinese, European and American markets, with sales in China surpassing tens of millions RMB, covering over 30 provinces and municipalities, and partnering with approximately 200 clients.

Furthermore, the Company has entered into a strategic partnership with ZIMMER of Germany. Dong Di Xin has been entrusted with the contract manufacturing of three ZIMMER products registered in China. During the Reporting Period, the Company successfully completed various batches of product deliveries. With ongoing collaboration with internationally renowned physical rehabilitation treatment enterprises, this "domestic registration, supplying global" sales model, supported by favorable national import substitution policies, provides advantageous conditions for Dong Di Xin 's products to penetrate and grow in more medical institutions.

### *3、 Continuing to Enhance R&D Capabilities to Lead Product Development*

As of the first half of 2024, the Company has acquired one new effective invention patent, bringing the total number of valid invention patents to four. The Company holds a total of 24 valid utility model patents, one valid design patent, and 13 software copyrights, demonstrating notable R&D achievements. During the Reporting Period, the Company successfully launched a new product, the Portable Shockwave Device, at the 89th CMEF exhibition in Shanghai, which received unanimous praise from attendees and generated strong interest from potential clients planning to collaborate in the latter half of 2024. Dong Di Xin continues to engage in technical promotion collaboration with renowned domestic rehabilitation hospitals and the Shenzhen Advanced Institute of Chinese Academy of Sciences to jointly develop more market-accepted new products. In terms of R&D collaboration, the Company is working with Sun Yat-sen University and its affiliated hospitals on the development of a swallowing disorder treatment device. Additionally, Dong Di Xin is partnering with Guangzhou University of Chinese Medicine and its affiliated hospitals to advance the technology and clinical application of third-generation physical rehabilitation treatment devices.

## IV. Other Business Developments Review

### *1. Successful Acquisition of Property Title for Longde Life and Health Industrial Park; Deepening Traditional Chinese Medicine Development in the Greater Bay Area*

To promote the integration and innovation of TCM in the Greater Bay Area and enhance the platform for academic and research collaboration between Hong Kong and Mainland China, the Group has been focused on developing the Kingworld+Longde Life and Health Industry Park ("**Longde Health Industry Park**"). This initiative is a strategic component of the Group's "Five-Five Strategy" aimed at advancing research and innovation. The industry park aims to provide specialized biomedical hardware and shared equipment platforms, while its software offerings include "Hong Kong Medicine Landing Hub", "Shenzhen-Hong Kong TCM In-Hospital Formulation Center", and "Biomedicine Innovation Training Camp", creating integrated platforms for industry, academia, and research. These platforms will offer services in "product R&D planning, production, and distribution", "brand planning and patent layout", and "macro trends and financing".

During the Reporting Period, Longde Health Industry Park, listed as a significant project in Longgang District, successfully obtained the relevant building ownership certificates. Located in Bao'an Technology City, Longgang District, Shenzhen, the park is strategically positioned in the center of the Longgang East Hub, formed by the Shenzhen East High-Speed Rail New Town and the International Low Carbon City. The Group is confident that it will become a key hub for TCM research, development, and industry in the Greater Bay Area.

### *2. Actively Seeking Investment and Financing Opportunities in the Health Industry to Drive Sustainable Growth*

During the Reporting Period, the Group continued to actively seek investment opportunities in the health industry that support sustainable development. Leveraging the advantages of its public listing, the Group expanded its collaborative efforts and brand influence through various strategies, including capitalizing on financing platforms and establishing partnerships or alliances across the industry chain. This approach allows the Group to share resource advantages with partners while bringing its brand and management strengths into collaborations, achieving mutual benefits and accelerating growth for both the Group and its partners.

Following the Group's investment in approximately 6.35% of shareholding in the supplier of the Taikou Seirogan, Taikou Pharmaceutical Co., Ltd. (stock code: 4574. JP), which strengthened its industrial layout, the Group's capital team analyzed more than 69 projects and engaged with more than 10 institutions and platforms during the Reporting Period. These projects primarily focus on innovative drugs, cell therapy, and health medical devices, with innovative drugs projects representing the majority.

In addition, as the Group's shareholding in Fat Chi Medicine Company Limited ("**Hong Kong Foci**") is more than 40%, the market share of Hong Kong Foci's products grew rapidly, laying a solid foundation for promoting authentic "Long Medicine". The Board and Foci Group's Board have outlined plans to expand new product and industrial collaborations. To further ensure the quality and supply of TCM raw materials, the Group signed a strategic cooperation framework agreement with Shaanxi Medicine Holdings Group Traditional Chinese Medicine Industry Investment Co., Ltd. ("**Shaanxi TCM Investment**") last year. This agreement prioritizes joint marketing, R&D, and production activities, such as market development and sales collaboration, with Hong Kong as a base for import and export business and product development using Shaanxi's authentic TCM materials. This cooperation is progressing smoothly during the Reporting Period.

***3. Continuing to Use Equity Incentive Plans to Drive Team Development***

During the Reporting Period, the Group implemented further actions under its share award scheme to reward key personnel for their contributions. On 30 April, 2024, the Group completed the third round of its share award scheme, granting a total of 6,648,000 shares to 86 selected participants at no cost. Of these, 2,692,000 shares were awarded to 20 connected participants, and 3,956,000 shares were awarded to 66 non-connected participants. The awarded shares represent approximately 1.07% of a total of 622,500,000 issued shares of the Group as of the grant date. The closing price of the shares on the date of grant was HK$0.55 per share. The Group aims to continue using equity incentives to foster positive collaborative relationships, enhance team cohesion, and support the long-term stable development of the Group. This initiative also attracts more top talent to drive further growth, boosting morale of employees significantly.

***4. Establishing a Scientific New Product Introduction Evaluation Process and System to Ensure Sustainable Business Development***

The continuous introduction of new products is essential for business growth and sustainability. However, each new product requires extensive nurturing and refinement before it can succeed in the market, necessitating significant human, material, and financial investment. Potential products need not only vision and initiative but also close coordination and support across various team systems. To address this, the Group has engaged a third-party professional team with experience in multinational marketing to collaborate on summarizing successful product selection experiences in the past, deducing key factors from the analysis, engaging key management for discussion, and developing a new product introduction process. This will establish a new product introduction database to provide data-driven tools for future best-selling product introductions, thereby improving success rates.

## V. Corporate Culture and Sustainability

### *1. Commitment to Sustainable Development and Corporate Social Responsibility*

The Group continues to uphold its mission of "Serving Community and Enriching Lives," actively fulfilling corporate social responsibility and striving to build a harmonious and flourishing community. In the first half of 2024, the Group focused on key areas such as rural revitalization, educational support, public health, disaster relief, care for retired military personnel, and the well-being of monks. During the Reporting Period, the Group donated approximately RMB8.42 million in cash and materials and received honors including the "Warmth Partner Title & Excellence Contribution Award" for veteran care and the "Fourth Council Director Unit" of the Luohu District Charity Association.

Under its Kingworld Health Foundation, the Group collaborated with the Shantou Public Welfare Foundation to respond to the "Rescue at Your Side" initiative by donating five AED (Automated External Defibrillator) units to Shantou City. These devices provide emergency rescue equipment for local residents, supporting public health and safeguarding lives. One AED was donated to Shantou No. 12 Middle School, along with additional funding to build a "Reading Corner" at the school, supporting educational development and nurturing future students through educational aid.

In response to severe flooding in Meizhou City, Guangdong Province, the Group promptly coordinated with the Shenzhen Charity Association to donate disaster relief funds via the Jinhua Health Foundation. These funds were designated for the reconstruction of the Seryao Town Songlin Village Hope Primary School in Meixian District, aiding in the school's recovery and resumption of classes.

The Group also continued its "Summer Retreat" charitable activities, donating medical supplies such as Kingworld Imada Red Flower Oil, Nin Jiom and Nin Jiom Herbal Candy, Pu Jie Anti-Cold Granules, and Kingworld Red Flower Dragon's Blood Health Patches to numerous major temples and monasteries across various provinces and cities. These donations support the health of monks and promote public welfare.

Additionally, the Group actively participated in traditional culture and sports events, supporting the successful hosting of dragon boat races in Yujiao Town, Jieyang City, and Nanshan District, Shenzhen City. The Group also sponsored events such as the Zhuzhou Marathon, Shenzhen Wuyuan Linked Happy Walk, and Shenzhen Street Football Invitational, contributing to the preservation of Chinese cultural heritage and promoting a healthy lifestyle.

### 2. *Recruiting Professional Talent to Enhance Employee Skills and Problem-Solving Capabilities*

With changing consumer needs, especially from the Z Generation, who demand personalized and instant solutions, and the rapid advancement of generative artificial intelligence (GenAI) and digital marketing tools, the Group recognizes the importance of adapting to market changes. To enhance understanding of market dynamics, the Group emphasizes continuous learning and training for employees and adapts strategies to improve operational quality. In addition to internal training, the Group focuses on recruiting professionals with expertise to strengthen the management team and address challenges, aiding company performance. During the Reporting Period, the Group's Hong Kong and Shenzhen offices recruited experienced executives and conducted dozens of training sessions, with nearly a thousand attendees. These sessions covered product knowledge, intellectual property protection, marketing strategies, and onboarding for new employees, aimed at improving professional skills and market sensitivity, and expanding thinking and vision.

Through these efforts, the Group has enhanced employee skills, team cohesion, and overall competitiveness. The Group believes that continuous learning and growth are crucial for mutual success and form a key part of its long-term development strategy. The Group's "Kingworld Class", established in collaboration with Guangdong Food and Drug Vocational College, has been training excellent junior staff for over ten years.

The Group also continually optimizes its organizational structure and staffing plan to efficiently allocate talent and support strategic goals. It emphasizes talent acquisition through various channels, including recruitment, school-enterprise cooperation, headhunting, and internal promotions, to ensure a well-structured talent pool for core positions related to strategy, new products, and new channels. As of 30 June 2024, the Group employed a total of 747 staff, including 132 at the Shenzhen headquarters, 270 in 34 other regions handling sales and marketing, and 345 at Dong Di Xin.

### 3. *Strict Risk Management and Adaptability to Market Risks*

In the face of slowing economic growth, increased industry regulation, and weak demand, the Group has further strengthened operational risk management. Major investments are subject to scientific assessment, process improvement, and cautious optimism, with risk exit evaluations and contingency plans in place. For accounts receivable from core business operations, the Group implements strict management requirements, daily monitoring of payment collections, and actions such as halting deliveries and pursuing legal action for seriously overdue accounts.

To encourage the sales team to manage receivables proactively, the Group has improved its management systems, establishing multidimensional assessment and incentive mechanisms. Despite market uncertainties during the Reporting Period, the Group successfully maintained accounts receivable within reasonable periods, avoiding bad debts and ensuring stable operations. These measures have enhanced the Group's risk management capabilities and established a solid foundation for stable and sustainable development.

### 4. *Establishing a Data Center to Provide Value-Added Services to Customers*

The SMART information system developed by the Group over the past years has become a valuable tool for operational management and marketing strategies, guiding marketing activities and enhancing market responsiveness. To further improve communication efficiency with upstream and downstream customers, the Group plans to open parts of its database to key clients. This will share information on product distribution and sales across the entire supply chain, helping clients and the Group to identify market opportunities, address shortcomings, and boost sales performance. During the Reporting Period, the Group completed the first phase of its "Customer Value-Added Service Platform" system, which is currently in the stage of internal testing. Once in operation, this platform is expected to foster closer collaboration with clients.

## FINANCIAL REVIEW

### 1. Revenue

Revenue of the Group for the six months ended 30 June 2024 amounted to approximately RMB526,088,000, representing a decrease of approximately RMB26,929,000 or 4.9% compared to approximately RMB553,017,000 for the six months ended 30 June 2023. The decrease was mainly due to the decrease in the revenue from distribution of imported branded pharmaceutical and healthcare products in China for the Reporting Period as compared to the six months ended 30 June 2023 as a result of the reduction of the positive effect from the market recovery from the lifting of the pandemic control measures. Such decrease was partially offset by the increase in sales of medical devices, including electrotherapy and rehabilitation equipment, manufactured by Dong Di Xin.

### 2. Cost of sales and gross profit margin

For the six months ended 30 June 2024, cost of sales of the Group amounted to approximately RMB388,828,000, representing a decrease of approximately RMB9,500,000 or 2.4% compared to approximately RMB398,328,000 for the six months ended 30 June 2023. The decrease in cost of sales was mainly due to the decrease in sales volume and the change of product mix. Gross profit margin decreased from 28.0% for the six months ended 30 June 2023 to 26.1% for the six months ended 30 June 2024 as a result of the increase in average unit cost of sales.

### 3. Other revenue, income and other losses, net

Other revenue, income and other losses, net mainly included rental income, interest income, promotion service income, government grants, change in fair value of financial assets at fair value through profit or loss, investment gain and exchange gain. For the six months ended 30 June 2024, other revenue, income and other losses, net amounted to approximately RMB4,222,000, representing a decrease of approximately RMB108,000 or 2.5% compared to approximately RMB4,330,000 for the six months ended 30 June 2023. Such decrease was mainly due to the increase in losses from the change in fair value of financial assets at fair value through profit or loss. Details of other revenue, income and other losses, net are set forth in Note (7) to the condensed consolidated financial statements.

4. **Selling and distribution costs**

For the six months ended 30 June 2024, selling and distribution costs amounted to approximately RMB48,565,000, representing a decrease of approximately RMB6,097,000 or 11.2% compared to approximately RMB54,662,000 for the six months ended 30 June 2023. This decrease was mainly due to the decreases in advertising expenses, delivery expenses and storage fee as a result of the decrease in sales volume for the Reporting Period.

5. **Administrative expenses**

For the six months ended 30 June 2024, administrative expenses amounted to approximately RMB42,708,000, representing a decrease of approximately RMB4,639,000 or 9.8% compared to approximately RMB47,347,000 for the six months ended 30 June 2023. This decrease was mainly due to the decrease in staff costs during the Reporting Period.

6. **Profit from operations**

For the six months ended 30 June 2024, profit from operations for the Group amounted to approximately RMB57,929,000, representing a decrease of approximately RMB2,276,000 or 3.8% compared to approximately RMB60,205,000 for the six months ended 30 June 2023. The decrease in profit from operations was mainly due to the decrease in gross profit, which was partially off-set by the decrease in selling and distribution costs and administrative expenses during the Reporting Period.

7. **Finance costs**

For the six months ended 30 June 2024, finance costs amounted to approximately RMB9,316,000, representing a decrease of approximately RMB144,000 or 1.5% compared to approximately RMB9,460,000 for the six months ended 30 June 2023. The decrease in finance costs was mainly due to the decrease in interest charged on bank loans as a result of a decrease in the average bank borrowings interest rate.

8. **Profit before taxation**

For the six months ended 30 June 2024, profit before taxation for the Group amounted to approximately RMB55,466,000, representing a decrease of approximately RMB2,189,000 or 3.8% compared to approximately RMB57,655,000 for the six months ended 30 June 2023. The decrease in profit before taxation was mainly due to the decrease in profit from operations.

9. **Income tax**

For the six months ended 30 June 2024, income tax for the Group amounted to approximately RMB9,846,000, representing a decrease of approximately RMB108,000 or 1.1% compared to approximately RMB9,954,000 for the six months ended 30 June 2023. The effective tax rate during the Reporting Period was 17.8%, compared to 17.3% for the six months ended 30 June 2023. Details of income tax are set forth in Note (9) to the condensed consolidated financial statements.

10. **Profit for the period**

As a result of the foregoing, for the six months ended 30 June 2024, profit for the period of the Group amounted to approximately RMB45,620,000, representing a decrease of approximately RMB2,081,000 or 4.4% compared to approximately RMB47,701,000 for the six months ended 30 June 2023.

11. **Profit for the period attributable to owners of the Company**

For the six months ended 30 June 2024, profit for the period attributable to owners of the Company amounted to approximately RMB30,716,000, representing a decrease of approximately RMB7,011,000 or 18.6% compared to approximately RMB37,727,000 for the six months ended 30 June 2023. The decrease was mainly due to the decrease in profit for the period from operation belongs to owners of the Company.

12. **Liquidity and capital resources**

The Group has met its working capital needs mainly through cash generated from operations and various short-to-long term bank borrowings. During the Reporting Period, the effective interest rate for fixed rate loans ranged from 3.00% to 8.35%. Taking into account the cash flow generated from operations and the 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 twelve months from the date of publication of this announcement.

As at 30 June 2024, the Group had cash and cash equivalents of RMB287,235,000 (as at 31 December 2023: approximately RMB173,678,000) mainly generated from operations of the Group.

13. **Cash flows**

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures as well as growth and expansion of the Group's operations. During the Reporting Period, the Group's cash and cash equivalents increased by approximately RMB113,557,000.

## 14. Capital structure

### *Indebtedness*

The total amount of the borrowings of the Group as at 30 June 2024 was approximately RMB375,461,000 (as at 31 December 2023: approximately RMB342,130,000). During the Reporting Period, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

### *Gearing ratio*

As at 30 June 2024, the Group's gearing ratio, calculated as the total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity multiplied by 100%, was 11.8% (as at 31 December 2023: 24.1%). The decrease in gearing ratio was mainly due to the increase in cash and cash equivalents, and total equity.

### *Pledge of assets*

As at 30 June 2024, the Group had pledged investment properties, right-of-use assets, property, plant and equipment to certain banks in the amount of approximately RMB99,990,000, RMB98,421,000, and RMB18,835,000, respectively (as at 31 December 2023: the Group had pledged investment properties, right-of-use assets, property, plant and equipment to certain banks in the amount of approximately RMB99,990,000, RMB95,810,000, and RMB16,618,000, respectively).

### *Capital expenditure*

The capital expenditures of the Group primarily included purchase of property, plant and equipment. The Group's capital expenditures amounted to approximately RMB54,919,000 and RMB87,368,000 for the Reporting Period and the six months ended 30 June 2023, respectively.

### *Foreign exchange risk*

The principal business of the Group has used RMB, HK$, Euro and US$ as the functional and operational currencies. The Group faces foreign exchange risk arising from RMB, HK$, Euro and US$. The Group has no major risks in changes in other currency exchange rates.

## 15. Contingent liabilities, legal and potential proceedings

As at 30 June 2024, 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, the 2021 Annual Report, the 2022 Annual Report and the 2023 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, the 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 rejected the request for re-trial.

## 16. Major acquisitions and disposals

For the six months ended 30 June 2024, the Group did not make any material acquisition or disposal.

## 17. Going concern

Based on the current financial position and financing facilities available, 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.

## FUTURE OUTLOOK

According to the "2023-2028 China Healthcare Industry Operation and Investment Planning Deep Research Report", the global healthcare market has reached USD830 billion. Factors such as aging population, increasing health awareness, and rising government investments in healthcare are driving overall industry growth. The Chinese health supplement market, in particular, shows significant potential. Analysts from the China Business Industry Research Institute predict that sales of healthcare food products will further increase to RMB77.8 billion in 2024. The penetration rate of health supplements is notably high among individuals aged 45 and above, with over 20%, while it stands at 19% for those aged 24 and below. Future demand for health products is expected to rise among Millennials and Generation Z, who seek personalized and immediate solutions. GenAI is expected to align with consumer needs, providing more personalized health information, while there is a demand among consumers for healthcare products with support of scientific research and recommendations from doctors. iMedia Consulting forecasts that by 2027, the Chinese health supplement market size will increase to RMB423.7 billion.

Looking ahead, we will focus on the following key areas to achieve even greater success with our employees and partners:

### 1. Strategic Review and Dynamic Management Driven by Company Mission

Guided by our 50-50 strategic management framework, we will continually assess the impact of internal and external environmental changes on our core business. We will conduct semi-annual strategic reviews to evaluate the execution of key strategies, milestone goals, and sub-strategies. By objectively analyzing deviations and formulating improvement measures, we aim to steadfastly follow the direction set by our 50-50 strategy. Our commitment to technological innovation will enable us to provide high-quality products and services to consumers.

### 2. Empowering the Healthcare Industry with Global AI Development

The undeniable role of AI in advancing the healthcare market is clear. AI and big data systems are set to enhance diagnostic and treatment capabilities, improve intelligent service levels, and refine healthcare service systems, driving comprehensive industry transformation and upgrading. According to Frost & Sullivan, the market size of China's healthcare AI industry is expected to reach RMB311 billion by 2032, with a CAGR of 46.6% from 2022 to 2032. Additionally, under the rapid development of GenAI, AIGC will facilitate online and offline marketing integration, upgrading e-commerce marketing, and delivering more precise product experiences and consumer insights. McKinsey predicts that GenAI could contribute USD60 to 110 billion in annual economic value to the pharmaceutical and healthcare sectors. The global healthcare products industry is also leveraging AIGC for creative production, reducing costs, and developing products tailored to human needs. The Group will actively utilize generative AI technology and big data systems for precise market targeting and closer consumer engagement, driving sales growth.

3. **Seizing Opportunities to Develop Key Products and Expand Sales**

Over the years, the Group has maintained a mutually trusted relationship with commercial partners, enabling us to consistently offer popular products. In 2024, the Group will introduce two major products: the Foci Kingworld An Gong Niu Huang Wan and Innopharm Heart Health Fish Oil. These high-potential products with substantial market capacity and high price points will leverage a robust marketing network to quickly reach consumers. We will also address the growing demand for health products driven by an aging population and develop effective medical and elderly care products.

4. **Developing the Longde Health Industrial Park into a National-level Pharmaceutical Incubation and Investment Base for the Bay Area**

As a critical base for science, industry, academia, and research in the Greater Bay Area's healthcare market, the Longde Health Industrial Park has successfully obtained relevant real estate certificates. We aim to establish the park as a national-level pharmaceutical incubation and investment base within the Greater Bay Area, focusing on health product R&D, technological innovation, modern logistics, and industry financing services. With increased cross-border mobility between Hong Kong and Mainland China, there will be a substantial demand for cross-border healthcare services, including primary and rehabilitative care. The "Elderly Medical Voucher Bay Area Pilot Program", proposed in the Chief Executive's 2023 Policy Address announced by John Lee, the Chief Executive of Hong Kong Special Administrative Region, plans to extend voucher applicability to suitable medical institutions in the Greater Bay Area starting in 2024, providing significant business opportunities. We will leverage the unified market in the Greater Bay Area to enhance the flow of medical resources and data across borders and accelerate the development of the Longde Health Industrial Park.

5. **Enhancing Corporate Culture to Strengthen Team Cohesion**

Employees are the greatest asset of the company. With staff spread across the country, managing such a broad and diverse team is crucial. To address this, we use social media platforms like WeChat groups to organize employee activities, share major company events, and market updates, strengthening mutual understanding and relationship between employees and the company. Management is also required to maintain regular face-to-face interactions with staff to build trust. Additionally, the Group hosts various themed events at the headquarters each month, enriching employees' lives and fostering better interpersonal relationships. The Company promptly addresses significant events affecting employees, providing support and warmth, which has been highly appreciated by staff.

## HUMAN RESOURCES AND TRAINING

As at 30 June 2024, the Group had a total of 927 employees, of which 138 worked at the Group's headquarters in Shenzhen, and 420 were stationed in 34 other regions mainly responsible for sales and marketing, and 369 worked at Dong Di Xin. For the six months ended 30 June 2024, the Group's total remuneration paid to employees was approximately RMB66,559,000 (2023: approximately RMB73,441,000). The Group releases an annual sales guideline on a yearly basis, setting out the annual sales targets and formulating quarterly sales strategies, so as to provide sales and marketing guidelines for all representative offices and their staff to observe. The Group has a management team with extensive industry experience (including sales directors and product managers). They are responsible for coordinating front-line sales and marketing teams to meet the annual sales targets.

During the Reporting Period, the Group adopted a people-oriented management approach and its staff were closely involved in the management and development of the Group. The Group has implemented a strict selection process for hiring its employees and a number of initiatives to enhance the work efficiency of its employees. The Group conducts periodic performance review on its employees, and revises their salaries and bonuses accordingly. In addition, the Group has arranged training programs for employees in various positions.

## OTHER INFORMATION

## CAPITAL COMMITMENT

As at 30 June 2024, the Group had capital commitment of approximately RMB87,706,000 (as at 31 December 2023: approximately RMB141,678,000).

## PUBLIC FLOAT

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

## DIVIDENDS

Pursuant to a resolution passed by the shareholders of the Company on 29 May 2024, the Company declared a final dividend for the year ended 31 December 2023 of HK$3.38 cents per share, amounting to approximately HK$21,041,000 (equivalent to approximately RMB19,049,000) to the shareholders of the Company. The dividend was fully paid on 30 June 2024 by the internal cash resources of the Company.

The Board resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: nil).

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

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

## CORPORATE GOVERNANCE PRACTICES

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to 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 Reporting Period, the Company complied with the code provisions as set out in the CG Code, in force during the Reporting Period other than code provisions C.2.1 and B.2.4(b) 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 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.

According to code provision B.2.4(b) of the CG Code, where all independent non-executive directors of an issuer have service more than nine years on the board, the issuer should appoint a new independent non-executive director on the board at the forthcoming annual general meeting starting from the financial year commencing on or after 1 January 2023.

With a view to fulfilling the requirements under Code provision B.2.4(b), Dr. Chu Xiaoping will be appointed as an independent non-executive Director with effect from 1 September 2024. For details, please refer to the announcement to be published by the Company on or about 30 August 2024.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its own code governing securities transactions of the Directors. After having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period.

## 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 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 of the Group and to ensure the external auditor is 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. The Audit Committee currently comprises of three members, namely Mr. Duan Jidong, Mr. Zhang Jianbin and Mr. Wong Cheuk Lam. Mr. Wong Cheuk Lam, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

The financial information in this results announcement has not been audited by the auditor of the Company. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements, this unaudited results announcement and the interim report of the Company for the six months ended 30 June 2024 with the management of the Group and agreed with the accounting treatments adopted by the Company, 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 and up to the date of this announcement.

## DISCLOSURE OF INFORMATION

The interim report for the six months ended 30 June 2024 will be duly dispatched to shareholders of the Company and published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.kingworld.com.cn).

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

Hong Kong, 28 August 2024

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