KINGWORLD MEDICINES GROUP LIMITED
金活醫藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 01110)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

RESULTS HIGHLIGHTS

- Revenue decreased by 1.6% to approximately RMB1,061,082,000 (2023: RMB1,078,659,000).
- Gross profit decreased by 3.6% to approximately RMB270,446,000 (2023: RMB280,665,000).
- Gross profit margin decreased by 0.5% points to 25.5% (2023: 26.0%).
- Profit before taxation increased by 1.7% to approximately RMB95,519,000 (2023: RMB93,886,000).
- Profit for the year ended 31 December 2024 increased by 20.9% to approximately RMB74,466,000 (2023: RMB61,594,000).
- Profit attributable to owners of the Company increased by 9.1% to approximately RMB41,557,000 (2023: RMB38,096,000).
- Basic earnings per share increased by 12.1% to approximately RMB7.22 cents (2023: RMB6.44 cents).
- The Board recommended the distribution of a final dividend of HK3.17 cents per share for the year ended 31 December 2024 (2023: HK3.38 cents), subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting to be held on Thursday, 29 May 2025.

The board (the "**Board**") of directors (the "**Directors**") of Kingworld Medicines Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2024 (the "**Year Under Review**") and selected explanatory notes, together with the comparative figures of the corresponding year in 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2024

	Note	**2024** **RMB'000**	2023 RMB'000
Revenue	4	**1,061,082**	1,078,659
Cost of sales		**(790,636)**	(797,994)
Gross profit		**270,446**	280,665
Other revenue and other income	5	**28,542**	27,437
Selling expenses		**(98,839)**	(102,762)
Administrative expenses		**(90,657)**	(100,826)
Research and development expenses		**(17,593)**	(18,840)
Fair value (loss)/gain on financial assets at fair value through profit or loss		**(4,249)**	12,937
Fair value gain/(loss) on investment properties		**5,164**	(1,364)
Impairment loss on trade and other receivables		**(3,110)**	(441)
Profit from operations		**89,704**	96,806
Finance costs	6(a)	**(13,282)**	(11,519)
Share of results of a joint venture		**18,187**	8,212
Share of results of associates		**910**	387
Profit before taxation	6	**95,519**	93,886
Income tax	7	**(21,053)**	(32,292)
Profit for the year		**74,466**	61,594
Attributable to:			
Owners of the Company		**41,557**	38,096
Non-controlling interests		**32,909**	23,498
Profit for the year		**74,466**	61,594
Earnings per share	8		
Basic and diluted (RMB cents)		**7.22**	6.44

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Profit for the year	**74,466**	61,594
Other comprehensive income/(loss) for the year		
Items that will not be reclassified to profit or loss:		
Fair value loss on financial assets at fair value through other comprehensive income	**(3,772)**	(17,885)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the PRC	**3,945**	3,924
	173	(13,961)
Total comprehensive income for the year	**74,639**	47,633
Attributable to:		
Owners of the Company	**41,730**	24,135
Non-controlling interests	**32,909**	23,498
	74,639	47,633

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Note	**2024**	2023
		RMB'000	RMB'000
Non-current assets			
Right-of-use assets		**108,362**	107,438
Property, plant and equipment		**315,347**	278,279
Investment properties		**126,027**	120,619
Goodwill		**90,693**	90,693
Interests in associates		**10,858**	9,667
Interest in a joint venture		**84,769**	66,582
Other intangible assets		**–**	–
Financial assets at fair value through other comprehensive income		**64,203**	68,576
Financial assets at fair value through profit or loss		**7,541**	7,180
		807,800	749,034
Current assets			
Inventories		**120,217**	117,628
Trade and bills receivables	9	**157,724**	152,534
Deposits, prepayments and other receivables		**80,226**	124,425
Financial assets at fair value through profit or loss		**14,302**	20,351
Cash and cash equivalents		**235,299**	173,678
		607,768	588,616
Current liabilities			
Contract liabilities		**59,934**	57,172
Trade payables	10	**159,899**	148,663
Accruals and other payables		**54,157**	44,291
Bank loans		**225,664**	191,663
Lease liabilities		**4,356**	6,366
Income tax payable		**10,858**	15,377
		514,868	463,532
Net current assets		**92,900**	125,084
Total assets less current liabilities		**900,700**	874,118

	2024	2023
	RMB'000	RMB'000
Non-current liabilities		
Bank loans	**161,952**	150,467
Lease liabilities	**10,465**	5,930
Deferred tax liabilities	**22,751**	18,369
	195,168	174,766
NET ASSETS	**705,532**	699,352
CAPITAL AND RESERVES		
Share capital	**53,468**	53,468
Reserves	**586,324**	565,566
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**639,792**	619,034
NON-CONTROLLING INTERESTS	**65,740**	80,318
TOTAL EQUITY	**705,532**	699,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Expressed in Renminbi)

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

a) Statement of compliance

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

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

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries and the Group's interests in associates and a joint venture.

Items included in the financial statements of each entity in the Group are measured using the currency (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), as the Group mainly operates in the Mainland China, RMB is used as the functional and presentation currency of the Group.

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

– investment properties;

– derivative financial instruments;

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

– financial assets at fair value through profit or loss.

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

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

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

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

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 Covenant
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback

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

Amendments to HKAS 1 – Classification of liabilities as Current and Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenant

The amendments impact the classification of a liability as current or non-current and have been applied retrospectively as a package. Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period. Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification.

The amendments did not result in a change in the classification of the Group's borrowings.

Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments have no material impact on these financial statements as the Group has not entered into any supplier finance arrangements.

Amendments to HKAS 16 – Lease Liability in a Sale and Leaseback

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of the initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

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

4. REVENUE

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

	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– pharmaceutical products	**749,692**	735,018
– healthcare products	**62,981**	102,562
– medical devices	**248,409**	241,079
	1,061,082	1,078,659
Timing of revenue recognition		
At a point in time	**1,061,082**	1,078,659

5. OTHER REVENUE AND OTHER INCOME

	2024 RMB'000	2023 RMB'000
Other revenue:		
Bank interest income	**6,146**	2,289
Interest income from a loan to an associate	**119**	106
Gross rental income from investment properties	**3,003**	2,745
Dividend income from financial assets at fair value through profit or loss	**436**	924
Dividend income from financial assets at fair value through other comprehensive income	**1,660**	8,202
Promotional service income	**19,829**	12,261
	31,193	26,527
Other income:		
Government grants (note)	**5,649**	4,456
Net foreign exchange loss	**(10,187)**	(4,966)
Compensation income	**1,045**	–
Management fee income from an associate	**144**	244
Others	**698**	1,176
	(2,651)	910
	28,542	27,437

Note:

Government grants were received from the local government authorities as the recognition of the Group's contribution towards the local economic development, of which the entitlement was unconditional and at the discretion of the relevant authorities.

6. PROFIT BEFORE TAXATION

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

		2024 **RMB'000**	2023 RMB'000
a)	**Finance costs**		
	Interest on bank loans	**12,641**	10,757
	Interest on lease liabilities	**641**	762
		13,282	11,519
b)	**Staff costs (including directors' and chief executive's remuneration)**		
	Salaries and other benefits	**117,642**	120,089
	Contributions to defined contribution retirement plan	**11,595**	11,073
	Equity-settled share award expenses	**3,613**	1,956
		132,850	133,118
c)	**Other items**		
	Amortisation of other intangible assets	**–**	134
	Auditor's remuneration		
	– Audit services	**1,538**	1,490
	– Non-audit services	**124**	182
	Cost of inventories	**742,666**	806,277
	Depreciation		
	– Property, plant and equipment	**11,487**	9,710
	– Right-of-use assets	**8,664**	10,231
	Impairment loss on trade receivables	**199**	441
	Impairment loss on other receivables	**2,911**	–
	Impairment loss on property, plant and equipment	**1,231**	–
	Loss on disposal of property, plant and equipment	**338**	206
	Rental income from investment properties less direct outgoings of RMB87,000 (2023: RMB156,000)	**(2,916)**	(2,589)
	Donations	**9,574**	8,284

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

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

	2024	2023
	RMB'000	RMB'000
Hong Kong Profits Tax		
– Current year	**353**	702
– Over-provision in prior year	**(201)**	(312)
PRC Enterprise Income Tax ("**EIT**")		
– Current year	**21,276**	28,315
– (Over-provision)/under-provision in prior years	**(4,757)**	640
Deferred tax		
– Origination and reversal of temporary differences	**4,382**	2,947
	21,053	32,292

Note:

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

ii) The provision for Hong Kong Profits Tax for 2024 is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2024.

The provision for Hong Kong Profits Tax for 2024 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2024/25 subject to a maximum reduction of HK$1,500 for each business (2023: a maximum reduction of HK$3,000 was granted for the year of assessment 2023/24).

iii) The PRC Enterprise Income Tax has been provided at the statutory rate of 25% (2023: 25%), except for Shenzhen Dong Di Xin Technology Company Limited, which is chargeable at a preferential income tax rate of 15% (2023: 15%).

8. EARNINGS PER SHARE

a) Basic earnings per share

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

	2024 RMB'000	2023 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**41,557**	38,096

	2024 '000	2023 '000
Number of shares		
Weighted average number of ordinary shares in issue	**622,500**	622,500
Effect of shares purchased and held under share award scheme	**(46,581)**	(30,873)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**575,919**	591,627

b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2024 and 2023 was the same as the basic earnings per share since there was no outstanding share options during the years ended 31 December 2024 and 2023.

9. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**124,419**	94,437
Less: Allowance for credit losses (note (c))	**(7,378)**	(7,179)
	117,041	87,258
Bills receivables (note (d))	**40,683**	65,276
	157,724	152,534

Note:

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

b) Ageing analysis of trade receivables

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

	2024 RMB'000	2023 RMB'000
0-90 days	**111,008**	87,093
91-120 days	**5,331**	–
121-180 days	**252**	105
181-365 days	**450**	60
	117,041	87,258

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

c) Impairment of trade receivables

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

Movements in loss allowance account in respect of trade receivables during the year are as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	**7,179**	6,922
Impairment loss recognised during the year (note 6(c))	**199**	441
Bad debt written off during the year	**–**	(184)
At 31 December	**7,378**	7,179

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

10. TRADE PAYABLES

	2024 **RMB'000**	2023 RMB'000
Trade payables (note (b))	**159,899**	148,663

Note:

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

b) Ageing analysis of trade payables

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

	2024 **RMB'000**	2023 RMB'000
0–90 days	**159,545**	139,202
91–180 days	**354**	9,461
	159,899	148,663

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

11. DIVIDEND

The Board recommended the distribution of a final dividend of HK3.17 cents per share for the year ended 31 December 2024 (2023: HK3.38 cents), subject to the approval of the Shareholders of the Company at the forthcoming annual general meeting to be held on Thursday, 29 May 2025.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND INDUSTRY REVIEW

During the Year Under Review, China's economy maintained steady growth with the support of policies promoting high-quality development, interest rate cuts, and trade-in programs, achieving overall stability and significant recovery. China's GDP in 2024 reached RMB134.91 trillion, surpassing the RMB130 trillion mark for the first time, with a year-on-year increase of approximately 5.0%. The national consumer price index (CPI) saw a slight year-on-year rise of 0.2%, with healthcare prices increasing by 1.3%. National consumption exceeded RMB48.79 trillion, marking a year-on-year increase of 3.5%. The combined sales of traditional Chinese and Western medicines hit RMB715.7 billion, a year-on-year increase of 3.1%. During the Year Under Review, China's external demand demonstrated greater resilience than expected. The total import and export value reached RMB43.85 trillion, representing a year-on-year increase of 5%, while the import and export value of pharmaceutical products amounted to USD199.376 billion, a year-on-year increase of 2.13%, with exports growing by 5.9% to USD107.964 billion.

During the Year Under Review, China's pharmaceutical industry accelerated its transformation under the guidance of supportive policies, showcasing diversified demand and strong growth momentum. The thorough implementation of national strategies, such as the Belt and Road initiative and the Regional Comprehensive Economic Partnership Agreement ("**RCEP**"), created a favorable environment for Chinese pharmaceutical companies to enhance their import and export activities and expand their global presence.

In terms of consumer behavior, health awareness among consumers increased in the post-pandemic era, leading to a diversification and refinement of health-related consumption. Demand for wellness, health maintenance, and self-care became more prominent, potentially serving as a new engine for industry growth. Meanwhile, influenced by future income expectations and adjustments to centralized medicine procurement, consumers became more price-sensitive and increasingly inclined to seek cost-effective medicines online. The deep integration of O2O instant delivery and digital services drove growth in online orders, making the convenience and wide selection of online pharmaceutical purchases a new norm in consumer behavior. Additionally, driven by favorable policies, economic factors, and cultural trends, the market for medicinal foods showed vigorous development. The trend of ready-to-eat/drink and snack-style medicinal foods became mainstream, with significant year-on-year growth in markets for "three highs" (high blood pressure, high blood sugar, high cholesterol) medicinal foods and for sleep aids. This reflected the increasing diversity, personalization, and emphasis on health management among consumers.

Policy adjustments continue to drive industry transformation toward high-quality development

Against the backdrop of macroeconomic pressures, the normalization of medical insurance cost control and the deepening of anti-corruption efforts in healthcare drove the industry toward high-quality development. With the deepening of individual medical insurance account reform, adjustments to retail pharmacy payment policies accelerated across the country. Regions such as Shanghai, Shenzhen, and Anhui began to ease restrictions on product categories, funds, and regional usage, making it convenient to a certain extent for insured employees to purchase medicines at designated retail pharmacies, which brought new opportunities for chain pharmacies. However, as individual medical insurance account reform progresses, consumers' willingness to use insurance at pharmacies is expected to decrease, prompting retail pharmacies to expand their non-pharmaceutical offerings to increase revenue. Meanwhile, the implementation of outpatient coordination reimbursement policies accelerated the upgrade of pharmacies to "clinic-style" service models, with health management and chronic disease services expected to become new growth points.

During the Year Under Review, China's medicine regulatory system continued to improve, better adapting to the needs of pharmaceutical innovation and high-quality development. In terms of the operation of chain pharmacies, the "Seven Unifications" policy – aimed at further standardizing pharmacy operations – was implemented. This policy encompasses unified corporate identification, management systems, procurement and distribution processes, service standards, information management, financial management, and pharmaceutical services. Additionally, the policy mandates that pharmacies fully adopt medicine traceability codes, strengthening supervision over medicine circulation. It also intensifies efforts to crack down on insurance fraud, ensuring the rational use of medical insurance funds. In terms of medicine pricing, the "Three Sameness" (medicine of the same generic name, manufacturer, dosage form) and "Four Sameness" (medicine of the same generic name, manufacturer, dosage form, and specification) policies were introduced to address inter-provincial price disparities and discriminatory high prices through horizontal governance of open listed medicine prices. Meanwhile, the new version of the Good Supply Practice (GSP) standards – formally known as the Regulations on the Quality of Operation of Pharmaceutical Products – elevated pharmacies' capabilities in pharmacist staffing and medicine traceability information management. This further standardized and professionalized industry practices.

The normalization of centralized procurement and the innovation in traditional Chinese medicine act as dual drivers for development

During the Year Under Review, the pharmaceutical retail and traditional Chinese medicine industries experienced positive momentum driven by policy incentives. Centralized procurement policies, as a key driver, reshaped the market landscape through catalog expansion and rule optimization. According to statistics, the 62 varieties proposed for inclusion in the tenth round of centralized procurement had a combined sales of nearly RMB55 billion in China's public medical institutions in 2023. Among these, over 20 major types of products had sales exceeding RMB1 billion, while six products had sales below RMB0.1 billion. The promotion of centralized procurement encouraged the entry of procured medicines into retail channels, enriching the product categories available in pharmacies, which potentially stimulated sales growth. The centralized procurement of Chinese herbal pieces and Chinese patent medicines adhered to the theme of "expansion" and followed the principle of "high quality at reasonable prices", with a clear focus on value rather than simple price reductions. This approached effectively drove the return of value to the traditional Chinese medicine industry.

With the gradual implementation of traditional Chinese medicine centralized procurement, more favorable policies for the traditional Chinese medicine industry were issued. On one hand, the government continued to promote the standardization of traditional Chinese medicine. The National Medical Products Administration released the "Special Provisions on Traditional Chinese Medicine Standard Management", laying a solid foundation for the inheritance and innovation of traditional Chinese medicine. On the other hand, the government proposed to "promote the inheritance and innovation of traditional Chinese medicine", approving 12 new traditional Chinese medicines since 2024. In April 2024, the National Health Commission proposed to add four substances – Ophiopogon japonicus (L.f) Ker-Gawl., Rehmannia glutinosa Libosch., Citrus grandis 'Tomentosa' and Citrus grandis (L.) Osbeck, and Asparagus cochinchinensis (Lour.) Merr. – to the "Catalog of Substances That Are Both Food and Traditional Chinese Medicine". This move provided significant policy support for the vigorous development of medicinal foods. Meanwhile, government agencies prioritized cracking down on monopolistic practices in the traditional Chinese medicine raw material market, severely penalizing illegal activities such as illegal funding, hoarding, and price manipulation. These measures advanced the modernization and industrialization of traditional Chinese medicine, and the industry entered a period of concentrated policy dividends release.

China's pharmaceutical exports demonstrate steady recovery and diversified patterns

During the Year Under Review, China's pharmaceutical exports to the markets along the Belt and Road reached USD44.466 billion, a year-on-year increase of 7.7%. The African market also demonstrated strong growth, with exports increasing by 10.9%. It became an important growth market, contributing to the diversification of China's pharmaceutical exports. Meanwhile, against the backdrop of high-quality international development in the pharmaceutical industry, innovative medicines, biopharmaceuticals, high-end medical consumables, and diagnostic equipment became new drivers of export growth. The industry's going global models became increasingly diversified, providing more market opportunities for Chinese pharmaceutical enterprises.

BUSINESS REVIEW

I. Business review of pharmaceutical distribution segment

Affected by the adjustments in the Group's strategic product structure and the changes in the macroeconomic environment, during the Year Under Review, the pharmaceutical distribution segment's sales recorded approximately RMB749,692,000, a year-on-year increase of 2.0%. The Group's brand influence continued to increase. The Group's flagship agency product, Nin Jiom Pei Pa Koa, performed as expected and showed strong growth. Leveraging its excellent therapeutic quality and strong product reputation, combined with precise marketing strategies, Nin Jiom Pei Pa Koa successfully expanded its market among younger demographics.

Nin Jiom Herbal Candy, an enhanced loquat candy formula, is portable and provides relief for educators and other occupational groups who frequently use their voices and suffer from throat fatigue. The Group continued to collaborate with brand ambassadors and retail stores, leveraging the positive image of teachers to strengthen user loyalty and enhance the product's reputation. During the Year Under Review, Nin Jiom Herbal Candy's sales recorded approximately RMB49,668,000, with steadily improving brand reputation.

Another flagship agency product of the Group, Taiko Seirogan, a trusted household remedy for digestive health, experienced strong market demand. However, due to production capacity limitations from the manufacturer and the influence of the supply and demand chain, sales remained flat compared to the previous year. With the ongoing expansion of the digestive health market and the fundamental resolution of supply-demand imbalances, Taiko Seirogan is poised for growth, with broad development prospects and significant market potential.

As consumer recognition of traditional Chinese medicine and the popularity of sports lifestyles increased, the Group's another major agency product, Kingworld Imada Red Flower Oil – known for promoting blood circulation and relieving pain, achieved strong sales growth during the Year Under Review, recording sales of approximately RMB44,705,000, a year-on-year increase of 6.3%. Through over 1,000 trial activities and deep collaborations with various sports events, the Group continuously expanded the product's brand influence and awareness among sports enthusiasts. By growing alongside consumers, the product strengthened connections with target customer groups and enhanced loyalty.

During the Year Under Review, the Group's pharmaceutical distribution segment continued to strategically optimize its product structure. The Group has two prescription medicines as its agency products, namely Foci Kingworld An Gong Niu Huang Wan and Fengbao Jianfu Capsule. Foci Kingworld An Gong Niu Huang Wan, an important product launched during the Group's 30th anniversary celebrations, was introduced to the market in November 2024. As a time-honored traditional Chinese medicine formulation, An Gong Niu Huang Wan is renowned for its exceptional efficacy in clearing heat, detoxifying, calming convulsions, and restoring consciousness. Its key ingredients, including cultivated Niu Huang (bezoar), artificial musk, and pearl, have undergone rigorous screening and testing to ensure high quality and safety. Cultivated bezoar, with its advantages of stable quality, environmental sustainability, traceability, cost-effectiveness, and strong safety, has not only ensured the excellent and consistent therapeutic efficacy of the medicine but also effectively controlled costs, significantly enhancing the product's value for money and market competitiveness. With the deepening of population aging, the treatment demand for chronic diseases, such as cardiovascular and cerebrovascular conditions, continued to expand. An Gong Niu Huang Wan, as a trusted remedy for critical conditions like stroke, holds steady and growing market potential. As of 31 December 2024, An Gong Niu Huang Wan had successfully expanded its presence to over 30 chain pharmacies and more than 500 retail stores, achieving a breakthrough from zero to one. It is poised to become one of the Group's core revenue-driving products.

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

1. ***Omni-channel optimization drives the upgrade of efficiency to build a precision marketing system***

   During the Year Under Review, driven by policy support and consumer demand upgrading, China's pharmaceutical retail industry accelerated its transformation toward omni-channel integration. The Group actively responded to the mainstream trend of online-offline synergy, deepening its channel layout with innovative models.

   In terms of offline channels, affected by the limited supply of Taiko Seirogan, the number of outlets within the Group's coverage increased slightly to 264,953 compared to 2023. This included 209,831 chain pharmacies and individual pharmacies, approximately 32,622 primary healthcare institutions, 16,816 hospitals and clinics, and 47 convenience stores and supermarkets. The number of outlets within the coverage of products such as Nin Jiom Pei Pa Koa and Nin Jiom Herbal Candy saw varying degrees of growth compared to 2023. The Group's first-tier customer partnerships remained stable and strong. During the Year Under Review, the Group made moderate adjustments to the number of first-tier customers based on the customer management system, product iteration, and business expansion needs to ensure timely responses to market demands.

   The Group's products, including Kingworld American Ginseng Capsule, Kingworld Zhuang Yao Jian Shen Pian (Strengthening Kidney Tablet), and Kingworld Gan Mao Qing Jiao Nang (Cold Relief Capsule), have entered the terminal sales network.

In addition, the Group continued to build its self-media brand promotion platforms, targeting vertical groups to enhance brand awareness. The WeChat Official Account "Kingworld Health Home" was activated. The account primarily focuses on product science content, integrating information about An Gong Niu Huang Wan and other products of the Company. Its search engine was optimized to facilitate consumers and clients in accurately locating positive information about Foci Kingworld An Gong Niu Huang Wan. In terms of private domain development, the Group utilized official customer service to engage with consumers or potential buyers of An Gong Niu Huang Wan from various channels, providing one-on-one health consultation. This approach could aggregate traffic and improve product repurchase rates.

2. Strategic synergy empowers the terminal ecosystem, creating a win-win value for chain pharmacies

During the Year Under Review, the Group continued to strengthen its collaboration with top 100 chains and regional chains, promoting a resource-sharing and complementary mechanism. At the terminal operation level, the Group implemented multi-dimensional empowerment, including but not limited to optimizing product display standards, conducting precise member marketing activities, and building a professional pharmaceutical service system. The Group worked with chain stores to jointly develop terminal solutions and establish a sustainable growth collaboration model.

The Group consistently enhanced product knowledge and marketing skills training for in-store personnel. In September 2024, the Group launched the "Business School" golden store manager training program in cities such as Zhengzhou in Henan, Suzhou in Jiangsu, and Pingtan in Fujian. Over 400 participating store managers were deeply introduced to training content such as personnel management, marketing techniques, and promotional plan design. By integrating lectures with case studies, theoretical knowledge and successful experiences were shared, helping partner stores further transform towards professionalism, process standardization, and informatization. This strengthened the partnership with chains and positively boosted sales. Additionally, during the Year Under Review, the Group carried out flagship store construction activities in six regions across the country, including Zhanjiang, Zhongshan, Shantou, and Xiamen, with a total of 203 participating stores.

3. Deepening the full-cycle marketing layout to precisely enhance multi-circle brand influence

The Group continued to refine its integrated online and offline marketing system, accurately aligning brand communication rhythms with solar terms and key consumption dates throughout the year. This approach ensured a deep alignment between brand value and user needs, further solidifying market recognition and driving brand influence to permeate multiple levels, circles, and younger demographics.

In terms of offline brand building, the Group implemented differentiated marketing strategies centered around its core product matrix, systematically enhancing brand value and market penetration. Nin Jiom Pei Pa Koa and Nin Jiom Herbal Candy leveraged festive celebrations as the main theme, creating emotionally resonant consumption scenarios and actively adopting marketing tactics. The Group leveraged interactive folk activities during the Dragon Boat Festival and gratitude campaigns on the Teacher's Day to continuously reinforce consumer awareness, strengthen commercial and terminal customer relationships, thereby increasing exposure and driving terminal sales. Meanwhile, the "Nin Jiom New Voice" National Youth Singing Competition and the Summer Music Caravan Tour successfully integrated the traditional pharmaceutical brand into young family entertainment scenarios, achieving a dual breakthrough in brand cultural heritage and innovative communication, and promoting product penetration among younger consumer groups.

Based on product characteristics of Taiko Seirogan, the Group developed a communication strategy with a focus on the health and public welfare sector. Through the pop-up tour among pharmacies, the product precisely reached its target audience. Capitalizing on the Olympic hype, the Group launched a health run and step donation project and anchored brand promotion deeply with national health advocacy, effectively enhancing the brand's perception of social responsibility. For An Gong Niu Huang Wan, the Group targeted traditional solar terms' consumption patterns, precisely activating market demand through winter solstice-themed promotions.

For Kingworld Imada Red Flower Oil, the Group deepened the brand warmth through the "Caring for Veterans" charity sale and sports event sponsorships. During the Year Under Review, for Kingworld Imada Red Flower Oil, the Group actively supported various sports events and provided the product, financial sponsorships, and post-event stretching services for activities, including the Shenzhen Five Parks Connected Hiking Event, the 8th Wugong Mountain Cross-Country Race, the Tennis Tournament of the Guangdong-Hong Kong-Macao Greater Bay Area Teochew Youth Sports Games, the Changzhou West Taihu Half Marathon, the Zhuzhou Marathon, the Shenzhen Marathon, the Nanchang Marathon, the Shaoxing Marathon, and the 2024 Wutong Mountain Climbing Competition. Meanwhile, the Group significantly enhanced the visibility and consumer trust through bus advertisements in five cities and the construction of flagship stores. In June 2024, Kingworld Imada Red Flower Oil won the "Industrial E-commerce Innovative Marketing Award" at the 4th China Pharmaceutical Distribution and Trade Conference & World Pharmaceutical Retail Industry Conference.

In terms of online brand communication, the Group achieved comprehensive traffic coverage and a breakthrough in youthful transformation by strategically becoming the title sponsor of high-profile entertainment IPs. Nin Jiom paid close attention to Hunan TV's content ecosystem, becoming the exclusive title sponsor of the "Lantern Festival Gala" and the healing travel variety show "Our AI Journey". It leveraged the dual-platform advantage to reach hundreds of millions of family users and effectively strengthened the brand's emotional connection with festive occasions. Additionally, Nin Jiom focused on vertical circle breakthroughs, and the exclusively sponsored stand-up comedy competition variety show "King of Comedy" ignited the market upon its release. According to data from Beacon Pro, the show topped the daily popularity chart on iQiyi for 19 times within 20 days of its release and ranked first for three times in the market share of full-episode plays across the entire network. The brand communication successfully penetrated the young comedy consumer group.

Additionally, Nin Jiom collaborated with the nationally famous mobile game "Game for Peace", launching a special map and in-game items for the "Nin Jiom Good Voice Music Festival" within the game. This allowed players to experience the product through unique gameplay, effectively strengthening the connection and interaction between the brand and young consumers. This approach fostered a more positive brand impression of Nin Jiom among consumers. Nin Jiom also placed advertisements on Tencent Video for several popular TV dramas, including "Blossoms Shanghai" directed by Wong Kar-wai and "The Tale of Rose" starring Liu Yifei, both of which achieved remarkable ratings.

During the Year Under Review, the Group's promotion strategies for these brands, through the organic integration of scenario-based experiences, public welfare value output, and precision communication, drove a significant increase in the brand influence of various product lines. Meanwhile, by leveraging a cross-platform communication matrix, the Group boosted Nin Jiom's recognition among Generation Z consumers, creating a breakthrough effect that deeply integrated this traditional pharmaceutical brand with trendy culture.

4. ***Diving deep into the "She Economy" trend and focusing on the new momentum of "Self-Care" consumption***

During the Year Under Review, the "She Economy" emerged as one of the main forces driving continuous growth in China's consumption and leading changes in consumer market trends. With the rise in women's status and income, the "Self-Care" consumption trend, which seeks both practical value and emotional experiences, holds immense potential.

To align with the rapidly developing female consumer market, the Group paid close attention to this consumption trend, actively embracing changes and seizing market opportunities. The Group established an account on Xiaohongshu, a platform predominantly used by female users, to strengthen deep connections with the female customer base through content co-creation. While enhancing online interactions with consumers, the Group also launched various offline experiential activities, innovatively creating "health and aesthetics experience scenarios". On the Women's Day, the Group organized flower arrangement events, offered samples of Nin Jiom Pei Pa Koa and Nin Jiom Herbal Candy for tasting, and gifted flowers to female consumers visiting the stores on that day. These activities covered 12 key cities including Xiamen and Shanghai, with a total of 25 offline experiential events conducted. These efforts enhanced user engagement and injected new momentum into product reputation.

II. Business review of healthcare and daily chemical distribution segment

As the Group's second largest business segment, the healthcare and daily chemical products include the globally popular Carmex Lip Balm endorsed by the United States' No. 1 pharmacist and internet celebrities, the Goldpartner Glucosamine Radix Paeoniae Alba Calcium Capsule, and two newly launched Innopharm Heart Health Fish Oil products. These feature 95% Omega-3, top-quality rTG fish oil, with an EPA:DHA golden ratio of 3:2, making them an excellent choice for safeguarding family health. In the future, the Group will focus on developing targeted business and marketing strategies around the high-end French natural nutrition brand Innopharm Heart Health Fish Oil.

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

1. *Precisely entering the emerging social media groups to achieve the closed loop of traffic commercialization*

Innopharm Heart Health Fish Oil, a product under the Group's French subsidiary Innopharm S.A., 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. During the Year Under Review, the Group established brand flagship stores on Xiaohongshu, Douyin, JD.com, and Tmall, and continued to foster product reputation. Specifically, the Group focused on its operation on Xiaohongshu, enhancing word-of-mouth dissemination through the flagship store, the matrix of influencer live streams, and user-generated reviews. This strategy boosted brand search volume and effectively directed traffic to the Tmall channel, creating a closed-loop link from sparkling an interest to making the purchase. During the Year Under Review, Innopharm leveraged multiple sales channels including Tmall Global, Xiaohongshu, and Douyin, with Tmall Global accounting for nearly 60% of sales, thereby establishing a solid sales foundation.

Meanwhile, to expand its reach among younger consumer groups, Innopharm Fish Oil leveraged the ecosystem of Xiaohongshu, using "French Healthy Lifestyle" as an entry point. For the Olympic Games in Paris, it created content such as "Women in France Watching the Olympic Opening Ceremony" and tapped into popular topics like wellness and sports in France to achieve precise penetration. The total exposure reached 25.85 million views, with over 30,000 interactions, successfully capturing the attention of Generation Z.

Furthermore, Innopharm Fish Oil further enhanced its brand influence through high-end scenarios. As the official designated nutritional product for the French National Day celebration organized by the CCI France Chine, Innopharm Fish Oil received support from the Consulate General of France in Guangzhou. It was also invited to participate in the 3rd Sino-French GBA Business Summit and became the official designated nutritional product for the event. On the occasion of the 60th anniversary of diplomatic relations between China and France, thanks to the affection of consumers through its excellent scientific research innovation capabilities and exceptional quality, Innopharm was awarded the Sino-French Partnership Award, enhancing consumer trust with national-level endorsement.

2. *Strengthening youth-oriented marketing strategies to achieve vertical circle penetration*

Carmex Lip Balm achieved a youthful brand transformation through precise circle marketing. On the Douyin platform, it targeted vertical interest groups such as anime fans, cosplay enthusiasts, and semi-professional makeup artists with hundreds of scenario-based videos at a relatively low cost. This cost-effective strategy successfully reached the core Gen Z consumer base, driving the proportion of 18-to-25-year-old customers in the flagship store to exceed 50%. By employing a combined strategy of "off-site traffic + limited-time promotion", the brand efficiently converted traffic into sales momentum, resulting in a year-on-year increase of 60% in annual sales.

Additionally, Carmex Lip Balm further leveraged the influence of top live stream hosts, collaborating with Li Jiaqi's support team to conduct special live streams. On 8 May 2024, a single product via the live stream link achieved sales of RMB146,000, boosting the total sales of the flagship store during the same period to RMB179,000. This marketing model followed a three-tiered chain of "vertical circle penetration – interest-guided consumption – top traffic explosion". It gradually influenced consumer decision-making through multi-layered market penetration, ultimately achieving brand growth and sales conversion. During the Year Under Review, Carmex Lip Balm experienced rapid growth in Gross Merchandise Volume (GMV) and successfully shaped young consumers' recognition of the professional lip care brand, laying the foundation for long-term user asset accumulation.

During the Year Under Review, the Glucosamine Radix Paeoniae Alba Calcium Capsule jointly launched by the Group and Goldpartner saw a year-on-year increase of 112% in sales, thanks to its outstanding efficacy, brand influence, and precise promotional strategies. On one hand, the product strengthened channel construction and consumer base through in-store staff training and consumer purchase incentives. On the other hand, leveraging the product's attributes, the Group combined the external use of Kingworld Imada Red Flower Oil with the internal use of the Glucosamine Radix Paeoniae Alba Calcium Capsule to create a "golden partner" solution. This combination allows for the external application of Kingworld Imada Red Flower Oil to alleviate symptoms of joint pain and swelling, while the oral intake of the Glucosamine Radix Paeoniae Alba Calcium Capsule helps repair damaged joint cartilage and enhance bone quality, fundamentally improving skeletal health. This product combination for multiple scenarios appeared was introduced to pharmacies, marathons, and expos, achieving certain effectiveness within the year.

3. *Industry-university-research synergetic innovation empowers new product development, continuously optimizing product structure*

During the Year Under Review, the Cistanche Probiotics project jointly developed by the Group and the Hong Kong University of Science and Technology achieved initial results. It is currently in the packaging and testing phase and is expected to be officially launched in 2025. Additionally, the relaunched Kingworld American Ginseng Capsule was stocked in pharmacies under Neptunus in November 2024. A series of targeted promotional and marketing activities will be arranged in 2025 to fill the current product niche gap and establish a comprehensive American Ginseng product matrix.

III. Business review of medical devices and equipment division

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

During the Year Under Review, public attention towards disease prevention and health management significantly increased in the post-pandemic era. In addition, the global aging population directly drove up the incidence of chronic diseases such as cardiovascular conditions and diabetes. Therefore, the demand for medical equipment remained robust. According to a report by Allied Market Research, the global medical equipment market size is projected to grow to USD957.8 billion by 2033, with a compound annual growth rate (CAGR) of 6.2% from 2024 to 2033.

During the Year Under Review, Dong Di Xin continued to deeply and solidly advance the “Lean Production 6S” management model. Under the guidance of the “Do It Right at One Time” philosophy, Dong Di Xin ensured high-quality product output, effectively driving robust development in both domestic and international businesses. It recorded sales of RMB248,409,000, representing a year-on-year increase of 3.0%.

As for international markets, building on its strong foundation in the European and American markets, Dong Di Xin persistently implemented the “Going Global” strategy, accelerating the expansion into new markets in South America and Africa. After years of development and experience accumulation in the Middle East market, Dong Di Xin achieved initial success in business during the Year Under Review, making a breakthrough in sales. Notably, the sales of high-margin handheld therapy devices significantly increased, driving overall gross margin growth. Three new products developed for overseas markets – itch relief, dysmenorrhea relief, and headache relief devices – performed exceptionally well in the European market, contributing nearly RMB5 million in sales in the first year since launch. This success fully demonstrated the Group’s exceptional market insight, R&D innovation capabilities, and continuously improving ability to capture market opportunities. Additionally, Dong Di Xin advanced technical and channel collaborations with leading international rehabilitation enterprises, striving to lay the foundation for a new product matrix.

As for the domestic market, Dong Di Xin successfully launched the new portable shockwave therapy device at the 89th CMEF (Shanghai) and 90th CMEF (Shenzhen), with the products already shipped to customers in 5 provinces and cities. During the Year Under Review, the Group adopted a precise investment strategy, developing 208 customers across 20 provinces and cities. The UT1041 ultrasound therapy device continued to increase market share in the primary healthcare market due to its high cost-effectiveness. During the Year Under Review, Dong Di Xin actively deepened its strategic collaboration with Moxun Technology, a renowned sales company in the rehabilitation field. Through this collaboration, Dong Di Xin has achieved multi-channel penetration of its core products on e-commerce platforms, private traffic channels, and over 30 professional rehabilitation clinics.

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

1. ***Digitalization drives cost reduction and efficiency improvement across the entire chain***

   During the Year Under Review, Dong Di Xin relocated to a new office, continued to optimize the operational system of its medical equipment business, and achieved cost reduction and efficiency improvement through three core initiatives. First, it enhanced the SMT digital intelligent manufacturing system, strengthening digital control over production processes. Meanwhile, it intensified exchanges and learning with leading domestic and international enterprises to further improve the efficiency of intelligent production. Second, Dong Di Xin optimized the production lines of its subsidiary mold workshops and implemented a three-tier linkage management model. During the Year Under Review, Dong Di Xin upgraded its subsidiary mold production workshops, significantly improving workshop efficiency. In line with the Group's requirements for good management practices, Dong Di Xin adopted a three-tier linkage management model that ties employee benefits to company performance and individual assessments. This initiative positively boosted employee motivation, increased per capita output in the workshop, and effectively ensured the Company's production supply. The Company continued to optimize its organizational structure, implementing cost reduction and efficiency improvement measures across multiple aspects to ensure that net profit and gross margin met expectations amid the current economic environment. Finally, the Company continuously improved its global service system by establishing independent or joint core distributor product after-sales response networks in major sales markets. This ensures timely and efficient resolution of customer and consumer issues locally, effectively reducing communication costs and enhancing the effectiveness of problem-solving.

2. ***Industry-university-research collaboration builds a technological moat***

   During the Year Under Review, Dong Di Xin achieved remarkable results in R&D innovation, with one newly authorized invention patent, four valid invention patents, 24 valid utility model patents, one valid design patent, and 13 software copyrights, continuously strengthening its intellectual property matrix.

The Company further deepened its industry-university-research collaboration. During the Year Under Review, Dong Di Xin partnered with renowned domestic rehabilitation hospitals and the Shenzhen Institute of Advanced Technology, Chinese Academy of Sciences, to undertake scientific research and innovation projects in the field of rehabilitation products. The collaborative development of a new generation of physical rehabilitation therapy devices is now in a critical phase. Currently, the project has entered the clinical validation stage, with plans to apply for international and domestic patents and approvals in 2025. Upon completion of the approval process, the new products will be gradually introduced to the market.

IV. Review of other business

1. The Longde Health Industrial Park has been officially put into use, drawing a new blueprint for the health industry

The Group actively responded to the national health industry development strategy, promoting the development of traditional Chinese medicine in the Greater Bay Area and innovation in the Hong Kong pharmaceutical sector. The Kingworld • Longde Life and Health Industrial Park ("**Longde Health Industrial Park**"), which the Group has been dedicated to building, officially commenced operations on 26 November 2024. Significant progress has already been made in advancing industry-university-research collaboration, fostering upstream and downstream exchanges and cooperation across the industrial chain, and integrating industry resources.

Located in Baolong Technology City, Longgang District, Shenzhen, China, the Longde Health Industrial Park is situated at the heart of the eastern core of Longgang, formed by the Eastern High-Speed Rail New Town and the International Low-Carbon City. It is poised to become an important international hub for the traditional Chinese medicine industry-university-research collaboration in the Greater Bay Area. During the Year Under Review, the initial investment attraction efforts of the Longde Health Industrial Park yielded encouraging results, attracting several high-growth enterprises such as Super Oxygen Era, GSP Warehousing, and Xingwu Biotechnology. A total of 129 potential clients were followed up, demonstrating strong industrial clustering effects. Additionally, the Park organized over ten industry summits and exchange roadshows, three joint construction activities, received 15 leadership visits, and facilitated nine investment and financing projects with more than ten investment and financing institutions. Through high-frequency resource connections, the Park significantly strengthened its industry influence.

At for scientific research commercialization, as the Shenzhen important health industry innovation development, the Longde Health Industrial Park collaborates with universities and research institutions to create a life and health project incubation platform. The Park made concrete progress in its university-enterprise collaboration with the Hong Kong University of Science and Technology, with both parties expected to establish a joint venture within the Park. Additionally, the Park formed strategic partnerships with the Shenzhen Angel FOF, Shenzhen University, and the Shenzhen Association for The Development & Promotion of Health Industry. Furthermore, a biotech company based in the Longde Health Industrial Park used cutting-edge technology to successfully develop an innovative therapy for sinusitis, a common yet difficult-to-cure disease. Given the high recurrence rate of sinusitis and the ongoing demand from patients, the Park plans to engage in deep downstream industry chain cooperation with this company. In terms of integrating pharmaceutical supply chain resources, the Longde Health Industrial Park has already taken a solid first step.

In the future, the Group will focus on the Longde Health Industrial Park as the core base, adhere to technological innovation as the guiding principle, and emphasize ecological environmental protection and sustainable development. With a strong sense of responsibility and mission, the Group will actively promote the innovative development of the traditional Chinese medicine industry, and build an important international hub for the industry-university-research integration in traditional Chinese medicine, contributing to the prosperous development of the pharmaceutical and health industry in the Greater Bay Area.

2. Building on a solid foundation in Hong Kong and Macao and seizing new opportunities in the policy for the landing of Hong Kong medicines

In January 2025, the National Medical Products Administration issued the "Announcement on Streamlining the Registration and Approval Process for Mainland Market Entry of Oral Chinese Patent Medicines Already Marketed in Hong Kong and Macao (No. 7, 2025)". This announcement streamlines the approval process for traditional Chinese patent medicines for oral use that are held by manufacturers registered locally in Hong Kong and Macao, approved by their medicine regulatory authorities, used in the region for over 15 years, and produced in compliance with Good Manufacturing Practice (GMP) requirements. The simplified process aims to facilitate market entry for these established medicines. It also helps break down regional barriers and accelerates the regional circulation of traditional Chinese medicine products, contributing to the collaboration with the Hong Kong and Macao Special Administrative Regions to write a new chapter in the development of traditional Chinese medicine.

On 16 December 2024, Li Ying, Deputy Director of the Shenzhen Administration for Market Regulation, led a research team to visit Kingworld Medicines Group to conduct research on the "Announcement on Streamlining the Registration and Approval Process for Mainland Market Entry of Oral Chinese Patent Medicines Already Marketed in Hong Kong and Macao (Draft for Comment)." Mr. Zhao Li Sheng, Chairman of the Board of the Group, along with senior executives, held in-depth discussions with the research team members. Under the new policy, the Group will leverage Hong Kong's mature supply chain system and solid partnerships to seize market opportunities. In the future, the Group's well-received products successfully launched in Hong Kong are expected to enter the vast domestic market, significantly broadening the market reach of the Group's products and driving sales. With the deepening implementation of the policy, the Group is confident in fully utilizing the complementary advantages of the Hong Kong and domestic markets, strengthening cross-border medical service capabilities in the momentum for the landing of Hong Kong medicines, and promoting mutual penetration between the Hong Kong, Macao, and domestic markets.

3. *Proactively seeking financing opportunities in the health industry to drive sustained and steady business growth*

The Group actively explored opportunities in the health industry to seize sustainable financing opportunities. By leveraging the unique advantages of being a listed company in the capital market, the Group integrated internal and external resources with financing platforms, deepened collaborations with upstream and downstream enterprises in the industry chain, enhanced brand influence, and actively built solid strategic alliances.

During the Year Under Review, the team evaluated and analyzed over 128 projects, primarily in innovative medicines, traditional Chinese medicines, in-vitro diagnostics, and consumer goods, with innovative medicine projects constituting the majority. Through these initiatives, the Group achieved effective resource sharing and optimal allocation, integrating its brand influence and advanced management expertise into partnerships. This collaborative approach enabled the Group and its partners to explore mutually beneficial development models, accelerating market expansion and business growth in the health industry. These efforts laid a solid foundation for future investment returns and fostered mutual growth and prosperity.

4. *Adhering to the share incentive scheme to unlock team potential and foster corporate growth*

During the Year Under Review, the Group further advanced and implemented its share incentive scheme to recognize the contributions of its key talents and provide them with rewards. Following the initial grant of share awards on 21 January 2022 and the second grant in April 2023, the Group, on 30 April 2024, in accordance with the share incentive scheme adopted on 27 August 2019, granted a total of 6.648 million incentive shares at nil consideration to 86 selected participants. Among these, 2.692 million incentive shares were granted to 20 selected participants who are connected grantees, and 3.956 million incentive shares were granted to 66 selected participants who are non-connected grantees (the "**Third Grant of Award**"). The Group aims to deepen its collaborative relationship with its employee team through a continuous share incentive scheme, enhance the Group's cohesion, create a win-win situation, and ensure the steady and long-term development. This initiative also aims to attract top talent to join the Group and accelerate its development pace. The implementation of this incentive scheme has significantly boosted employee morale.

V. CORPORATE CULTURE AND SUSTAINABLE DEVELOPMENT

1. *Upholding corporate sustainable development and fulfilling social responsibilities across multiple dimensions*

The Group continued to uphold the corporate mission of "Serving the community and benefiting the world", actively fulfilling its corporate social responsibility and striving to build a harmonious and graceful community of human beings. During the Year Under Review, the Group made significant contributions in various areas, including educational development, care for veterans, active participation in flood relief and disaster response, and environmental protection. During the Year Under Review, for its outstanding performance in social responsibility, the Group was honored with the title of "Outstanding Enterprise in Fulfilling Social Responsibilities" and received the Corporate Social Responsibility Award of Year at the 6th Jinge Awards by Gelonghui. Mr. Zhao Li Sheng, Chairman of the Board of the Group, was recognized as an outstanding council member of The Nature Conservancy (TNC) during the Year Under Review. These honors are a testament to the Group's long-standing commitment to public welfare and social responsibility, inspiring the Group to continue its journey in public welfare cause.

During the Year Under Review, the Group engaged in public welfare initiatives and participated in multiple charitable donations. In response to the catastrophic flood disaster in Meizhou City, Guangdong Province, the Group immediately contacted the Shenzhen Charity Federation, donating RMB200,000 for disaster area reconstruction. The Group also organized employees to form a disaster relief supplies preparation team. Meanwhile, the Group supported medical facility construction by donating RMB100,000 to the Shantou Public Welfare Foundation to purchase five AED units, which were placed in densely populated public areas to enhance public health security. In support of educational development, the Group donated RMB650,000 to Shantou No. 12 Middle School to establish the "Li Sheng Reading Lounge", a multifunctional space for reading, teaching and research, moral education discussions, and alumni gatherings. This initiative complements the Li Sheng Library which was constructed with the previous donation, promoting and perpetuating the school's tradition of encouraging students and teachers to read diligently and frequently.

The Group continued to hold the large-scale public welfare activity "Vassa Summer Retreat", donating medicines to over 70 renowned mountain temples across the country. During this initiative, the Group's staff gained an in-depth understanding of the needs of each temple and donated medicines and supplies, including Nin Jiom Pei Pa Koa and Kingworld Imada Red Flower Oil, to the temples and impoverished devotees. These donations aimed to alleviate throat discomfort caused by the hot and dry summer climate and help relieve muscle soreness from daily labor for the monastic community. Additionally, the Group organized volunteers to explain the usage methods and precautions of the medicines to the temple monks, receiving widespread praise. The Group consistently supported the Teochew Youth Youth Love and Brightness Initiative over the years, and donated RMB180,000 and a batch of medical supplies during the Year Under Review to provide free cataract surgeries for patients in Nepal. This act of compassion added a glorious chapter to the friendly exchanges between China and Nepal.

During the Year Under Review, the Group actively participated in various traditional cultural activities and sports events, supporting the successful hosting of the Dragon Boat Race in Chidu Village, Yujiao Town, Jieyang City, Guangdong Province, and the Dashahe Dragon Boat Invitational in Nanshan District, Shenzhen City. In addition, the Group supported public sports activities such as the Zhuzhou Marathon, the Shenzhen Five Parks Connected Hiking Event, and the Shenzhen Street Football Invitational, contributing to the promotion of excellent traditional Chinese culture and the dissemination of healthy lifestyle concepts.

During the Year Under Review, in the "2023 Shenzhen Charity Donation List" released by the Shenzhen Civil Affairs Bureau, the Group ranked 11th on the corporate donation list with a total donation of approximately RMB8.4389 million. The Group's Shenzhen Kingworld Caring Health Foundation ranked 58th on the social organization charity donation income list with a donation income of approximately RMB9.8694 million.

2. Strengthening the talent pipeline development mechanism and solidifying the talent reserve foundation

During the Year Under Review, to align with market changes and the needs of diversified development, the Group actively recruited professional talents, emphasized talent pipeline development, and promoted a large number of young sales elites to core roles, making the management team younger.

With a strong focus on internal training and employee growth, the Group conducted various training activities during the Year Under Review for a total of nearly 4,000 participants. The training activities covered multiple aspects, including product knowledge, intellectual property protection, marketing strategies, as well as new employee onboarding, best practices, and leadership development. These training initiatives aimed to enhance employees' professional skills and market sensitivity while broadening their thinking and vision. In product knowledge training, especially for the newly launched Foci Kingworld An Gong Niu Huang Wan, the Group organized a team of professional instructors to provide detailed explanations to sales and marketing personnel about the product's ingredients, efficacy, target audience, and competitive advantages, enabling them to introduce the product more accurately to customers. Additionally, new employee onboarding training, conducted through a combination of online and offline methods, allowed new hires to comprehensively understand the Group's development history, corporate culture, and business processes, helping them quickly integrate into the corporate family. During the Year Under Review, the Kingworld Class, a collaboration between the Group and Guangdong Food and Pharmaceutical Vocational College, continued to supply outstanding graduates to the Company. These graduates rapidly grew in their respective roles, with some already becoming key business personnel.

In addition to internal training, the Group focused on recruiting talents with professional backgrounds and rich experience from outside to strengthen the management team. During the Year Under Review, the Group's Hong Kong company and Shenzhen Kingworld introduced senior executives with extensive experience in international pharmaceutical market expansion, bringing fresh perspectives and solutions for performance growth. Meanwhile, the recruitment of professionals in digital marketing injected new vitality into the innovative development of the Group's online business, helping e-commerce marketing achieve breakthroughs.

As of 31 December 2024, the Group had a total of 739 employees, with 127 working at the Group's Shenzhen head office, 274 stationed in 36 other regions primarily responsible for sales and marketing duties, and 338 employed at Dong Di Xin.

3. Empowering management innovation with technology and driving efficiency with digital tools

During the Year Under Review, the Group continued to deepen the construction of information technology infrastructure, improve digital tools, and optimize processes and systems. The architectural enhancement for the data cockpit was completed, and the DuPont analysis function was strengthened. The SMART information system, a key initiative of the Group, introduced a market activity management module, achieving a closed-loop process from budgeting to reporting. This system can intelligently formulate budget allocation rules, confirm budget data sources, automatically generate market activity budgets, and adjust individual project expenses for special circumstances. As a crystallization of the collective wisdom of Kingworld Medicines, the SMART system was officially put into use in January 2025. Meanwhile, Shuxintang and the Foundation adopted the SAP system in January 2025, further elevating the Group's overall intelligent management level.

Additionally, the Group introduced a mobile sales business dashboard, providing the sales team with real-time access to product sales performance, account status, and distribution rankings through a visual dynamic tracking system. This significantly improved market response efficiency. From an operational perspective, these digital tools played a substantial role in the Group's management, employee motivation, customer service, and regional management, driving comprehensive improvements in management efficiency.

HONOURS

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

Corporate Honors

- Top 500 Enterprises in Shenzhen;

- Key Trademark Protection List in Guangdong Province;

- Shenzhen Health Industry Evergreen Enterprise Award;

- Nanshan District Green Channel Enterprise (2024-2026);

- Jointown Support Award;

- Council Member of National Musk Industry Alliance.

Product Honors

Kingworld Imada Red Flower Oil:

- Industrial E-commerce Innovation Award;
- Supplier for 2024 Shenzhen Marathon;
- Official Designated External Oil for 2024 Zhuzhou Marathon;
- Sponsor for 2024 Changzhou West Taihu Half Marathon;
- Designated External Oil for 2024 Shaoxing Marathon;
- Supplier for 2024 Nanchang Marathon.

Nin Jiom:

- 2023 Top 100 Chinese Medicine Enterprises (46th Place);
- "2024 Healthcare Industry Brand Value Ranking" by CPEO (16 consecutive years);
- 2024 China Pharmaceutical Brand List • Adult Cough and Phlegm Medication (Menet);
- Sei Din Best Chinese Medicines Retail Award; Chinese Pharmacy Most Chosen Brand (20 consecutive years).

An Gong Niu Huang Wan:

- Technology Innovation Award at Health China International Traditional Chinese Medicine Health Technology Industry Expo.

Foci (Minshan Xiao Yao Wan):

- The Top Popularity Award of Hong Kong Pharmacies 2023-2024.

Public Welfare Honors

- Outstanding Enterprise in Fulfilling Social Responsibility 2023;
- Corporate Social Responsibility Award of the Year at the 6th Jinge Awards Outstanding Company List;
- "Excellence Contribution Award" and "Warmth Partner" for veteran care.

Group Leadership Personal Honors

Mr. Zhao Li Sheng (Chairman of the Board):

- Standing Director of the China Overseas Friendship Association;
- Honorary Advisor of the 4th Teochew International Economic Cooperation Organization;
- Outstanding Director of The Nature Conservancy;
- Permanent Honorary Chairman of the Nanshan Youth Association of Hong Kong.

Ms. Chan Lok San (Executive Director):

- "Most Graceful Woman Power" by Nanfang Daily;
- Vice President of the Federation of Shenzhen Industries.

Mr. Zhao Jianwei (Assistant to the Chairman):

- The Power of Role Models • Qinglan Innovation Award;
- Outstanding Young Overseas Chinese Entrepreneur;
- Outstanding Entrepreneur of the Guangdong-Hong Kong-Macao Greater Bay Area;
- First President of the Nanshan Youth Association of Hong Kong;
- Supervisor of Shenzhen Customs Anti-Smuggling Bureau.

Ms. Zhao Weiying (Assistant to the Chairman):

- Member of the Shenzhen Luohu District Committee of the Chinese People's Political Consultative Conference;
- Vice Chairman of the First Council of the Luohu Hong Kong and Macao Youth Alliance;
- Vice President of the Third Council of the Hong Kong and Macao Member Association for Shenzhen Municipal Committee of the Chinese People's Political Consultative Conference;
- Fifth "Shenzhen New Generation Innovation and Entrepreneurship Figure" (awarded in 2025).

FINANCIAL REVIEW

1. Revenue

Revenue of the Group for the Year Under Review was approximately RMB1,061,082,000, representing a decrease of approximately RMB17,577,000 or 1.6% from approximately RMB1,078,659,000 for the year ended 31 December 2023. The decrease was mainly a result of the decrease in revenue from the sales of algae Life's DHA series and Culturelle probiotics. Such decrease was partially offset by the increase in sales of medical devices, including electrophysical therapy and rehabilitation equipment, manufactured by Dong Di Xin.

2. Cost of sales and gross profit

For the Year Under Review, cost of sales for the Group amounted to approximately RMB790,636,000, representing a decrease of approximately RMB7,358,000 or 0.9% from approximately RMB797,994,000 for the year ended 31 December 2023. The decrease in cost of sales was in line with the decrease in sales volume. Gross profit for the Year Under Review was approximately RMB270,446,000 representing a decrease of approximately RMB10,219,000 or 3.6% from approximately RMB280,665,000 for the year ended 31 December 2023. Gross profit margin decreased from 26.0% for the year ended 31 December 2023 to 25.5% for the year ended 31 December 2024. Such decrease is a result of the increase in proportion of revenue from products with relatively lower gross profit margin to total revenue, in particular the Nin Jiom product series, during the Year Under Review.

3. Other revenue and other income

Other revenue and other income mainly included net foreign exchange loss, promotional service income, rental income, government grant, interest income and dividend income. For the Year Under Review, other revenue and other income amounted to approximately RMB28,542,000, representing an increase of approximately RMB1,105,000 or 4.0% from approximately RMB27,437,000 for the year ended 31 December 2023. The increase was mainly due to the increase in promotional income and bank interest income.

4. Selling and distribution costs

For the Year Under Review, selling and distribution costs amounted to approximately RMB98,839,000, representing a decrease of approximately RMB3,923,000 or 3.8% from approximately RMB102,762,000 for the year ended 31 December 2023. This decrease was primarily attributable to the decrease in advertising and promotion expenses.

5. **Administrative expenses**

For the Year Under Review, administrative expenses amounted to approximately RMB90,657,000, representing a decrease of approximately RMB10,169,000 or 10.1% from approximately RMB100,826,000 for the year ended 31 December 2023. This decrease was mainly due to the decrease in bonus and write-down on slow moving inventories.

6. **Finance costs**

For the Year Under Review, finance costs amounted to approximately RMB13,282,000, representing an increase of approximately RMB1,763,000 or 15.3% from approximately RMB11,519,000 for the year ended 31 December 2023. The increase was mainly due to the increase in interest charged on bank loans as a result of an increase in average bank borrowings.

7. **Profit before taxation**

For the Year Under Review, profit before taxation for the Group amounted to approximately RMB95,519,000, representing an increase of approximately RMB1,633,000 or 1.7% from approximately RMB93,886,000 for the year ended 31 December 2023. The increase in profit before taxation was mainly due to the increase in share of results of a joint venture.

8. **Income tax**

For the Year Under Review, income tax expenses for the Group amounted to approximately RMB21,053,000, representing a decrease of approximately RMB11,239,000 or 34.8% from approximately RMB32,292,000 for the year ended 31 December 2023. The decrease was mainly due to the decrease in deferred tax and over-provision in prior years. The effective tax rate for the Year Under Review was 22.0%, compared to 34.4% for the year ended 31 December 2023. The details are set out in Note 7 to the consolidated financial statements in this announcement.

9. **Profit for the year**

As a result of the foregoing, the Group recorded a net profit for the Year Under Review of approximately RMB74,466,000, representing an increase of approximately RMB12,872,000 or 20.9% when compared to approximately RMB61,594,000 for the year ended 31 December 2023.

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

For the Year Under Review, profit for the year attributable to owners of the Company amounted to approximately RMB41,557,000, representing an increase of approximately RMB3,461,000 or 9.1% from approximately RMB38,096,000 for the year ended 31 December 2023. The increase in profit for the year attributable to owners of the Company was mainly due to the increase in profit for the year.

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

1. Trade and bills receivables

Trade and bills receivables of the Group include credit sales to the Group's distributors. Trade and bills receivables of the Group as at 31 December 2024 amounted to approximately RMB157,724,000, representing an increase of approximately RMB5,190,000 or 3.4% from approximately RMB152,534,000 as at 31 December 2023. The increase was mainly due to the increase in sales in December 2024 when compared to the same period in 2023.

2. Inventories

As at 31 December 2024, inventories owned by the Group amounted to approximately RMB120,217,000, representing an increase of approximately RMB2,589,000 or 2.2% when compared to that of RMB117,628,000 as at 31 December 2023. The main reason for the increase in inventories was the increase in finished goods.

3. Right-of-use assets

As at 31 December 2024, right-of-use assets amounted to approximately RMB108,362,000. As at 31 December 2023, right-of-use assets of the Group amounted to approximately RMB107,438,000. The increase was mainly due to the addition in buildings held for own use during the Year Under Review.

4. Property, plant and equipment

Property, plant and equipment owned by the Group include building, leasehold improvements, furniture, fixtures and office equipment, machinery, motor vehicles and construction-in-progress. As at 31 December 2024, the net book value of property, plant and equipment owned by the Group amounted to approximately RMB315,347,000, representing an increase of approximately RMB37,068,000 or 13.3% from approximately RMB278,279,000 as at 31 December 2023. The increase in property, plant and equipment was mainly due to the completion of Longde Health Industrial Park during the Year Under Review.

5. Trade payables

As at 31 December 2024, trade payables of the Group amounted to approximately RMB159,899,000, representing an increase of approximately RMB11,236,000 or 7.6% from approximately RMB148,663,000 as at 31 December 2023. The increase was mainly due to the increase in purchase of goods in December 2024 when compared to the same period in 2023.

CAPITAL STRUCTURE

1. Indebtedness

The total indebtedness of bank loans of the Group, which will be due within one year as at 31 December 2024, was approximately RMB225,664,000 (31 December 2023: approximately RMB191,663,000). The bank loans which will be due over one year as at 31 December 2024 was approximately RMB161,952,000 (31 December 2023: RMB150,467,000). During the Year Under Review, the Group did not experience any difficulties in renewing its banking facilities with the lenders.

2. Gearing ratio

As at 31 December 2024, the Group's gearing ratio, calculated as total interest-bearing bank borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant year, was approximately 21.6% (31 December 2023: approximately 24.1%). The decrease was mainly due to the increase in cash and cash equivalents.

3. Pledge of assets

As at 31 December 2024, the Group had pledged investment properties, right-of-use assets and property, plant and equipment to certain banks in the amount of approximately RMB107,000,000, RMB94,257,000 and RMB15,526,000, respectively. As at 31 December 2023, the Group 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.

4. Capital expenditures

The capital expenditures of the Group primarily included purchases of plant, equipment, leasehold improvements and other costs for acquisition of right-of-use assets and land. The Group's capital expenditures amounted to approximately RMB63,272,000 and RMB107,400,000 for the years ended 31 December 2024 and 31 December 2023, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Group has met its working capital needs mainly through cash generated from operations and various long-term and short-term bank borrowings. For the Year Under Review, the effective interest rate for the Group's bank loans ranged from 3.28% to 6.95%. Taking into account the cash flow generated from operations and the long-term and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this announcement.

As at 31 December 2024, the Group had cash and cash equivalents of approximately RMB235,299,000 (31 December 2023: approximately RMB173,678,000) which was mainly generated from operations of the Group.

CAPITAL COMMITMENT

As at 31 December 2024, the Group had capital commitment of approximately RMB111,038,000 (31 December 2023: approximately RMB141,678,000).

MATERIAL ACQUISITION AND DISPOSAL BY THE GROUP

During the year ended 31 December 2024, the Group did not make any material acquisition or disposal.

LITIGATION

As at 31 December 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, 2021 Annual Report, 2022 Annual Report and 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, 2022 Interim Report, 2023 Interim Report and 2024 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.

FUTURE OUTLOOK

According to the industry research report by Global Growth Insights, the global healthcare and wellness market is projected to grow from USD5.24 billion in 2024 to USD11.04 billion by 2025. This growth is driven by several factors, including increased public health awareness expanding the preventive healthcare market, the deepening aging population boosting demand for chronic disease treatments, and the emergence of significant demand for personalized medicine, beauty and anti-aging, and nutritional diets fueled by emerging technologies. Additionally, according to the prediction by the AskCI Consulting, health food sales will exceed RMB360 billion by 2025.

Despite facing uncertainties such as slowing global and Chinese economic growth in 2025, geopolitical instability, and policy regulations, the healthcare industry continued to benefit from structural upgrades in underlying demand, paradigm shifts in technological innovation, and the ongoing awakening of health-conscious consumption. These factors opened up vast long-term value opportunities for the industry.

Looking ahead, the Group will focus on the following key directions, working together with employees and partners to seize opportunities amidst uncertainties and jointly write a new chapter of high-quality development.

1. Deepening strategic layout and forging new momentum for global development

Building on the achievements of 2024 and guided by its mission and vision, the Group will take the Fifth Five-Year Plan as the outline, continue to refine its strategic information collection and analysis mechanisms, establish a strategic information database, and ensure the decomposition and implementation of the tasks for the 2025 annual plan. In 2025, the Group will strengthen international cooperation, enhance exchanges with countries along the Belt and Road, and promote products in the European market, solidifying the "Going Global" development path and consolidating the Group's global development footprint. The Group will leverage the geographical advantages of the French company, Innopharm, in the European market to efficiently identify and introduce local premium products. Meanwhile, Innopharm will serve as a consulting platform for the European market, acting as a gateway for the Group's international cooperation. Additionally, the Group will expand the international business of its non-wholly owned subsidiary, Dong Di Xin, as a crucial part of the "Going Global" strategy, accelerating the exploration of new markets in South America and Africa in line with the Group's global strategy.

Looking ahead, the Group will focus on enhancing its presence in the global health industry value chain. By deeply integrating the introduction of international premium products with localized operational capabilities, the Group will continuously enrich its health product portfolio. It will proactively monitor trends in innovative therapies and intelligent medical technologies, strategically investing in and acquiring high-growth business segments such as innovative medicines, cell therapy, and digital health. This will build a solution system covering the needs of the entire life cycle healthcare, injecting diversified momentum into the Group's sustainable development.

2. Driving innovation with AI to build core competitiveness in healthcare

With the rapid development of AIGC, the global ecosystem across industries is facing significant opportunities and challenges. AI + healthcare is becoming the forefront of industry development. From a marketing perspective, the Group is committed to implementing an integrated online and offline omni-channel marketing strategy. In the future, the Group will leverage AI for algorithmic analysis of market trends, social hot topics, and user profiles to create more efficient e-commerce marketing solutions. Meanwhile, the Group will precisely understand the health needs that consumers value across different demographics and social media platforms, providing personalized product information and delivering a more rewarding experience for consumers. Moreover, the global medical products industry is actively applying AIGC to drive creative production, which can significantly contribute to cost reduction and efficiency improvement in the development and innovation of medical devices, as well as more effectively create products that meet human needs.

Looking ahead, the Group will actively follow the latest trends in AI-enabled healthcare, continuously anchor the industrial layout in the pharmaceutical and health industry, create strategic synergy advantages, strengthen core competencies, deeply integrate AI technologies, achieve cost reduction and efficiency improvement, and comprehensively enhance the competitive strength.

3. Continuously optimizing the product matrix to drive new growth in performance

The Group will continue to optimize the entire value chain system from supply to sales, enhance product introduction capabilities, and strengthen terminal distribution efforts. In line with the Fifth Five-Year Plan, the Group will optimize the product portfolio structure, refine product positioning and planning, regularly optimize the product pipeline, improve strategies for underperforming product groups, increase support for high-growth potential products, and implement balanced product assessment and incentive measures.

As for the branding strategies, the Group will cultivate self-owned brand products centered around Red Flower Oil, systematically building a synergistic ecosystem for derivative development and channel empowerment. Guided by market demand, the Group will plan the extension path of the Red Flower Oil product line, create a Red Flower product matrix, and activate dormant products in the industrial sector with appropriate models and strategies. Meanwhile, the Group will solidify the existing market foundation, and achieve a balance between steady growth in existing businesses and breakthroughs in emerging markets through the dual drivers of intensive cultivation in county-level markets and expansion of chain channels.

Additionally, the Group will improve the strategic new product evaluation system and incubation mechanism, explore new models for cross-border production capacity synergy, and build an ecological complementary pattern between self-owned brands and imported products. By iterating intelligent evaluation models and optimizing the full-process decision-making mechanism, the Group will continuously enhance the efficiency of new product introduction. In the future, the Group will focus on the pharmaceutical and health industry, adhere to the alliance strategy, proactively engage in marketing cooperation with domestic upstream pharmaceutical manufacturers in the national market, and deepen existing partnerships.

4. Building a new ecosystem for the health industry in the Greater Bay Area with the Longde Health Industrial Park as the pivot

With the official operation of the Kingworld • Longde Life and Health Industrial Park during the review year, the Group has taken a solid step towards coordinated development in the Guangdong-Hong Kong-Macao Greater Bay Area. Seizing this opportunity, the Group will strictly follow the guidance of the Fifth Five-Year Plan, systematically construct the Park's operation and management system, and focus on promoting a development model that integrates industrial ecosystem construction, innovation resource integration, and capital value release. Through strategic initiatives such as establishing a professional investment attraction mechanism, building an industry-university-research platform, and cultivating an industrial service ecosystem, the Group aims to create a highland for the aggregation of biopharmaceutical innovation elements.

In the future, the Group will fully leverage the strategic pivot role of the Park, mobilize the Group's entire industrial chain resources, and focus on cultivating high-growth project clusters and cutting-edge technology transformation platforms. By constructing a value closed-loop of "industrial incubation + capital empowerment + commercial application", the Group aims to achieve deep synergy between R&D innovation, manufacturing, and market expansion. Meanwhile, the Group will explore the coordination mechanism for industrial funds and the capital market, release the aggregation effect of the platform, reshape the value evaluation system in the health industry, amplify the Group's capital market value, invigorate the capital market, and inject strong momentum for the Group's sustainable development.

HUMAN RESOURCES AND TRAINING

As at 31 December 2024, the Group had a total of 739 employees, of whom 127 worked at the Group's headquarters in Shenzhen, and 274 were stationed in 34 regions mainly responsible for sales and marketing, and 338 worked at Dong Di Xin. The total staff cost for the Year Under Review amounted to approximately RMB132,850,000 (2023: approximately RMB133,118,000). The Group releases an annual sales guideline on a yearly basis, setting out the annual sales targets and formulating quarterly sales strategies to provide sales and marketing guidelines for all representative offices and their staff. The Group has a management team with extensive industry experience (including the sales directors and product managers), which is responsible for coordinating front-line sales and marketing teams to meet the annual sales targets.

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

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

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

DIVIDENDS

To extend the Company's gratitude for the support of our Shareholders, the Board has recommended the distribution of a final dividend for the year ended 31 December 2024 of HK3.17 cents per share to Shareholders whose names appear on the register of members of the Company on Wednesday, 11 June 2025, amounting to approximately HK$19,733,000 (equivalent to approximately RMB18,550,000), subject to the approval of the Shareholders at the Company's forthcoming annual general meeting to be held on Thursday, 29 May 2025. Total dividend payout ratio is approximately 50.0% of the profit for the year attributable to owners of the Company.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends, the above-mentioned final dividend is expected to be paid on or before Monday, 30 June 2025.

CLOSURE OF THE REGISTER OF MEMBERS

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

The register of members of the Company will be closed from Monday, 26 May 2025 to Thursday, 29 May 2025 (both days inclusive) during which period no transfer of shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 23 May 2025.

To qualify for the proposed final dividends

The register of members of the Company will be closed from Monday, 9 June 2025 to Wednesday, 11 June 2025 (both days inclusive) during which period no transfer of shares will be registered. To be qualified for receiving the proposed final dividends, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 6 June 2025.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

SHARE AWARD SCHEME

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

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

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

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

At the beginning and the end of the financial year ended 31 December 2024, the number of Shares available for grant under the scheme mandate of the Share Award Scheme were 46,000,000 and 34,292,000 respectively.

Up to 31 December 2023 and during the year ended 31 December 2024, the Trustee had purchased in aggregate of 35,108,000 and 9,500,000 shares of the Company, respectively, from the market for the purpose of the Share Award Scheme. The Board resolved to grant the Award with an aggregate of 6,648,000 Awarded Shares on 30 April 2024 to 86 Selected Participants under the Share Award Scheme at nil consideration, among which 2,692,000 Awarded Shares were granted to 20 Selected Participants who are Connected Grantees and 3,956,000 Awarded Shares were granted to 66 Selected Participants who are Non-connected Grantees. The Awarded Shares represent approximately 1.07% of the total issued share capital of the Company as at the Date of Grant (being 622,500,000 Shares). The closing price of the Shares on the Date of Grant was HK$0.55 per Share and the average closing price of the Share for the five business days immediately preceding the Date of Grant was HK$0.53 per Share. Subject to the acceptance by the Grantees, the Awarded Shares shall be vested in the Grantees on 30 April 2024. As such, at the beginning and the end of the financial year ended 31 December 2024, the Trustee holds 30,048,000 and 32,900,000 shares on trust for the Share Award Scheme, respectively. Please refer to the announcement of the Company dated 30 April 2024 and table below for further details.

Name of Grantee/a description of the category of the Grantee	Date of Grant	Number of awards granted in 2024	Vesting Period	The closing price of the shares immediately before the date on which the awards were granted (HK$ per share)	Number of awards vested in 2024	The number of awards cancelled in 2024 together with the purchase price of the cancelled awards	The number of awards which lapsed in accordance with the terms of the scheme in 2024
Directors							
Mr. Zhao Li Sheng (趙利生)	30 April 2024	304,000	30 April 2024	0.55	304,000	nil	nil
Ms. Chan Lok San (陳樂燊)	30 April 2024	256,000	30 April 2024	0.55	256,000	nil	nil
Mr. Zhou Xuhua (周旭華)	30 April 2024	172,000	30 April 2024	0.55	172,000	nil	nil
Mr. Zhang Jianbin (張建斌)	30 April 2024	140,000	30 April 2024	0.55	140,000	nil	nil
Mr. Duan Jidong (段繼東)	30 April 2024	140,000	30 April 2024	0.55	140,000	nil	nil
Mr. Wong Cheuk Lam (黃焯琳)	30 April 2024	140,000	30 April 2024	0.55	140,000	nil	nil
Employees/Other Grantees (Excluding the Directors)							
Employees/Other Grantees	30 April 2024	5,496,000	30 April 2024	0.55	5,496,000	nil	nil

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

GOING CONCERN

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

PUBLIC FLOAT

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

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

For the year ended 31 December 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "**CG Code**") in force during the Year Under Review as set out in Appendix 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 Year Under Review, the Company complied with the code provisions as set out in the CG Code, in force during the Year Under Review other than code provision C.2.1 of the CG Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

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

During the Year Under Review, the Audit Committee had held two meetings and all the members attended the meetings. The work performed by the Audit Committee during the Year Under Review included reviewing the audited consolidated financial statements of the Group for the year ended 31 December 2023, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2024 and the effectiveness of the internal control practices of the Group. The Audit Committee has also reviewed the audit plan and approach of the external auditor and monitored the progress and results of the audit regularly.

The Audit Committee also carried out corporate governance functions during the Year Under Review, including developing and reviewing the Company's policies and practices on corporate governance and other duties prescribed under code provision D2 of the CG Code.

The Audit Committee has, together with the management of the Company and external independent auditor, reviewed the consolidated financial statements for the year ended 31 December 2024, this results announcement, the annual report, the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group for the Year Under Review, and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this results announcement complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

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

DISCLOSURE OF INFORMATION

This results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.kingworld.com.cn) under "Investor Relations". The annual report for the year ended 31 December 2024 containing all necessary information as required by the Listing Rules will be sent to the Shareholders in due course, and will be published on the website of the Stock Exchange (http://www.hkexnews.hk) under "Listed Company Information" and the website of the Company (http://www.kingworld.com.cn) under "Investor Relations".

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

Hong Kong, 28 March 2025

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