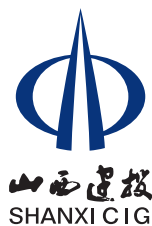


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華控康泰集團有限公司

Kontafarma China Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1312)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the “Board”) of directors (the “Directors”) of Kontafarma China Holdings Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2024 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	3	897,521	809,107
Cost of sales and services		<u>(381,364)</u>	<u>(337,815)</u>
Gross profit		516,157	471,292
Other income	4	34,362	24,469
Other gains and losses		(26,532)	111,162
Impairment losses under expected credit loss model, net of reversal		(49,903)	(72,350)
Distribution and selling expenses		(437,771)	(429,469)
Administrative expenses		(86,270)	(113,023)
Other expenses		(34,630)	(20,750)
Finance costs		<u>(13,392)</u>	<u>(15,250)</u>
Loss before taxation		(97,979)	(43,919)
Taxation	5	<u>(1,042)</u>	<u>(17,196)</u>
Loss for the year	6	<u><u>(99,021)</u></u>	<u><u>(61,115)</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (Cont'd)**

For the year ended 31 December 2024

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other comprehensive (expense) income:			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation to presentation currency		(11,682)	(11,936)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>10,202</u>	<u>(4,585)</u>
Other comprehensive expense for the year, net of tax		<u>(1,480)</u>	<u>(16,521)</u>
Total comprehensive expense for the year		<u>(100,501)</u>	<u>(77,636)</u>
Loss for the year attributable to:			
Owners of the Company		(75,537)	(28,843)
Non-controlling interests		<u>(23,484)</u>	<u>(32,272)</u>
Loss for the year		<u>(99,021)</u>	<u>(61,115)</u>
Total comprehensive expense for the year attributable to:			
— Owners of the Company		(78,588)	(43,818)
— Non-controlling interests		<u>(21,913)</u>	<u>(33,818)</u>
		<u>(100,501)</u>	<u>(77,636)</u>
Loss per share	7	<i>HK cent</i>	<i>HK cent</i>
Basic		<u>(1.35)</u>	<u>(0.52)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	<i>Notes</i>	2024	2023
		HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		228,321	240,196
Right-of-use assets		258,375	334,214
Investment property		32,901	35,424
Goodwill		253,303	253,418
Intangible assets		222,546	249,630
Interest in an associate		—	—
Amount due from an associate		18,654	12,835
Deferred tax assets		258	160
Rental deposits		14,328	11,805
Contract costs		1,737	1,896
		1,030,423	1,139,578
Current assets			
Inventories		85,956	98,266
Trade receivables	9	108,710	106,518
Contract costs		6,062	6,361
Other receivables, deposits and prepayments		55,273	45,668
Other investment		10,000	10,000
Amount due from an intermediate holding company		—	9,238
Amount due from an associate		130,389	132,346
Amounts due from other related parties		80,034	101,701
Cash and cash equivalents		80,585	77,659
		557,009	587,757
Current liabilities			
Trade payables	10	6,659	6,674
Other payables and deposits received		113,643	99,592
Amounts due to other related parties		9,979	7,522
Tax liabilities		39,409	36,321
Bank borrowings due within one year		88,054	39,546
Provision of reinstatement cost		1,227	—
Deferred income		214	218
Contract liabilities		120,674	127,593
Lease liabilities		62,453	66,134
		442,312	383,600
Net current assets		114,697	204,157
Total assets less current liabilities		1,145,120	1,343,735

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)*At 31 December 2024*

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Capital and reserves		
Share capital	11,177	11,177
Share premium and reserves	967,524	1,046,112
	<hr/>	<hr/>
Equity attributable to owners of the Company	978,701	1,057,289
Non-controlling interests	(17,165)	4,657
	<hr/>	<hr/>
Total equity	961,536	1,061,946
	<hr/>	<hr/>
Non-current liabilities		
Bank borrowings due after one year	—	12,801
Deferred taxation	25,795	40,434
Provision for reinstatement cost	10,359	12,230
Deferred income	748	982
Lease liabilities	146,682	215,342
	<hr/>	<hr/>
	183,584	281,789
	<hr/>	<hr/>
	1,145,120	1,343,735
	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

2. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRS Accounting Standards in the current year has 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.

Impacts on application of Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 *Non-current Liabilities with Covenants* (the “2022 Amendments”)

The Group has applied the amendments for the first time in the current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.
- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity’s own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 7 and HKFRS 7 *Supplier Finance Arrangements*

The Group has applied the amendments for the first time in the current year.

The amendments add a disclosure objective to HKAS 7 *Statement of Cash Flows* stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows.

In addition, HKFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

In accordance with the transition provision, the entity is not required to disclose comparative information for any reporting periods presented before the beginning of the annual reporting period in the first year of application as well as the information required by HKAS 7:44 (b)(ii) and (b)(iii) above as at the beginning of the annual reporting period in which the entity first applies those amendments.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue for the year is as follows:

	2024			2023		
	Pharmaceutical business HK\$'000	Fitness business HK\$'000	Total HK\$'000	Pharmaceutical business HK\$'000	Fitness business HK\$'000	Total HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15						
Disaggregated by major products or services lines						
Manufacture and sales of drugs, including chemical drugs, active pharmaceutical ingredients ("API") and API intermediate	682,086	—	682,086	607,131	—	607,131
Operation of fitness centres and provision of consultation services for fitness and health activities						
— personal training classes	—	69,707	69,707	—	65,982	65,982
— membership packages	—	109,194	109,194	—	96,824	96,824
Royalty fee income in relation to fitness and health activities	—	36,534	36,534	—	39,170	39,170
Total	682,086	215,435	897,521	607,131	201,976	809,107
Timing of revenue recognition						
Point in time	682,086	69,707	751,793	607,131	65,982	673,113
Over time	—	145,728	145,728	—	135,994	135,994
Total	682,086	215,435	897,521	607,131	201,976	809,107
Geographical markets						
Mainland China	650,149	—	650,149	592,366	—	592,366
Singapore	—	178,901	178,901	—	162,806	162,806
Taiwan	897	36,534	37,431	—	39,170	39,170
Others	31,040	—	31,040	14,765	—	14,765
Total	682,086	215,435	897,521	607,131	201,976	809,107

Segment information

Information reported to the chief executive of the Company, being the chief operation decision maker (the “CODM”), for the purpose of resource allocation and assessment of segment performance focuses on business units. The Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments.

The Directors have chosen to organise the Group around differences in products and services. The Group is principally engaged in pharmaceutical and fitness business.

- Pharmaceutical business — manufacture and sales of drugs, including chemical drugs, API and API intermediate.
- Fitness business — operate fitness centres and provide consultation services for fitness and health activities and operate the franchise business for royalty fee income.

The Group’s reportable segments are strategic business units that offer different products or services. They are managed separately because each business requires different technology and marketing strategies.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable and operating segments.

	Pharmaceutical business		Fitness business		Total	
	2024	2023	2024	2023	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue from external customers	<u>682,086</u>	<u>607,131</u>	<u>215,435</u>	<u>201,976</u>	<u>897,521</u>	<u>809,107</u>
Segment results	6,956	69,607	(71,753)	(81,470)	(64,797)	(11,863)
Unallocated corporate income					5,755	2,907
Unallocated corporate expenses					(38,937)	(34,963)
Loss before taxation					<u>(97,979)</u>	<u>(43,919)</u>

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment results represent the profit earned by (loss from) each segment without allocation of certain corporate income and expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

There was no inter-segment sales during the years ended 31 December 2024 and 2023.

4. OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest income from banks	540	1,143
Interest income from an intermediate holding company	361	—
Interest income from loans to an associate	4,515	1,817
Interest income from other investment	400	542
	<u>5,816</u>	<u>3,502</u>
Government grant and subsidy		
— release from deferred income	217	220
— related to expenses (<i>note i</i>)	7,792	5,669
— related to employment (<i>note ii</i>)	2,404	2,064
Rental income	3,629	3,680
Service income	1,105	280
Sundry income	13,399	9,054
	<u>34,362</u>	<u>24,469</u>

Note i: The amount represented financial subsidies received for compensating expenses already incurred or giving immediate financial support to the Group. There are no unfulfilled conditions or contingencies in relation to the grants and the grants were determined at the sole discretion of relevant government authorities.

Note ii: Government grant related to employment mainly arose from the Progress Wage Credit Scheme (“PWCS”) introduced by the Singapore government of approximately HK\$1,690,000 (2023: HK\$1,335,000). The PWCS supported employers to expend local hiring. The Group has elected to present this government grant separately in profit or loss as “other income”, rather than reducing the related expense. There are no unfulfilled conditions or contingencies attached to the receipts of those subsidies.

5. TAXATION

Income tax has been recognised in profit or loss as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax		
— The People's Republic of China (the "PRC")		
Enterprise Income Tax	5,804	19,992
— Dividend Withholding Income Tax	3,287	2,825
— Hong Kong Profits Tax	21	—
— Taiwan Corporate Income Tax	5,480	5,875
	<u>14,592</u>	<u>28,692</u>
Under-provision in prior years		
— PRC Enterprise Income Tax	1,382	—
	<u>1,382</u>	<u>—</u>
Deferred tax	<u>(14,932)</u>	<u>(11,496)</u>
	<u>1,042</u>	<u>17,196</u>

6. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Staff costs (including Directors' and senior management's emoluments)		
— Salaries and other costs	142,258	163,492
— Retirement benefits scheme contributions	15,271	14,854
Total staff costs	157,529	178,346
Less: amounts capitalised in inventories	<u>(12,509)</u>	<u>(13,382)</u>
Total staff costs (included in cost of sales and services, distribution and selling expenses and administrative expenses)	<u>145,020</u>	<u>164,964</u>

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Amortisation and depreciation		
— Amortisation of intangible assets (included in administrative expenses)	6,753	6,748
— Depreciation of investment property (included in administrative expenses)	1,790	1,862
— Depreciation of right-of-use assets (included in cost of sales and services and administrative expenses)	64,657	64,646
— Depreciation of property, plant and equipment (included in cost of sales and services, distribution and selling expenses and administrative expenses)	<u>25,929</u>	<u>33,908</u>
Total amortisation and depreciation	<u><u>99,129</u></u>	<u><u>107,164</u></u>
Auditors' remuneration		
— Audit service	3,436	3,235
— Non-audit service	879	948
Cost of inventories recognised as expenses (including write down of inventories amounting to HK\$nil (2023: HK\$1,554,000))	172,834	132,131
Net foreign exchange loss (gain)	7,822	(5,125)
Property rental income, net of negligible outgoing expenses	(3,629)	(3,680)
Research and development expenses (included in other expenses)	34,630	20,750
Sales promotion expenses (included in distribution and selling expenses)	427,604	419,097
Lease payments for low-value assets	125	160
Lease payments for short-term lease	156	236
Impairment loss on intangible assets (included in other gains and losses)	<u>18,816</u>	<u>—</u>

7. LOSS PER SHARE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year for the purposes of basic loss per share attributable to owners of the Company	<u>(75,537)</u>	<u>(28,843)</u>
	<i>Shares</i>	<i>Shares</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>5,578,713,777</u>	<u>5,578,713,777</u>

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the share award scheme of the Company (the “Share Award Scheme”).

No diluted loss per share is presented for the years ended 31 December 2024 and 2023 as there was no potential ordinary share in issue for the years ended 31 December 2024 and 2023.

8. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil). No dividend was declared or paid by the Company during the year ended 31 December 2024 (2023: Nil).

9. TRADE RECEIVABLES

Other than the trade receivables in relation to the payment to be settled through credit cards for customers in fitness business, the Group has a policy of allowing its trade customers credit periods normally from 30 to 180 days. The aged analysis of trade receivables, net of allowance for credit losses, is presented based on the invoice date at the end of the reporting period as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 90 days	74,837	68,363
91 to 180 days	29,530	28,465
181 to 365 days	3,150	6,530
Over 1 year	1,193	3,160
	<u>108,710</u>	<u>106,518</u>

As at 31 December 2024, included in total trade receivables are bills receivable amounting to HK\$9,559,000 (2023: HK\$3,863,000) held by the Group for future settlement of trade payables. All bills receivables are with a maturity period of less than one year.

10. TRADE PAYABLES

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 90 days	4,258	3,366
91 to 180 days	16	6
181 to 365 days	136	1,010
Over 1 year	2,249	2,292
	<u>6,659</u>	<u>6,674</u>

The credit period on purchases of goods and services is 30 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2024, the Group was principally engaged in the (i) manufacturing and sales of drugs in the PRC, including chemical drugs, API and API intermediate; and (ii) operating of fitness centres and provision of consultation services for fitness and health activities, and operating of franchise business for royalty fee income.

Financial Results

For the year ended 31 December 2024, the Group's revenue and gross profit amounted to approximately HK\$897.5 million and HK\$516.2 million (2023: approximately HK\$809.1 million and HK\$471.3 million) respectively, representing an increase of approximately 10.9% and 9.5% as compared with last year. The increase in revenue and gross profit was mainly attributable to the following reasons:

- For the pharmaceutical business segment, the introduction of effective and diverse marketing strategies by Tongfang Pharmaceutical Group Co., Ltd.* (同方藥業集團有限公司) (“Tongfang Pharmaceutical”) and the increase in market demand for its core products promoted the growth of both revenue and gross profit of this business segment; and
- In respect of the fitness business segment, the Group's fitness business in Singapore has recovered from the impact of the COVID-19 pandemic and has significantly improved, which has offset the adverse impact of the decrease in royalty fee income.

The Group's net loss for the year ended 31 December 2024 was approximately HK\$99.0 million (2023: net loss of approximately HK\$61.1 million). Basic loss per share was approximately HK\$1.35 cents (2023: loss per share of approximately HK\$0.52 cents). Despite an increase in both revenue and gross profit and the adoption of effective cost control measures, the Group recorded an increase in net loss, which was mainly due to the facts that: (i) the Group recorded a one-off gain of approximately HK\$110.5 million from the disposal of subsidiaries for the year ended 31 December 2023, while no such gain was recorded for the year ended 31 December 2024; and (ii) the Group recognised an impairment of intangible assets in relation to the franchise agreement for fitness business of approximately HK\$18.8 million.

Business Review

Pharmaceutical Business

For the year ended 31 December 2024, the revenue and gross profit of the Group's pharmaceutical business were approximately HK\$682.1 million and HK\$501.1 million (2023: approximately HK\$607.1 million and HK\$467.2 million) respectively, representing a year-on-year increase of approximately 12.3% and 7.3%. The main reasons were that the introduction of effective and diverse marketing strategies by Tongfang Pharmaceutical and the increase in market demand for its core products promoted the growth of both revenue and gross profit of this business segment.

For the year ended 31 December 2024, the results of the pharmaceutical business segment of the Group recorded a profit of approximately HK\$7.0 million (2023: approximately HK\$69.6 million). The decrease in profit was mainly due to the one-off gain of approximately HK\$110.5 million from the disposal of 66% equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.* (陝西紫光辰濟藥業有限公司) ("Shaanxi Life Care") by Tongfang Pharmaceutical on 9 May 2023, but no such gain was recorded for the year ended 31 December 2024. This negative effect partially offset the positive impact brought by the growth in revenue and gross profit of the pharmaceutical business, as well as the costs control measures of the Group.

1. Tongfang Pharmaceutical

Tongfang Pharmaceutical is principally engaged in the production and sales of chemical generic drugs. It has a preparation workshop of 30,000 square meters in Yanqing District, Beijing. Its key products are prescription drugs and its therapeutic areas mainly include drugs for local anesthesia and gynecological purposes. For the year ended 31 December 2024, Tongfang Pharmaceutical recorded revenue and gross profit of approximately RMB543.3 million and RMB461.0 million (2023: approximately RMB462.7 million and RMB413.8 million), respectively. The revenue and the gross profit recorded a year-on-year increase of approximately 17.4% and 11.4%, respectively.

For the year ended 31 December 2024, Tongfang Pharmaceutical achieved a breakthrough in sales mainly attributable to its successful marketing strategies. In the future, Tongfang Pharmaceutical will improve its marketing efficiency and intensify its efforts in product research and development, with a view to maintaining the favourable momentum of performance growth.

2. *Chongqing Kangle Pharmaceutical Co., Ltd.* (重慶康樂製藥有限公司) (“Chongqing Kangle”)*

Chongqing Kangle is principally engaged in the research and development, production and sales of API and API intermediate in Chongqing Changshou Chemical Industrial Park. For the year ended 31 December 2024, Chongqing Kangle recorded revenue and gross profit of approximately RMB84.0 million and RMB8.5 million (2023: approximately RMB72.7 million and RMB9.0 million) respectively. The revenue recorded a year-on-year increase of approximately 15.6%, while the gross profit recorded a year-on-year decrease of approximately 4.9%.

For the year ended 31 December 2024, the increase in revenue of Chongqing Kangle was mainly attributable to the increase in sales volume driven by higher demand from overseas customers for one of its core products, while the decrease in gross profit was primarily driven by the fluctuation in market selling prices of the products sold.

3. *Shaanxi Life Care*

Shaanxi Life Care and its subsidiaries (collectively, “Shaanxi Life Care Group”) is principally engaged in the manufacturing and sales of Chinese medicine products. On 13 April 2023, Tongfang Pharmaceutical, a subsidiary of the Company, entered into an equity transfer agreement with Ping An Tsumura Inc.* (平安津村有限公司) (“Ping An Tsumura”), pursuant to which Tongfang Pharmaceutical sold its 66% equity interest in Shaanxi Life Care to Ping An Tsumura. Shaanxi Life Care Group was disposed of on 9 May 2023. Upon completion, the Group no longer held any beneficial interest in Shaanxi Life Care Group and ceased to consolidate the profit or loss related to Shaanxi Life Care Group (as of 9 May 2023, Shaanxi Life Care Group recorded revenue and gross profit of approximately RMB21.6 million and RMB9.7 million, respectively).

Fitness Business

The revenue of the Group’s fitness business for the year ended 31 December 2024 was approximately HK\$215.4 million (2023: approximately HK\$202.0 million), which includes royalty fee income of approximately HK\$36.5 million (2023: approximately HK\$39.2 million). The Group’s fitness business for the year ended 31 December 2024 recorded a loss of approximately HK\$71.8 million (2023: approximately HK\$81.5 million).

The increase in revenue in the Group’s fitness business in Singapore was driven by the expansion of members base and competitive pricing strategies. The recovery in Singapore was partially offset by the expected credit losses on the receivables of royalty fee income and impairment on intangible assets in relation to the franchise agreement due to the slower-than-expected recovery of the Group’s fitness business in Taiwan.

Financial Review

Liquidity and Financing

The Group's capital expenditure, daily operations and investments during the year ended 31 December 2024 were mainly funded by cash generated from its operations and loans from principal bankers.

As at 31 December 2024, the Group maintained bank balances and cash reserves of approximately HK\$80.6 million (31 December 2023: approximately HK\$77.7 million), all of which were cash and cash equivalents.

As at 31 December 2024, the Group had outstanding borrowings repayable within one year of approximately HK\$88.1 million and outstanding borrowings repayable after one year of HK\$ nil (31 December 2023: approximately HK\$39.5 million and HK\$12.8 million). As at 31 December 2024, 77.5% of the Group's outstanding borrowings were denominated in Renminbi ("RMB") and 22.5% in Singapore dollars ("SGD"). Approximately 19.6% of the Group's outstanding borrowings were charged with interest at floating rates while the remainder were at fixed rates.

The gearing ratio (total borrowings over total assets) of the Group as at 31 December 2024 was as follows:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total borrowings	<u>88,054</u>	<u>52,347</u>
Total assets	<u>1,587,432</u>	<u>1,727,335</u>
Gearing ratio	<u>5.5%</u>	<u>3.0%</u>

Financial Management and Policy

The Group's financial policy aims at minimising the Group's financial risk exposure. Our policy is not to engage in speculative derivative financial transactions and not to invest current assets in financial products with significant risks.

Risk of Foreign Exchange Fluctuation

The Group's operations are mainly located in the PRC and Singapore and most of its transactions, related working capital and borrowings are denominated in RMB, SGD, United States dollar ("US\$") and HK\$. The Group closely monitors such foreign exchange exposure and will consider hedging significant currency exposure if necessary. However, since the Group's consolidated financial statements are presented in HK\$ which

is different from its functional currency, the Group would inevitably face foreign exchange exposure, whether positive or negative, arising from translating the accounts to its presentation currency.

Pledge of Assets

As at 31 December 2024, the Group's bank borrowings of approximately HK\$85,524,000 (2023: approximately HK\$28,824,000) and lease liabilities of approximately HK\$151,000 (2023: approximately HK\$1,076,000) were secured by the following:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Buildings and structures	30,622	1,835
Investment property	32,901	—
Right-of-use assets	1,434	4,454
Bank balance	305	129
	<u>65,262</u>	<u>6,418</u>

Material Capital Commitments and Investments

The Group had the following capital commitments:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Capital commitments contracted for but not provided in the consolidated financial statements:		
— Acquisition of property, plant and equipment	<u>5,284</u>	<u>16,883</u>

Employees

As at 31 December 2024, the Group had 688 (2023: 720) employees; and the staff costs (including Directors' emoluments and retirements benefits scheme contribution) of the Group's were approximately HK\$145,020,000 (31 December 2023: approximately HK\$164,964,000). The Group maintains a policy of paying competitive remuneration packages, and employees are also rewarded salary and bonus on a performance related basis. In addition, awarded shares may be granted to eligible employees pursuant to the terms of the Share Award Scheme. The purpose of the scheme is to provide incentives to the selected employees to contribute to the Group and to enable the Group to recruit and retain high-calibre employees, and attract and retain human resources that are valuable to the Group.

OUTLOOK

The Group will strive to consolidate the good growth momentum of its existing business in the future operations, while continuing to pay attention to market trends and explore the possibility of launching new products and entering new markets in alignment with the concept of health consumption. After taking into account the risks and returns, the Group will commence investment activities opportunistically so as to identify the second growth curve of the Group.

Pharmaceutical Business

Looking ahead to 2025, the Group's pharmaceutical business will remain the main pillar of the Group's business development. Firstly, the Group's pharmaceutical business will continue to plan for its expansion on sales layout so as to make it one of the important engines of performance growth; secondly, the Group will enhance its core competitiveness through research and development to enrich its advantageous product portfolio in order to cope with the intensifying competition in the industry; and finally, the Group will continue to pay attention to cost control and endeavour to mitigate the negative impacts on profitability brought about by fluctuations in product prices.

Fitness Business

As we look ahead to 2025, the Group's fitness business in Singapore is well-positioned to capitalise on steady market demand and its trusted reputation in the industry. The Group is committed to implementing a series of strategic initiatives in Singapore aimed at sustaining the positive growth trajectory, enhancing operational efficiency, and diversifying the revenue streams.

A major milestone of the Group's fitness business in 2025 is the introduction of new revenue line of Pilates Reformers, capitalising on the growing consumer interest in Singapore. This project introduces the innovative concept of hot reformer group classes, which will elevate our market penetration and reinforce our reputation as an innovator in the fitness and wellness industry.

In addition, the Group will remain vigilant in monitoring the franchise business in Taiwan. The franchisor, a subsidiary of the Group's fitness segment, is dedicated to providing ongoing support to its franchisee in accordance with the franchise agreement to assist in the business recovery in Taiwan.

DIVIDEND

The Board has resolved not to recommend any final dividend for the year ended 31 December 2024 (2023: Nil).

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There has been no significant event which occurred after 31 December 2024 and up to the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the “2025 AGM”) is scheduled to be held on Thursday, 5 June 2025. For determining the entitlement to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Friday, 30 May 2025 to Thursday, 5 June 2025 (both days inclusive), during which period no transfer of shares will be registered. In order for a shareholder to be eligible to attend and vote at the 2025 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 29 May 2025.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2024, the Company has applied the principles of, and complied with, all the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Listing Rules, except for the deviation from code provision C.2.1 of the CG code as follows:

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang Feifei serves as both the chairman of the Board (the “Chairman”) and the president of the Group performing the roles and functions of chief executive (the “President”). The Board believes that vesting the roles of both the Chairman and the President in the same person can facilitate the execution of the Group’s business strategies and improve its operational effectiveness. Taking into account the diverse backgrounds and experience of the non-executive Director and independent non-executive Directors, the Board considers that the balance of power and authority, accountability and independent decision making will not be impaired under the current arrangement. In addition, the audit committee of the Company (the “Audit Committee”), which consists of all independent non-executive Directors, has free and direct access to the Company’s external auditors and independent professional advisers when it considers necessary. Therefore, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate under such circumstance.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2024 contained herein.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the year ended 31 December 2024.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The Company's annual report for the year ended 31 December 2024 (the "2024 Annual Report") will be made available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website (<http://www.kontafarma.com.hk>) in due course. The audited consolidated results of the Group for the year ended 31 December 2024 set out above does not constitute the Company's statutory financial statements but is extracted from the consolidated financial statements for the year ended 31 December 2024 to be included in the 2024 Annual Report.

By order of the Board
Kontafarma China Holdings Limited
Wang Feifei
Chairman

Hong Kong, 28 March 2025

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Wang Feifei (Chairman and President), Ms. Qiao Linna, Ms. Guo Zixiu (Financial Controller) and Mr. Liu Jiankun; one non-executive Director, namely Mr. Huang Yu; and three independent non-executive Directors, namely Dr. Tang Lai Wah, Dr. Ho Ho Ming and Mr. Yao Xiaomin.

* *For identification purpose only*